



Annual Report 2012

Credit Suisse Group AG



Financial highlights

	in / end of		% change		
	2012	2011	2010	12 / 11	11 / 10
Net income (CHF million)					
Net income attributable to shareholders	1,349	1,953	5,098	(31)	(62)
of which from continuing operations	1,349	1,953	5,117	(31)	(62)
Earnings per share (CHF)					
Basic earnings per share	0.82	1.37	3.91	(40)	(65)
Diluted earnings per share	0.81	1.36	3.89	(40)	(65)
Return on equity (%)					
Return on equity attributable to shareholders	3.9	6.0	14.4	–	–
Core Results (CHF million)¹					
Net revenues	23,606	25,429	30,625	(7)	(17)
Provision for credit losses	170	187	(79)	(9)	–
Total operating expenses	21,557	22,493	23,904	(4)	(6)
Income from continuing operations before taxes	1,879	2,749	6,800	(32)	(60)
Core Results statement of operations metrics (%)¹					
Cost/income ratio	91.3	88.5	78.1	–	–
Pre-tax income margin	8.0	10.8	22.2	–	–
Effective tax rate	26.4	24.4	22.8	–	–
Net income margin ²	5.7	7.7	16.6	–	–
Assets under management and net new assets (CHF billion)					
Assets under management from continuing operations	1,250.8	1,185.2	1,205.3	5.5	(1.7)
Net new assets	10.8	46.6	62.4	(76.8)	(25.3)
Balance sheet statistics (CHF million)					
Total assets	924,280	1,049,165	1,032,005	(12)	2
Net loans	242,223	233,413	218,842	4	7
Total shareholders' equity	35,498	33,674	33,282	5	1
Tangible shareholders' equity ³	26,866	24,795	24,385	8	2
Book value per share outstanding (CHF)					
Total book value per share	27.44	27.59	28.35	(1)	(3)
Tangible book value per share ³	20.77	20.32	20.77	2	(2)
Shares outstanding (million)					
Common shares issued	1,320.8	1,224.3	1,186.1	8	3
Treasury shares	(27.0)	(4.0)	(12.2)	–	(67)
Shares outstanding	1,293.8	1,220.3	1,173.9	6	4
Market capitalization					
Market capitalization (CHF million)	29,402	27,021	44,683	9	(40)
Market capitalization (USD million)	32,440	28,747	47,933	13	(40)
BIS statistics (Basel II.5)⁴					
Risk-weighted assets (CHF million)	224,296	241,753	247,702	(7)	(2)
Tier 1 ratio (%)	19.4	15.2	14.2	–	–
Core tier 1 ratio (%)	15.5	10.7	9.7	–	–
Dividend per share (CHF)					
Dividend per share	0.75 ⁵	0.75 ⁶	1.30 ⁶	–	–
Number of employees (full-time equivalents)					
Number of employees	47,400	49,700	50,100	(5)	(1)

¹ Refer to "Credit Suisse reporting structure and Core Results" and "Core Results" in II – Operating and financial review for further information on Core Results. ² Based on amounts attributable to shareholders. ³ A non-GAAP financial measure. Tangible shareholders' equity is calculated by deducting goodwill and other intangible assets as shown on our balance sheet from total shareholders' equity. ⁴ Under Basel II.5 since December 31, 2011. Previously reported under Basel II. Refer to "Capital management" in III – Treasury, Risk, Balance sheet and Off-balance sheet for further information. ⁵ Proposal of the Board of Directors to the Annual General Meeting on April 26, 2013. Refer to "Capital trends and capital distribution proposal" in II – Operating and financial review – Core Results – Information and developments for further information. ⁶ Paid out of reserves from capital contributions.

Annual Report

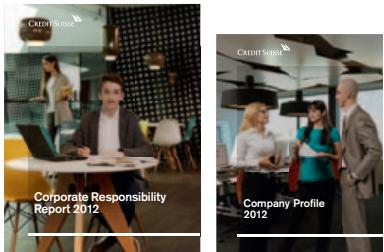
2012



Annual Report

The Annual Report 2012 is a detailed presentation of the Group's annual financial statements, company structure, corporate governance and compensation practices, treasury and risk management framework and a review of our operating and financial results.

Cover: Inside courtyard of Uetlihof 2, Credit Suisse, Zurich, Switzerland.



Corporate Responsibility Report and Company Profile

For a detailed presentation on how the Group assumes its diverse social and environmental responsibilities when conducting its business activities, refer to the Corporate Responsibility Report 2012. This publication is complemented by our **Responsibility Chronicle** that adds a multimedia dimension to the publication by providing a selection of reports, videos and picture galleries that focus on our international projects and initiatives. The Company Profile 2012 is enclosed in the Corporate Responsibility Report and contains key financial figures as well as strategic information. www.credit-suisse.com/responsibility

For the purposes of this report, unless the context otherwise requires, the terms "Credit Suisse Group", "Credit Suisse", "the Group", "we", "us" and "our" mean Credit Suisse Group AG and its consolidated subsidiaries. The business of Credit Suisse AG, the Swiss bank subsidiary of the Group, is substantially similar to the Group, and we use these terms to refer to both when the subject is the same or substantially similar. We use the term "the Bank" when we are referring only to Credit Suisse AG, the Swiss bank subsidiary of the Group, and its consolidated subsidiaries. Abbreviations and selected terms are explained in the List of abbreviations and the Glossary in the back of this report. Publications referenced in this report, whether via website links or otherwise, are not incorporated into this report. In various tables, use of "—" indicates not meaningful or not applicable.

-
- 5 Message from
the Chairman and the
Chief Executive Officer
8 Credit Suisse at a glance



9 Information on the company

- 10 Strategy
13 Our businesses
22 Organizational and regional structure
24 Regulation and supervision
37 Risk factors



47 Operating and financial review

- 48 Operating environment
51 Credit Suisse
55 Core Results (including Overview of results)
68 Private Banking & Wealth Management
79 Investment Banking
84 Corporate Center
85 Assets under management
88 Critical accounting estimates



- 95 **Treasury, Risk, Balance sheet and Off-balance sheet**
96 Liquidity and funding management
102 Capital management
121 Risk management
149 Balance sheet, off-balance sheet and other contractual obligations



153 Corporate Governance and Compensation

- 154 Corporate Governance
186 Compensation



221 Consolidated financial statements – Credit Suisse Group

- 223 Report of the Statutory Auditor
225 Consolidated financial statements
233 Notes to the consolidated financial statements
379 Controls and procedures
380 Report of the Independent Registered Public Accounting Firm



- 381 **Parent company financial statements – Credit Suisse Group**
383 Report of the Statutory Auditor
385 Parent company financial statements
387 Notes to the financial statements
399 Proposed appropriation of retained earnings and capital distribution
400 Report on the conditional increase of share capital

A-1 Appendix

- A-2 Selected five-year information
A-4 List of abbreviations
A-6 Glossary
A-10 Investor information
A-12 Financial calendar and contacts



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

Message from the Chairman and the Chief Executive Officer

Dear shareholders, clients and colleagues

2012 was a year of transition for the financial services industry, as banks sought to adapt to new regulatory requirements, changing macroeconomic conditions and evolving client needs. Especially following the escalation of the Eurozone debt crisis, there was further debate about the mode and pace of implementation of the Basel III regulatory framework and the Swiss "Too Big to Fail" legislation. In Switzerland, developments in the cross-border wealth management business were driven by the focus on finding a politically acceptable basis for the future of this business and ongoing efforts to resolve legacy tax matters, particularly with other European countries and the US.

In response to this changing industry landscape, we took swift and decisive action during 2012 – building on the strategic steps we have been taking since 2008. In 2012, we substantially strengthened our capital position, lowered our cost base, reduced balance sheet assets both in terms of total assets and risk-weighted assets, and adapted the organizational structure of our businesses. Throughout this transformation, we maintained our strong market share momentum across businesses, continued to invest in key markets and achieved consistent pre-tax income during 2012 on an underlying* basis.

We now have a business model that is focused on those areas of business, where we can create value for clients and shareholders in the new environment. We are confident that the combination of a leading global wealth and asset management business for both private and institutional clients and a focused investment bank, together with our universal bank in our Swiss home market, provides us with a broad-based business structure and balanced income streams.

Significant progress in transforming our bank

We took further significant steps in 2012 to adapt our organization to new regulatory requirements and the changing market environment, as well as to evolving client needs:

- We further reduced our Basel III risk-weighted assets by CHF 55 billion, ending 2012 with Group-wide risk-weighted assets of CHF 284 billion. With that we are close to our target of less than CHF 280 billion in risk-weighted assets by year-end 2013.
- We strengthened our capital position by adding CHF 12.3 billion in pro-forma Look-through Swiss Core Capital** and our capital program is on track to achieve the end-2018 requirement of a 10% Swiss Core Capital ratio by mid-2013.
- We lowered our cost base by CHF 2.0 billion compared to the adjusted* annualized run-rate for the first half of 2011 and we are underway to achieve our CHF 4.4 billion run-rate reduction target by end-2015.
- We adapted the business models and organizational structure of our businesses. We created an integrated Private Banking & Wealth Management division with a strong global footprint that will continue to be a key revenue driver for the bank. We transformed our Investment Banking division to be Basel III compliant and remain focused on our market-leading, high-return businesses.

Throughout this transformation, we generated solid revenues and an underlying* return on equity of 10% for the full year 2012, and we maintained our strong market share momentum.

Developments in our individual businesses

In Private Banking & Wealth Management, we made good progress in adapting our business to the new environment while continuing to achieve strong client momentum and improving profitability. We are confident that the organizational steps that we announced in November 2012 to better manage the alignment of the products, advice and services that we deliver to clients will further increase our productivity and efficiency. The integrated Private Banking & Wealth Management division, which is led by Hans-Ulrich Meister and Robert Shafir, comprises our Wealth Management Clients business and Asset Management business, as well as our Corporate & Institutional Clients business in Switzerland. With its strong global presence, our Wealth Management Clients business is in a good position to operate successfully in the new regulatory environment and to generate attractive returns despite ongoing margin pressure in the industry. Our Asset Management business is focused on liquid, scalable alternative investment products and multi-asset class solutions and on close collaboration with our other businesses. Asset Management has a particularly strong position in our Swiss home market.

In Investment Banking, we have transformed our business model and are one of the first global banks to be Basel III compliant. In 2012, we generated higher revenues and higher returns on significantly less risk-weighted assets and on a substantially reduced expense base. In November 2012, we announced the appointment of Gaël de Boissard, head of Fixed Income, to the Executive Board to lead the Investment Banking division with Eric Varvel, who is continuing to run the Equities and Investment Banking departments within the division. The new organizational structure for Investment Banking reflects the importance of the Equities and Underwriting & Advisory businesses. At the same time, it also recognizes the progress we have made in evolving our Fixed Income business to the new environment and the strength of this business for Credit Suisse. The streamlined organization builds on the strategic steps we have taken since 2008 and helps us to execute our business strategy, including continued market share growth, reallocation of capital toward a better balance between Private Banking & Wealth Management and Investment Banking, and further progress in reducing costs.

We have also adapted our Shared Services functions to the changing business priorities. Shared Services provides support in the areas of finance, operations, human resources, legal and compliance, risk management and IT. In 2012, we created a combined Finance, Operations and IT function that enables the bank to accelerate progress towards a common infrastructure, achieve greater coordination to partner with the business efficiently and improve client access to our industry-

leading products. We also transferred further services to our Centers of Excellence around the globe. We expect the strategic importance of these centers to increase further in future.

Our performance in 2012

For the full year 2012, we delivered underlying* Core pre-tax income of CHF 5,008 million, more than double the CHF 2,371 million in the prior year. Underlying* net income attributable to shareholders was CHF 3,577 million and underlying* return on equity was 10%. After taking account of significant non-operating items, including fair value charges on own debt of CHF 2,939 million due to the improvement of our own credit spreads, our reported Core pre-tax income was CHF 1,879 million, net income attributable to shareholders was CHF 1,349 million and return on equity was 3.9%.

In Private Banking & Wealth Management, net revenues of CHF 13,541 million were stable compared to 2011, despite the adverse impacts of continued low transaction levels and the low interest rate environment. Total operating expenses of CHF 9,584 million decreased 8% compared to the prior year, and 3% excluding the litigation provisions of CHF 478 million in 2011 in connection with the German and US tax matters. The lower expenses reflect the efficiency measures we implemented throughout 2012, including the integration of Clariden Leu. Private Banking & Wealth Management recorded net asset inflows of CHF 40.6 billion for the full year across all regions, particularly from emerging markets and the ultra-high-net-worth client segment. However, these inflows were partly offset by significant items, including an outflow of a single low-margin client mandate in the amount of CHF 14.7 billion in the first quarter of 2012, structural outflows of CHF 6.9 billion in Western Europe and outflows of CHF 7.5 billion relating to the integration of Clariden Leu. As a result, Private Banking & Wealth Management reported net new assets for the full year 2012 amounting to CHF 10.8 billion.

For 2012, Investment Banking net revenues were CHF 12,558 million, up 20% compared to the prior year. This increase was primarily due to higher fixed income revenues, which reflected a more favorable market environment and the strength of our repositioned franchise. Total operating expenses in Investment Banking declined by 4% compared to the prior year, primarily due to the benefits of our efficiency measures. In 2012, Investment Banking reduced risk-weighted assets by USD 55 billion to USD 187 billion compared to 2011 and is continuing to make substantial progress toward its target of reducing risk-weighted assets to below USD 175 billion by end- 2013. Investment Banking's normalized* return on Basel III allocated capital improved to 14% in 2012, excluding losses from the wind-down portfolio.

We continued to see the benefits of the integrated bank model in 2012, with 18.6% of Group-wide net revenues generated as a result of collaboration among our businesses.

Creating value for our stakeholders

We want to be a company that is close to our clients and provides them with the best service, generates superior returns for our shareholders, is considered a great employer by the over 47,000 people who work for us around the world and is a contributing member of the communities where we operate. We have adapted decisively to the structural changes in our operating environment and have addressed the needs of our stakeholders. We are confident that the actions we have taken in 2012 and the steps we will implement going forward position us as a strong and reliable partner to our clients, shareholders and employees.

We would like to thank our shareholders and clients for their loyalty to Credit Suisse and for the trust they placed in us in 2012. We particularly wish to thank all our employees for their continued commitment and their valuable contribution to the success of our business.

Yours sincerely,

Urs Rohner
Chairman of the
Board of Directors

Brady W. Dougan
Chief Executive Officer

March 2013

* Underlying, normalized and adjusted results are non-GAAP financial measures. The table below includes a reconciliation of certain of these measures. For further information on the calculation of underlying, normalized and adjusted measures, including reconciliations for historical periods, the cost run rate on an adjusted annualized basis and Investment Banking's normalized return on Basel III allocated capital for ongoing businesses, see the 4Q12 Results Presentation Slides.

** As of January 1, 2013, Basel III was implemented in Switzerland along with the "Too Big to Fail" legislation and regulations thereunder. Our related disclosures are in accordance with the current interpretation of such requirements, including relevant assumptions. Changes in the final implementation of these requirements in Switzerland or in any of our assumptions or estimates could result in different numbers from those shown herein. In addition, we have calculated our 2012 pro forma Look-through Swiss Core Capital assuming the successful completion of the remaining CHF 0.8 billion of capital measures we announced in July 2012.

	Core pre-tax income		Net income attributable to shareholders		Return on equity (%)	
	2012	2011	2012	2011	2012	2011
in						
Overview of significant items (CHF million)						
Reported results	1,879	2,749	1,349	1,953	3.9	6.0
Fair value losses/(gains) from movement in own credit spreads	2,939	(1,616)	2,261	(1,151)	–	–
Realignment costs	680	847	477	640	–	–
Gain on sale of stake in Aberdeen Asset Management	(384)	(15)	(326)	(13)	–	–
Gain on sale of non-core business (Clariden Leu integration)	(41)	–	(37)	–	–	–
Impairment of Asset Management Finance LLC and other losses	68	–	41	–	–	–
Gain on sale of real estate	(533)	(72)	(445)	(60)	–	–
Gain on sale of Wincasa	(45)	–	(45)	–	–	–
Losses on planned sale of certain private equity investments	82	–	72	–	–	–
Litigation provisions	363 ¹	478 ²	230 ¹	428 ²	–	–
Underlying results	5,008	2,371	3,577	1,797	10.0	5.5

¹ Includes CHF 136 million (CHF 96 million after tax) related to significant Investment Banking litigation provisions in the third quarter of 2012 and CHF 227 million (CHF 134 million after tax) NCFE-related litigation provisions in the fourth quarter of 2012. ² Related to litigation provisions in connection with German and US tax matters.

Credit Suisse at a glance

Credit Suisse

As one of the world's leading financial services providers, we are committed to delivering our combined financial experience and expertise to corporate, institutional and government clients and to high-net-worth individuals worldwide, as well as to private clients in Switzerland. Founded in 1856, today we have a global reach with operations in over 50 countries and 47,400 employees from approximately 100 different nations. Our broad footprint helps us to generate a geographically balanced stream of revenues and net new assets and allows us to capture diverse growth opportunities around the world. We serve our diverse clients through our two divisions, which cooperate closely to provide holistic financial solutions, including innovative products and specially tailored advice.

Private Banking & Wealth Management

Private Banking & Wealth Management offers comprehensive advice and a wide range of financial solutions to private, corporate and institutional clients. The Private Banking & Wealth Management division comprises the Wealth Management Clients, Corporate & Institutional Clients and Asset Management businesses. In Wealth Management Clients we serve ultra-high-net-worth and high-net-worth individuals around the globe and private clients in Switzerland. Our Corporate & Institutional Clients business serves the needs of corporations and institutional clients, mainly in Switzerland. Asset Management offers a wide range of investment products and solutions across diverse asset classes and investment styles, serving governments, institutions, corporations and individuals worldwide.

Investment Banking

Investment Banking provides a broad range of financial products and services, including global securities sales, trading and execution, prime brokerage and capital raising services, corporate advisory and comprehensive investment research, with a focus on businesses that are client-driven, flow-based and capital-efficient. Clients include corporations, governments, institutional investors, including hedge funds, and private individuals around the world. Credit Suisse delivers its investment banking capabilities via regional and local teams based in major global financial centers. Strongly anchored in Credit Suisse's integrated model, Investment Banking works closely with Private Banking & Wealth Management to provide clients with customized financial solutions.



Information on the company

10 Strategy

13 Our businesses

**22 Organizational and regional
structure**

24 Regulation and supervision

37 Risk factors

Strategy

An integrated global bank

We offer our clients in Switzerland and around the world a broad range of traditional and customized banking services and products. We believe that our ability to serve clients globally with solutions tailored to their needs gives us a strong advantage in today's rapidly changing and highly competitive marketplace.

We operate as an integrated bank, combining our strengths and expertise in our two global divisions, Private Banking & Wealth Management and Investment Banking. Our divisions are supported by our Shared Services functions, which provide corporate services and business solutions while ensuring a strong compliance culture. Our global structure comprises four regions: Switzerland; Europe, Middle East and Africa; Americas and Asia Pacific. With our local presence and global approach, we are well positioned to respond to changing client needs and our operating environment.

Progress across key strategic pillars

In 2012, we made significant progress in evolving our client-focused, capital-efficient strategy to meet emerging client needs and regulatory trends while delivering attractive returns to shareholders. We undertook considerable efforts to adapt our business portfolio, to optimize and strengthen our capital position and to reduce our cost base. As a result of these actions, we believe that Credit Suisse today is better positioned to perform in a challenging market environment and compete in our chosen businesses and markets around the world.

- ▶ Refer to "Cost savings and strategy implementation" in II – Operating and financial review – Core Results – Information and developments for further information on Group cost efficiencies.
- ▶ Refer to "Capital management" in III – Treasury, Risk, Balance sheet and Off-balance sheet for further information on capital trends.

Organizational alignment

In November 2012, we announced an alignment of our organization to further strengthen our focus and ensure a more comprehensive execution of our strategy. We integrated our former Private Banking and Asset Management divisions into a single, new Private Banking & Wealth Management division,

including the majority of our securities trading and sales business in Switzerland, which was transferred from the Investment Banking division. We evolved certain responsibilities on our Executive Board so that the four heads of our two business divisions are each also responsible for one of our four regions. The modified management structure allows for efficient cross-regional and cross-divisional collaboration to better realize revenue opportunities with more effective alignment between legal entities and their management structure, which also meets regulatory expectations.

Private Banking & Wealth Management

Our Private Banking & Wealth Management division is comprised of our Wealth Management Clients, Corporate & Institutional Clients and Asset Management businesses. In Wealth Management Clients, we continue to focus on our international growth strategy, most notably fast growing and large onshore markets, as well as our ◊ultra-high-net-worth individual client segment (UHNWI), while building on our strong position in the Swiss market and enhancing our efficiency. Further, we have realigned our organization in the Swiss market to balance growth in market share with operating efficiency. In our Corporate & Institutional Clients business, we further strengthened our focus on the specific client needs in our different businesses. In our Asset Management business, we strengthened our focus on liquid, scalable alternative investment products and multi-asset class solutions, while exiting subscale or less capital-efficient businesses and selectively optimizing our footprint.

Investment Banking

In the Investment Banking division, we remain committed to offering our clients a broad spectrum of equities, fixed income, and investment banking advisory products and services. We are focused on businesses where we have a competitive advantage and where we are able to operate profitably and with an attractive return on capital in the new regulatory environment. While the industry still faces substantial restructuring, we have substantially completed our transformation to a business model which is fully compliant with the ◊Basel III regulatory framework. We will continue to redeploy capital to our market-leading, high-returning businesses while continuing to reduce ◊risk weighted assets and our cost base to further improve returns.

Group cost efficiencies

In 2012, we continued to implement cost efficiency initiatives achieving our original cost savings target of CHF 2 billion one year early relative to the annualized first half 2011 expense run rate measured at constant foreign exchange rates and adjusted to exclude business realignment and other significant non-operating expenses and variable compensation expenses. We continue to adjust and optimize our footprint across businesses and regions and adapt Shared Services to changing business priorities.

As a result of the integration of our new Private Banking & Wealth Management division and other measures we are taking, in February 2013 we updated our overall cost savings targets relative to the annualized first half 2011 expense run rate to CHF 3.2 billion in 2013, CHF 3.8 billion by the end of 2014 and CHF 4.4 billion by the end of 2015, adjusted on the same basis as described above. We expect to incur CHF 1.6 billion of business realignment costs associated with these measures during the course of 2013 to 2015.

- ▶ Refer to "Cost savings and strategy implementation" in II – Operating and financial review – Core Results – Information and developments for further information on group cost efficiencies.

Group priorities

We expect our client-focused, capital-efficient strategy to benefit from a more constructive market environment while limiting our risk exposure in down markets. We have increased clarity on our future regulatory environment, and we are well advanced on implementation.

We target an annual after-tax return on equity (ROE) of 15% across market cycles. Building on the momentum we have established, we aim to further focus on our most profitable client businesses, gain market share and strengthen our geographic footprint, including our goal to achieve a 25% revenue contribution from emerging markets by 2014. To achieve our goals, we continue to focus on the following priorities:

Client focus

We put our clients' needs first. We aspire to be a consistent, reliable, flexible and long-term partner focused on clients with complex and multi-product needs, such as CUNHWI, large and mid-sized companies, entrepreneurs, institutional clients and hedge funds. By listening attentively to their needs and offering superior solutions, we empower our clients to make better financial decisions. Against the backdrop of significant changes within our industry, we strive to consistently enable our clients to realize their goals and thrive. We continue to strengthen the coverage of our key clients by dedicated teams

of senior executives who can deliver our integrated business model. We have a strong capital position and high levels of client satisfaction and brand recognition, and our strong client momentum is well recognized. We were named "Best Private Bank Globally", "Best Investment Bank in Switzerland" and "Best Emerging Markets and Western Europe M&A House" in Euromoney's Awards for Excellence in 2012.

Employees

We continue our efforts to attract, develop and retain top talent in order to deliver an outstanding integrated value proposition to our clients. Our candidates go through a rigorous interview process, where we not only look for technical proficiency and intellect, but for people who can thrive in and contribute to our culture. We review our talent and identify the optimal development opportunities based on individual and organizational needs. We strongly promote cross-divisional and cross-regional development, as well as lateral recruiting and mobility. Valuing different perspectives, creating an inclusive environment and showing cross-cultural sensitivity are key to Credit Suisse's workplace culture. Through our business school, we train our leaders, specialists and client advisors in a wide range of subjects. We take a prudent and constructive approach to compensation, designed to reflect the performance of individuals and the firm and closely align the interests of employees with those of shareholders.

Collaboration

We help our clients thrive by delivering the best products and services across our organization and divisions. We have established a dedicated governance structure in order to drive, measure and manage collaboration among our businesses. We target collaboration revenues of 18% to 20% of net revenues, and in 2012 we recorded collaboration revenues of CHF 4.4 billion, representing 19% of net revenues. Since the inception of our collaboration program in 2006, we have built a strong track record of delivering customized value propositions. We believe this is a significant differentiator for Credit Suisse. We have observed increasing momentum in collaboration initiatives, including tailored solutions for entrepreneurs and high-net-worth clients by Investment Banking and managed investment products developed by Private Banking & Wealth Management. As we also benefit from our programs for cross-divisional management development and lateral recruiting, collaboration revenues, including cross-selling and client referrals, have proven to be a resilient source of both revenues and assets.

Capital and risk management

As prudent risk taking aligned with our strategic priorities is fundamental to our business, we maintain a conservative framework to manage liquidity and capital. In July 2012, we announced a number of comprehensive capital measures designed to accelerate the strengthening of our capital position in light of the current regulatory and market environment, including the implementation of the ◊Basel III framework and the Swiss ◊“Too Big to Fail” legislation. Our capital measures include, among others, capital raising from key strategic investors and current shareholders, strategic divestments and real estate sales. As of year-end 2012, our Look-through Swiss Core Capital ratio was 9.0%, and our ◊Basel II.5 tier 1 capital ratio improved to 19.4% from 15.2% in 2011. Our Basel II.5 leverage ratio improved to 5.8% from 4.6% in 2011. We continued to optimize our balance sheet and plan to further reduce it to achieve a 2013 target of below CHF 900 billion on a foreign-exchange neutral basis compared to the end of the third quarter 2012. We continue to deploy capital in a disciplined manner based on our economic capital model, assessing our aggregated risk taking in relation to our client needs and our financial resources.

As of January 1, 2013, the Basel Committee on Banking Supervision (BCBS) Basel III framework (Basel III) was implemented in Switzerland along with the Swiss “Too Big to Fail” legislation and regulations thereunder. Our related disclosures are in accordance with our current interpretation of such requirements, including relevant assumptions. Changes in the final implementation of these requirements in Switzerland or in any of our assumptions or estimates could result in different numbers from those shown in this report. Our ratio calculations use estimated ◊risk-weighted assets (RWA) as of December 31, 2012, as if the Basel III framework had been implemented in Switzerland as of such date.

- ▶ Refer to “Capital management” in III – Treasury, Risk, Balance sheet and Off-balance sheet for further information on capital trends.

Efficiency

We continue to strive for top-quartile efficiency levels, while being careful not to compromise on growth or reputation. In 2013 we are targeting a cost/income ratio of below 70%. In line with the announced evolution of our strategy, implemented efficiency measures are generating significant cost savings while helping to build an efficiency culture. We have increased deployment under our Centers of Excellence (CoE) program to over 14,000 roles, increasing efficiency, and have established initiatives to further leverage the service capabilities and talent at our CoE sites.

To track our progress and benchmark our performance we have defined a set of KPIs for growth, efficiency and performance, and capital to be achieved across market cycles, and these indicators were updated at year-end 2012.

- ▶ Refer to “Key performance indicators” in II – Operating and financial review – Core Results – Information and developments for a more detailed description of our businesses and our performance in 2012 against the defined targets.

Industry trends and competition

For the financial services industry, 2012 was a year of transition, with banks seeking to adapt to new regulatory requirements, changing macroeconomic conditions and evolving client needs. There was further debate about the process and timing of implementing the ◊Basel III regulatory framework and the Swiss ◊“Too Big to Fail” legislation. In Switzerland, developments in the cross-border wealth management business were driven by the focus on finding a political basis for operating this business in the future and ongoing efforts to resolve legacy tax matters, particularly with European countries and the US.

- ▶ Refer to “Our businesses – Private Banking & Wealth Management” and “Our businesses – Investment Banking” for further information.

Corporate responsibility and Code of Conduct

At Credit Suisse, we are convinced that our responsible approach to business is a decisive factor determining our long-term success. We therefore expect all our employees and members of the Board of Directors to observe the professional standards and ethical values set out in our Code of Conduct, including our commitment to complying with all applicable laws, regulations and policies in order to safeguard our reputation for integrity, fair dealing and measured risk-taking. At the same time, we strive to assume our corporate responsibilities in every aspect of our work based on our broad understanding of our role as a financial services provider, member of society and employer. Our approach also reflects our commitment to protecting the environment and the importance we assign to our dialogue with our stakeholders. To ensure that we supply the full breadth of information required by our stakeholders, we publish a Corporate Responsibility Report and additional information, which can be found at www.credit-suisse.com/responsibility. Our Code of Conduct is available on our website at www.credit-suisse.com/code.

Our businesses

Private Banking & Wealth Management

Business profile

Within the Private Banking & Wealth Management division, we offer comprehensive advice and a broad range of financial solutions to private, corporate and institutional clients. Private Banking & Wealth Management comprises the Wealth Management Clients, Corporate & Institutional Clients and Asset Management businesses, and had total assets under management of CHF 1,250.8 billion as of the end of 2012.

Our **Wealth Management Clients** business is one of the largest in the international wealth management industry serving over two million clients, including ◊UHNWI and ◊high-net-worth individual clients around the globe and private clients in Switzerland. We offer our clients a distinct value proposition, combining global reach with a structured advisory process and access to a broad range of sophisticated products and services. As of the end of 2012, our Wealth Management Clients business had assets under management of CHF 798.5 billion. Our global network comprises 3,910 relationship managers in 42 countries with more than 330 offices and 22 ◊booking centers.

Our **Corporate & Institutional Clients** business offers expert advice and high-quality services to a wide range of clients, serving the needs of over 100,000 corporations and institutions, mainly in Switzerland, including large corporate clients, small and medium size enterprises (SME), institutional clients, financial institutions, shipping companies and commodity traders. More than 1,500 employees serve our clients out of 38 locations. While the Swiss home market remains our core focus, we are also building out our capabilities in international growth markets with dedicated teams in Luxembourg, Singapore and Hong Kong. As of the end of 2012, Corporate & Institutional Clients reported CHF 323.1 billion of client assets and CHF 60.6 billion of net loans.

Our **Asset Management** business offers investment solutions and services globally to a wide range of clients, including pension funds, governments, foundations and endowments, corporations and individuals. We invest across a broad range of asset classes with a focus on alternative investment strategies, emerging markets, asset allocation and traditional investment strategies. Our investment professionals deliver access to best-in-class products and holistic client solutions. Asset Management had CHF 371.6 billion of assets under management as of the end of 2012.

Key data – Private Banking & Wealth Management

	in / end of		
	2012	2011	2010
Key data			
Net revenues (CHF million)	13,541	13,447	14,580
Income before taxes (CHF million)	3,775	2,961	4,142
Assets under management (CHF billion)	1,250.8	1,185.2	1,205.3
Number of employees	27,300	28,100	28,700

Industry trends and competition

Notwithstanding the current economic uncertainty, the wealth management industry continues to have positive growth prospects. Assets of ultra- and high-net-worth individuals globally are projected to grow approximately 6% annually over the next five years. Structurally, the industry is undergoing significant change. Wealth creation continues to shift towards emerging markets, with higher growth rates fueled by entrepreneurial activity and comparatively strong economic development. Mature markets, with around two thirds of the world's wealth located in the US, Japan and Western Europe, are experiencing a generational transfer of wealth. New and proposed laws and international treaties, including tax treaties entered into by Switzerland, are leading to increased regulation of cross-border banking activities for certain clients.

Globally, regulatory requirements for investment advisory services are also increasing, including in the areas of suitability, appropriateness of advice, client information and documentation. We believe Credit Suisse will be well adapted for this new environment through application of our structured advisory process, which helps to ensure that our business conduct is compliant with all applicable regulatory standards.

We believe the market for corporate and institutional banking services continues to offer attractive business opportunities. However, the competition between banks is intense and the low-interest rate environment remains challenging, resulting in continuous pressure on margins. This business is also significantly affected by new capital requirements for banks. International financial institutions continue to review their market strategies in light of capital and leverage restrictions.

The asset management industry overall faced significant challenges affecting growth in 2012, with assets under management remaining flat compared to 2007 levels, even while global investable assets have increased. Within the asset management industry, allocations to alternative investments have continued to increase due to projected low returns from fixed-income products and increased volatility in equity markets.

Within alternatives, the hedge fund industry continued to see modest inflows in 2012, with the largest hedge fund managers capturing the majority of asset inflows. Private equity fundraising remained relatively flat in 2012 relative to 2011, remaining far below pre-crisis peaks. The regulatory environment continued to evolve in 2012 and is expected to continue to trend toward simpler, more regulated fund structures in conjunction with investors seeking better transparency and risk management.

For the wealth and asset management industry in general, gross margins remain under pressure due to continued low interest rates as well as clients choosing a more conservative asset mix and reducing their overall investment activity in the face of economic uncertainty and specific events such as the European sovereign debt crisis and the US "fiscal cliff". We expect these challenging conditions to last for some time to come. Competition and cost pressure in the industry remain intense, with many competitors reevaluating their business models. Attracting and retaining the best talent continues to be a key factor for success. As a result of these structural industry trends, we expect industry consolidation and restructuring to continue. We believe Switzerland is well positioned as a financial center to continue its success in this changing marketplace, offering clients a politically stable and economically diversified investment environment combined with a long-standing heritage in wealth and asset management services.

For Swiss institutions, the Swiss franc remains strong historically, even given the actions by the Swiss National Bank (SNB) to maintain a minimum exchange rate against the euro. This strength can adversely affect operating performance for Swiss institutions as revenues are based on assets under management that are often denominated in currencies that have weakened against the Swiss franc but a substantial portion of the related expenses are incurred in Swiss francs.

Strategy

As of November 30, 2012 we integrated our former Private Banking and Asset Management divisions into a single, new Private Banking & Wealth Management division. In addition, the majority of our securities trading and sales business in Switzerland was transferred from the Investment Banking division into the Private Banking & Wealth Management division. This integration created one of the foremost integrated wealth and asset management businesses globally. As a result of the integration and other measures, the Group updated its overall cost savings target by an additional CHF 0.4 billion to be achieved by year-end 2015.

Wealth Management Clients

In 2012 we made significant progress towards our goals. We improved our organizational structure to deliver more dedicated and client centric services, especially in our Swiss home market. In parallel, we increased our profitability through strict cost management and revenue and pricing measures. We also continued our focus on fast growing and large markets, UHNWI clients, and on attracting top talent to the business. With these efforts and even in the challenging economic environment, in 2012 we were able to achieve a pre-tax income margin of 22.6% and a gross margin of 114 basis points. We expect to make additional progress by continuing our long-term strategy along:

- Advice at the core
- Global growth
- Productivity management
- Regulatory transformation
- Integrated bank
- Best people

Advice at the core: We have continued to deliver tailor-made and best-in-class financial solutions to our clients based on our structured advisory process. In addition, particularly in Switzerland, we created a more client centric organizational structure. Furthermore, we established new business units focusing on specific client segments and continued to develop our range of solutions based on client needs with the expertise of our research and investment experts. To ensure the highest standards in our product offerings, our selection of internal and third-party solutions is based on comprehensive due diligence with regard to client appropriateness.

Global growth: Our Swiss home market remains a key area of focus where we continued to expand our already strong market position through new services and special campaigns. This resulted in CHF 2.3 billion of net new assets in Switzerland in 2012. In addition, we successfully continued our expansion in fast growing emerging markets, increasing our footprint in those markets in 2012 by 12% in terms of assets under management. We also significantly invested in our dedicated offerings for UHNWI clients, resulting in strong net new assets inflows of CHF 26.3 billion in 2012 from this client segment. Moreover, we concluded the integration of Hedging-Griffo in Brazil, the largest wealth market in Latin America, as well as the integration of HSBC's wealth management business in Japan. With these successful integrations, we are now among the top wealth managers in both countries.

Productivity management: Key to achieving our productivity enhancements were our efficiency management programs we announced and began implementing in November 2011, our CoE, now including more than 2,800 roles, and the completion of the integration of Clariden Leu. We are continuing our market review with a focus on locations with maximum scale and high cost efficiencies, and are planning to exit markets which do not meet these standards. Through these various efficiency measures we achieved CHF 300 million of pre-tax income improvements in 2012.

Regulatory transformation: We are dedicated to strict compliance with national and international regulations and proactive development and implementation of new business standards, including in the areas of client advice and anti-money laundering measures.

Integrated bank: The unique value proposition of our integrated bank remains a key strength in our client offerings. Close collaboration with the Investment Banking division and other businesses within Private Banking & Wealth Management enables us to offer customized and innovative solutions to our clients, especially to UHNWI clients, our fastest growing and most profitable segment.

Best people: Attracting, developing and retaining the industry's top talent continues to be a vital cornerstone of our strategy. Therefore, while reducing the overall headcount in 2012 in accordance with our efficiency targets, we continued to hire experienced senior relationship managers, who accounted for 64% of our relationship manager hires. We also continued to build on our extensive training and certification programs through which we enhance our existing talent pool.

Corporate & Institutional Clients

In 2012 we successfully took further steps towards the implementation of our business strategy and achievement of the overall Private Banking & Wealth Management strategy despite a difficult market environment. Our focus on risk and margin management was not only the base for our solid financial results, but was also a key factor in reinforcing our reputation as a proactive partner for our clients. A new client segmentation framework in the SME business, a redesigned sales management process and the integration of key organizational units allowed us to further strengthen our focus on the needs of our different client segments. Through various efficiency measures completed in 2012, we maintained our cost/income-ratio at a highly competitive level, supporting our solid financial results. In 2012 we were recognized with several awards, including "Best Private Bank for Business Jet Finance and Advisory" by *Corporate Jet Investor*, "Best Trade

Finance Bank" in Switzerland by *Global Finance Magazine* and "Best Swiss Global Custodian" by *R&M Surveys*.

Asset Management

We continue to focus on alternative investment strategies, including emerging markets, and core investments, including asset allocation and traditional products.

Strategic divestments: In line with our strategy toward a more liquid alternatives business and given the remaining uncertainty regarding the implementation of the "Volcker Rule", we accelerated the implementation of our strategy in mid-2012 and began the process of selling certain businesses within Asset Management. These comprise certain private equity businesses and investments and our exchange-traded funds (ETF) business. We announced the sale of the ETF business in January 2013 and expect to complete the sale by the end of the second quarter of 2013. During 2012 we completed the sale of our residual stake in Aberdeen Asset Management and the sale of Wincasa AG.

Realignment of businesses: As part of our overall strategy, including the divestments mentioned above, we have realigned our asset management businesses to optimize our re-sized footprint. We will manage our business along the following lines:

- Alternative investment strategies, which includes hedge fund strategies, alternative beta, commodities and credit investments;
- Core investments, which includes multi asset class solutions, equities, fixed income, real estate and index mandates; and
- Legacy, which includes businesses identified for sale and other private equity interests that are not considered part of our scalable, capital-light alternative investment strategies.

Growth in targeted areas: We have made significant progress in new initiatives in our targeted growth areas in 2012. We announced the formation of an asset management joint venture with one of our strategic investors focused on investment strategies in the Middle East, Turkey and other frontier markets. We launched a number of new products during the year, including the largest listed closed-end structured credit trust of its kind in Mexico, two fixed income bond funds in Singapore, a structured products fund, an alternatives fund that offers US investors a mutual fund vehicle providing a fund of hedge funds return profile with daily liquidity, and two fixed income bond funds in Singapore. Further, we successfully closed fund raisings for two significant collateralized loan obligation transactions.

Brazilian operations: We successfully integrated the existing Asset Management businesses in Brazil into one platform within our subsidiary Hedging-Griffo, and expanded our asset management capabilities through our investment in Peninsula Investimentos SA, which sponsors and manages hedge funds with a focus on Brazil macroeconomic funds and private equity funds.

Efficiency measures: We continued to streamline and simplify our business which resulted in reduced total operating expenses and headcount.

Products and services

Wealth Management Clients

In Wealth Management Clients, our service offering is based on our structured advisory process, client segment specific value propositions, comprehensive investment services and our multi-shore platform.

■ **Structured advisory process:** We apply a structured approach based on a thorough understanding of our clients' needs, personal circumstances, product knowledge, investment objectives and a comprehensive analysis of their financial situation to define individual client risk profiles. On this basis we define together with our clients an individual investment strategy. This strategy is implemented ensuring that portfolio quality standards are adhered to and that all investment instruments are compliant with suitability and appropriateness standards. Responsible for the implementation are either the portfolio managers, in the case of discretionary mandates, or our relationship managers working together with their clients, in the case of advisory mandates.

■ **Client segment specific value propositions:** We offer a wide range of wealth management solutions tailored to specific client segments. Our global market segments are primarily made up of UHNWI and high-net-worth individual clients, and, in Switzerland, private clients. UHNWI and high-net-worth individual clients contributed 41% and 45% of assets under management in Wealth Management Clients at the end of 2012, respectively. For entrepreneurs, we offer solutions for a range of private and corporate wealth management needs, including succession planning, tax advisory, financial planning and investment banking services. Our entrepreneur clients benefit from the advice of Credit Suisse's experienced corporate finance advisors, immediate access to a network of international investors and the professional support in financial

transactions. A specialized team, Solutions Partners, offers holistic and tailor-made business and private financial solutions to our UHNWI clients.

■ **Comprehensive investment services:** We offer a comprehensive range of investment advice and discretionary asset management services based on the outcome of our structured advisory process and the guidelines of the Credit Suisse Investment Committee. In addition, we base our advice and services on the analysis and recommendations of our global research team, which provides a wide range of global research including macroeconomic, equity, bond and foreign-exchange analysis, as well as research on the Swiss economy. Our investment advice covers a range of services from portfolio consulting to advising on individual investments. We offer our clients effective portfolio and risk management solutions, including managed investment products. These are products actively managed and structured by our specialists or third parties, providing private investors with access to investment opportunities that otherwise would not be available to them. For clients with more complex requirements, we offer investment portfolio structuring and the implementation of individual strategies, including a wide range of structured products and alternative investments. Discretionary asset management services are available to clients who wish to delegate the responsibility for investment decisions to Credit Suisse. We are an industry leader in alternative investments and, in close collaboration with our Asset Management business and Investment Banking, Wealth Management Clients offers innovative products with limited correlation to equities and bonds, such as hedge funds, private equity, commodities and real estate investments.

■ **Multi-shore platform:** With global operations comprising 21 international booking centers in addition to our operations in Switzerland, we are able to offer our clients booking capabilities locally as well as through our international hubs. Our multi-shore offering is designed to serve clients who are focused on geographical risk diversification, have multiple domiciles, seek access to global execution services or are interested in a wider range of products than are available to them locally. In 2012, CHF 26.5 billion of net new assets in Wealth Management Clients were booked outside Switzerland, and we expect that international clients will continue to drive our growth in assets under management.

Corporate & Institutional Clients

In Corporate & Institutional Clients, we supply a comprehensive spectrum of financial solutions to companies and institutional clients. Our offering is derived from our clients' needs and delivered through our integrated franchise and growing international presence. With this foundation, we are able to assist our clients in virtually every stage of their business cycle and cover their banking needs in Switzerland and abroad. For corporate clients we provide a wide range of basic banking products such as traditional and structured lending, payment services, foreign-exchange, capital goods and real estate leasing as well as investment solutions. Furthermore, together with the Investment Banking division we offer tailor-made services in the areas of mergers and acquisitions, syndications and structured finance. For corporations with specific needs for global finance and transaction banking we provide services in commodity trade finance, commodity project and export finance as well as trade finance and factoring. For our institutional clients, including pension funds and public sector clients, we offer a wide range of fund solutions and fund-linked services, including fund management and administration, fund design and comprehensive global custody solutions. Our offerings also include ship and aviation finance and a competitive range of services and products for financial institutions such as securities, cash and treasury services.

Asset Management

In Asset Management, we offer institutional and individual clients a range of products, including alternative and traditional products. We reach our clients through our own distribution teams in Private Banking & Wealth Management, the Investment Banking division and through third-party distribution channels.

Our alternative investment offerings include hedge fund strategies, alternative beta, commodities and credit investments. We offer access to various asset classes and markets through strategic alliances and key joint ventures with external managers and have a strong footprint in emerging markets.

In our core investments business, in the area of multi-asset class solutions we provide clients around the world with innovative solutions and comprehensive management across asset classes to optimize client portfolios, with services that range from funds to fully customized solutions. Stressing investment principles such as risk management and asset allocation, we take an active, disciplined approach to investing. Other core investment strategies include a suite of fixed income and equity funds, our real estate business which aims to provide investors with stable and attractive cash flows by applying active portfolio management to reduce volatility, and our indexed solutions business which provides institutions and individual clients access to a wide variety of asset classes in a cost-effective manner.

Products that we now include in our legacy business include our ETF business, the private equity businesses and investments that we have targeted for sale, and other private equity interests that are not considered part of our scalable, capital-light alternative investment strategies.

Investment Banking

Business profile

Investment Banking provides a broad range of financial products and services, focusing on businesses that are client-driven, flow-based and capital-efficient. Our suite of products and services includes global securities sales, trading and execution, prime brokerage and capital raising and advisory services as well as comprehensive investment research. Our clients include corporations, governments, pension funds and institutions around the world. We deliver our global investment banking capabilities via regional and local teams based in major developed and emerging market centers. Our integrated business model enables us to gain a deeper understanding of our clients and deliver creative, high-value, customized solutions based on expertise from across Credit Suisse.

Key data – Investment Banking

	in / end of		
	2012	2011	2010
Key data			
Net revenues (CHF million)	12,558	10,460	15,873
Income/(loss) before taxes (CHF million)	2,002	(593)	3,594
Number of employees	19,800	20,700	20,500

Industry trends and competition

2012 was a challenging year marked by market uncertainty amid continued concerns from the European sovereign debt crisis, global economic slowdown and the late 2012 threat of the US “fiscal cliff”. Investment Banking, in particular, was impacted by a high degree of macroeconomic uncertainties, political tensions and continuing regulatory developments. Similar to many of our global competitors, Credit Suisse’s Investment Banking business was affected by subdued corporate and institutional risk appetite, continued low client activity levels across businesses and high market volatility during the year. In addition, financial institutions across the globe were under significant pressure to adapt their business models as legal requirements became increasingly stringent. The evolving regulatory framework and significant regulatory developments in 2011 and 2012 have fundamentally changed the business and competitive landscape of the industry. One example of significant change affecting the industry is the phasing-in of higher minimum capital requirements under Basel III beginning in 2013 in some countries, including Switzerland. Banks deemed systemically important will be required to hold additional capital by the beginning of 2019 as part of efforts to prevent another financial crisis. Although some of the new regulatory measures require further rule-making and will be

implemented over time, we expect increased capital and liquidity requirements and derivatives regulation to result in reduced risk-taking and increased transparency.

Strategy

Since 2008, Credit Suisse has proactively pursued a client-focused, capital-efficient business model. This strategy, coupled with our conservative funding and liquidity position and strong capitalization, has served us well during a period of market volatility and industry change. In light of persistent headwinds, we announced a refinement to our strategy in November 2011 aimed at adapting our businesses to the new market and regulatory environment. This includes significantly reducing Basel III RWA in fixed income, achieving greater financial flexibility by reducing our cost base, optimizing our portfolio towards synergies with the Private Banking & Wealth Management division and delivering sustainable, attractive returns in areas where we have competitive advantages.

Since this announcement, we have made substantial progress in executing the initiatives of our evolved strategy. We have significantly adapted our business model and have become one of the first global banks to be Basel III compliant. Without these proactive measures, the onset of regulatory changes arising from Basel III would result in a material increase in RWA for Investment Banking, with the vast majority impacting the fixed income business. In 2012, we accelerated our RWA reduction plan and reduced Basel III RWA by USD 55 billion to USD 187 billion. The bulk of these reductions were in our fixed income wind-down businesses, as evidenced by a decrease of USD 35 billion, or 73%, in Basel III RWA during the year. Specifically, we reduced positions and risks across long-dated trades in global rates, credit correlation book, legacy wind-down portfolio and legacy emerging markets portfolio. We also transferred a portion of risk in the wind-down portfolio to the 2011 Partner Asset Facility (PAF2). Looking ahead, we have a Basel III RWA target for Investment Banking of USD 175 billion to be achieved by year-end 2013.

Another component of our evolved strategy is our focus on cost initiatives, which have been ongoing since the second quarter of 2011. We achieved CHF 1.3 billion of direct cost savings in 2012 compared to the annualized 6M11 run-rate, measured at constant foreign exchange rates and adjusted to exclude significant non-operating expenses and variable compensation expenses. Having made substantial progress in 2012, the Group recently announced revised cost savings targets to be achieved by year-end 2015, of which an additional CHF 0.5 billion is expected to come from Investment Banking. Through these initiatives, we are creating significant flexibility in our Investment Banking cost structure, which will permit us

to adapt to the challenging market environment while taking advantage of favorable market opportunities when they arise.

As a result of our proactive efforts to improve operating and capital efficiency, in 2012 we generated higher revenues and returns on significantly less RWA and on a substantially reduced expense base. We have a targeted, client-focused and capital-efficient fixed income business that has delivered more balanced and consistent results, with lower risk and less revenue volatility. We have an industry-leading equities franchise. Our underwriting & advisory businesses have global reach with opportunities to increase returns driven by our planned cost savings. We remain focused on our market-leading, high-return businesses where we have competitive advantages or synergies with Private Banking & Wealth Management, including cash equities, prime services, emerging markets, securitized products and global credit products. We are allocating a majority of our Investment Banking capital base to these businesses.

We believe we have benefitted from an early mover advantage by adapting to the regulatory and operating changes ahead of our peers, and we have seen announcements of similar strategies from our peers throughout 2012. In light of the substantial restructuring we completed in 2012, we have revised our key performance indicator, the cost/income ratio target to 70%, which is an enhancement over the previous pre-tax income margin target of 25% and implied cost/income ratio target of 75%. We believe our transformed portfolio will allow us to generate attractive returns under Basel III and support the overall Group ROE target of 15% or greater across market cycles.

- ▶ Refer to "Regulation and supervision" for further information on regulatory developments.

Significant transactions

We executed a number of noteworthy transactions in 2012, reflecting the breadth and diversity of our Investment Banking franchise:

- **Debt capital markets:** We arranged key financings for a diverse set of clients, including RedPrairie (privately held supply chain, workforce and all-channel commerce software provider), Rank Group (privately owned investment company), Fortescue Metal Group (world's fourth largest iron ore producer based in Australia), Wideopenwest (privately owned cable, Internet and phone company) and Kinetic Concepts Inc. (global medical technology company).
- **Equity capital markets:** We executed a follow-on offering for Cobalt International Energy, Inc. (independent oil-focused exploration and production company), a rights issue and offering for UniCredit Group (European banking

services organization), a rights offering for Fondiaria SAI (Italian financial services company focusing on insurance) and were an active bookrunner on the initial public offering (IPO) of The Carlyle Group (global alternative asset manager).

- **Mergers and acquisitions:** We advised on a number of key transactions throughout the year, including the WellPoint (managed healthcare company) acquisition of Amerigroup (manager of publicly funded health programs), the acquisition of Southern Union Company (US natural gas company) by Energy Transfer Equity (US diversified energy operator), the sale of Synthes (global manufacturer of orthopedic devices) to Johnson & Johnson (leading manufacturer of health care products), the sale of Goodrich (global supplier of systems and services to aerospace and defense industries) to United Technologies Corporation (provider of high-technology products to aerospace and defense industries), the sale of Amylin (biopharmaceutical company) to Bristol-Myers Squibb (global biopharmaceutical company), the sale of Inhibitex (biopharmaceutical company) to Bristol-Myers Squibb and the first step in a multi-stage plan for Alibaba Group (privately-owned Internet business in China) under which Alibaba's major shareholder Yahoo! will exit its investment.

Market share momentum

- We have advanced to become the second-largest prime broker worldwide, as reported in the 2012 global survey of prime brokerage assets conducted by *Hedge Fund Intelligence*.
- We were recognized for our leading equities program trading and electronic trading capabilities by US and European institutions in recent surveys conducted by *Greenwich Associates*.
- In the 2012 fixed income trading survey for North America by *Greenwich Associates*, we increased our overall rank to top five in 2012 from number seven in 2011, increased or maintained market share in a majority of key businesses and significantly improved our market share in investment grade credit trading.
- We advanced to number four globally and increased our market share to 14.4% in global completed M&As for 2012, compared to 13.8% market share in 2011, according to *Dealogic*. We also finished 2012 at number one in US IPOs according to *Dealogic*.
- We maintained our share of wallet according to *Dealogic* in Asia Pacific (excluding Japan) at first place in 2012 with a 7.4% market share. In the Americas, we maintained our number five ranking and increased our share of wallet to 6.4% in 2012 from 5.9% in 2011, according to *Dealogic*.

Products and services

Our comprehensive portfolio of products and services is aimed at the needs of the most sophisticated clients, and we increasingly use integrated platforms to ensure efficiency and transparency. Our activities are organized around two broad functional areas: investment banking and global securities. In investment banking, we work in industry, product and country groups. The industry groups include energy, financial institutions, financial sponsors, industrial and services, healthcare, media and telecom, real estate, and technology. The product groups include M&A and financing products. In global securities, we engage in a broad range of activities across fixed income, currencies, commodities, derivatives and cash equities markets, including sales, structuring, trading, financing, prime brokerage, syndication and origination, with a focus on client-based and flow-based businesses, in line with growing client demand for less complex and more liquid products and structures.

Investment banking

Equity and debt underwriting

Equity capital markets originates, syndicates and underwrites equity in IPOs, common and convertible stock issues, acquisition financing and other equity issues. Debt capital markets originates, syndicates and underwrites corporate and sovereign debt.

Advisory services

Advisory services advises clients on all aspects of M&A, corporate sales and restructurings, divestitures and takeover defense strategies. The fund-linked products group is responsible for the structuring, risk management and distribution of structured mutual fund and alternative investment products and develops innovative products to meet the needs of its clients through specially tailored solutions.

Global securities

Global securities provides access to a wide range of debt and equity securities, derivative products and financing opportunities across the capital spectrum to corporate, sovereign and institutional clients. Global securities is structured into the following areas

Fixed income

- Rates: Global rates products is a global market maker in cash and derivatives markets and a primary dealer in multiple jurisdictions including the US, Europe and Japan. This business covers a full spectrum of government bonds, interest rate swaps and options, as well as providing liability and liquidity management solutions.

- Foreign exchange: Foreign exchange provides market making in products such as spot and options for currencies in developed markets. The foreign exchange product suite also includes proprietary market leading technology to provide clients with electronic trading solutions.
- Credit: Credit products offers a full range of fixed income products and instruments to clients across investment grade and high yield credits, ranging from standard debt issues and credit research to fund-linked products, derivatives instruments and structured solutions that address specific client needs. We are a leading dealer in flow trading of single-name credit default swap (CDS) on individual credits, credit-linked notes and index swaps. Investment grade trades domestic corporate and sovereign debt, non-convertible preferred stock and short-term securities such as floating rate notes and commercial paper. Leveraged finance provides capital raising and advisory services and core leveraged credit products such as bank loans, bridge loans and high yield debt for non-investment grade corporate and financial sponsor-backed companies.
- Securitized products: Securitized products trades, securitizes, syndicates, underwrites and provides research for various forms of securities, primarily residential mortgage-backed securities and asset-backed securities. Both the mortgage- and asset-backed securities are based on underlying pools of assets, and include both government- and agency-backed, as well as private label loans.
- Emerging markets: Emerging markets offers a full range of fixed income products and instruments, including sovereign and corporate securities, local currency derivative instruments and tailored emerging market investment products.
- Commodities: Commodities trades oil, gas and other energy products as well as base, precious and minor metals. The Commodities product suite also includes benchmark indices developed by Credit Suisse Commodities.

Equity

- Cash equities provides a comprehensive suite of offerings as described below:
- Equity sales uses research, offerings and other products and services to meet the needs of clients including mutual funds, investment advisors, banks, pension funds, hedge funds, insurance companies and other global financial institutions.
- Sales trading links sales and position trading teams. Sales traders are responsible for managing the order flow between our client and the marketplace and provide clients with research, trading ideas and capital commitments and

identify trends in the marketplace in order to obtain the best and most effective execution.

- Trading executes client and proprietary orders and makes markets in listed and over-the-counter (OTC) cash securities, exchange-traded funds and programs, providing liquidity to the market through both capital commitments and risk management.
- Advanced execution services (AES®) is a sophisticated suite of algorithmic trading strategies, tools and analytics operated by Credit Suisse to facilitate global equity trading. By employing algorithms to execute client orders and limit volatility, AES® helps institutions and hedge funds reduce market impact. AES® is a recognized leader in its field and provides access to exchanges in more than 35 countries worldwide via more than 45 leading trading platforms.
- Equity derivatives: Equity derivatives provides a full range of equity-related products, investment options and financing solutions, as well as sophisticated hedging and risk management expertise and comprehensive execution capabilities to financial institutions, hedge funds, asset managers and corporations.
- Convertibles: Convertibles trading involves both secondary trading and market making and the trading of credit default and asset swaps and distributing market information and research. The global convertibles business is a leading originator of new issues throughout the world.

- Prime services: Prime services provides a wide range of services to hedge funds and institutional clients, including prime brokerage, start-up services, capital introductions, securities clearing, hedge fund administration, synthetics and innovative financing solutions.

Arbitrage trading

Our arbitrage trading business focuses on liquidity-providing strategies in the major global equity and fixed income markets.

Other

Other products and activities include lending, certain real estate investments and the distressed asset portfolios. Lending includes senior bank debt in the form of syndicated loans and commitments to extend credit to investment grade and non-investment grade borrowers.

Research and HOLT

Credit Suisse's equity and fixed income businesses are supported by the research and HOLT functions.

Equity research uses in-depth analytical frameworks, proprietary methodologies and data sources to analyze approximately 3,000 companies worldwide and provides macroeconomic insights into this constantly changing environment.

HOLT offers one of the fastest and most advanced corporate performance, valuation and strategic analysis frameworks, tracking more than 20,000 companies in over 60 countries.

Organizational and regional structure

Organizational structure

We operate in two global business divisions and reporting segments – Private Banking & Wealth Management and Investment Banking. Consistent with our client-focused, capital-efficient business strategy, we coordinate activities in four market regions: Switzerland, Europe, Middle East and Africa (EMEA), Americas and Asia Pacific. In addition, Shared Services provides centralized corporate services and business support, as well as effective and independent controls procedures in the following areas:

- The Chief Financial Officer (CFO) area covers many diverse functions, including Corporate Development, Information Technology, Corporate Real Estate & Services, Efficiency Management, Financial Accounting, Group Insurance, Group Finance, Investor Relations, New Business, Global Operations, Product Control, Tax and Treasury.
- The General Counsel area provides legal and compliance support to help protect the reputation of Credit Suisse. It does so by giving legal and regulatory advice and providing employees with the tools and expertise to comply with applicable internal policies and external laws, rules and regulations.
- The Chief Risk Officer (CRO) area comprises strategic risk management, credit risk management, risk analytics and reporting, and operational risk oversight activities, which cooperate closely to maintain a strict risk control environment and to help ensure that our risk capital is deployed wisely.
- The Talent, Branding and Communications area comprises human resources, corporate communications, corporate branding and advertising. Human Resources strives to attract, retain and develop staff, while also creating a stimulating working environment for all employees. Corporate Communications provides support in media relations, crisis management, executive and employee communications, branding and corporate sponsorship.

Other functions providing corporate services include One Bank Collaboration and Public Policy. One Bank Collaboration facilitates cross-divisional collaboration initiatives throughout the Group and measures and controls collaboration revenues. Public Policy promotes and protects the interests of Credit Suisse and its reputation.

The Chief Executive Officers (CEOs) of the divisions and regions report directly to the Group CEO, and, together with

the CFO, CRO, General Counsel and Chief Talent, Branding and Communications Officer, they formed the Executive Board of Credit Suisse in 2012.

Our structure is designed to promote cross-divisional collaboration while leveraging resources and synergies within our four regions. The regions perform a number of essential functions to coordinate and support the global operations of the two divisions. On a strategic level, regions are responsible for corporate development and the establishment of regional business plans, projects and initiatives. They also have an oversight role in monitoring financial performance. Each region is responsible for the regulatory relationships within its boundaries, as well as for regulatory risk management and the resolution of significant issues in the region as a whole or its constituent countries. Other responsibilities include client and people leadership and the coordination of the delivery of Shared Services and business support in the region.

Market regions

Switzerland

Switzerland, our home market, represents a broad business portfolio. We employ 19,400 people in Switzerland. The Private Banking & Wealth Management division comprises our Wealth Management Clients, Corporate & Institutional Clients and Asset Management businesses. In Wealth Management Clients, we offer our clients a distinct value proposition combining a global reach with a structured advisory process and access to a broad range of sophisticated products and services tailored to different client groups, from private clients to ◊UHNWI. In Corporate & Institutional Clients, we provide premium advice and solutions within a broad range of banking services, including lending, cash and liquidity management, trade finance, corporate finance, foreign exchange, investment solutions, ship and aviation finance, global custody and asset and liability management. Clients include SME, global corporations and commodity traders, banks and Swiss pension funds. Our Asset Management business has a market-leading position in the Swiss traditional business, and also offers a broad range of alternative investment products and multi-asset class solutions. The Investment Banking division offers a full range of financial services to its Swiss client base, holding market-leading positions in the Swiss debt and capital markets as well as in mergers and acquisition advisory.

EMEA

We are active in 30 countries across the EMEA region with 9,300 employees working in 75 offices. Our regional headquarters is in the UK, but we have an onshore presence in every major EMEA country. The EMEA region encompasses both developed markets, such as France, Germany, Italy, Spain and the UK, and emerging markets, including Russia, Poland, Turkey and the Middle East. We implemented our client-focused integrated strategy at the country level, serving corporate, government, institutional and private clients. Both divisions are strongly represented in the EMEA region, with the Investment Banking division providing a full spectrum of financial advisory services with strong market shares across many key products and markets.

Americas

We have operations in the US, Canada, the Caribbean and Latin America with 11,300 employees working in 42 cities spanning 14 countries. In the US, our emphasis is on our core client-focused and flow-based businesses in Investment Banking, and on building on the market share gains we have

achieved in a capital-efficient manner. In Private Banking & Wealth Management, we see considerable potential to leverage our cross-divisional capabilities, as we further develop our onshore wealth management platform in the US, Brazil and Mexico. In Latin America, particularly in our key markets of Brazil and Mexico, we continue to focus on providing clients with a full range of cross-divisional services.

Asia Pacific

Credit Suisse is present in 12 Asia Pacific markets with 7,400 employees, giving it one of the broadest footprints among international banks in the region. We have invested substantially in our presence in key major markets, including Australia, China, Hong Kong, Korea, Japan and India, broadened the scope of our offerings in countries where we have built a competitive advantage and continued to grow selected emerging markets franchises. Private Banking & Wealth Management has its principal centers in Singapore and Hong Kong, leveraging our Investment Banking activities to deliver integrated solutions and quality investment performance to clients.

Regulation and supervision

Overview

Our operations are regulated by authorities in each of the jurisdictions in which we have offices, branches and subsidiaries.

Central banks and other bank regulators, financial services agencies, securities agencies and exchanges and self-regulatory organizations are among the regulatory authorities that oversee our businesses. There is coordination among our primary regulators in Switzerland, the US and the UK.

The supervisory and regulatory regimes of the countries in which we operate determine to some degree our ability to expand into new markets, the services and products that we are able to offer in those markets and how we structure specific operations. We are in compliance with our regulatory requirements in all material respects and in compliance with regulatory capital requirements.

In response to the challenging market conditions beginning in 2007, regulators, including our primary regulators, have focused on reforming the regulatory framework for financial services firms. Some of the more significant recently proposed and enacted regulations, together with the principal regulatory structures that apply to our operations, are discussed below.

- ▶ Refer to "Risk factors" for further information on risks that may arise relating to regulation.

Recent regulatory developments and proposals

Governments and regulatory authorities around the world have responded to the financial crisis by proposing and enacting numerous reforms of the regulatory framework for financial services firms such as the Group. In particular, a number of reforms have been proposed and enacted by supranational organizations and in Switzerland, the US, the EU and the UK that could potentially have a material effect on our business. These regulatory developments could result in additional costs or limit or restrict the way we conduct our business. Although we expect regulatory-related costs and capital requirements for all major financial services firms (including the Group) to increase, we cannot predict the likely impact of proposed regulations on our businesses or results. We believe, however, that overall we are well positioned for regulatory reform, as we have reduced risk and maintained strong capital, funding and liquidity.

Basel framework

In an effort to strengthen the resilience of the banking sector, in December 2010, the BCBS issued the Basel III framework, with higher minimum capital requirements and conservation and countercyclical buffers, revised risk-based capital measures, a leverage ratio and liquidity standards. The new capital standards and capital buffers will require banks to hold more capital, mainly in the form of common equity. The new capital standards will be phased in from January 1, 2013 through year-end 2018 for those countries that have adopted Basel III. Prior to its issuance, the proposed BCBS framework was endorsed by the Group of Twenty Finance Ministers and Central Bank Governors (G-20) in November 2010. Each G-20 nation is expected to implement the rules, though any G-20 nation may vary how it implements the framework.

In December 2010, the BCBS issued the Basel III international framework for liquidity risk measurement, standards and monitoring. The Basel III framework includes a liquidity coverage ratio (LCR) and a net stable funding ratio (NSFR). The BCBS has stated that it will continue to review the effect of these liquidity standards on financial markets, credit extension and economic growth to address unintended consequences.

The LCR, which will be phased in beginning January 1, 2015 through January 1, 2019, following an observation period which began in 2011, addresses liquidity risk over a 30-day period. The LCR aims to ensure that banks have a stock of unencumbered high-quality liquid assets available to meet short-term liquidity needs under a severe stress scenario. The LCR is comprised of two components: the value of the stock of high-quality liquid assets in stressed conditions and the total net cash outflows calculated according to specified scenario parameters. The ratio of liquid assets over net cash outflows is subject to an initial minimum requirement of 60%, which will increase by 10% for four years, reaching 100% by January 1, 2019. In January 2013, in addition to introducing this phase-in period, the BCBS expanded certain categories of assets eligible as high quality liquid assets and adjusted the assumptions regarding cash outflows to better reflect actual reactions to stress.

The NSFR, which is expected to be introduced on January 1, 2018 following an observation period which began in 2012, establishes criteria for a minimum amount of stable funding based on the liquidity of a bank's assets and activities over a one-year horizon. The NSFR is a complementary measure to the LCR and is structured to ensure that illiquid assets are funded with an appropriate amount of stable long-term funds. The NSFR is defined as the ratio of available stable funding

over the amount of required stable funding and should always be at least 100%.

Under Basel III, the minimum common equity tier 1 (CET1) ratio will increase from 2% to 4.5% and will be phased in from January 1, 2013 through January 1, 2015. This CET1 ratio will have certain regulatory deductions and other adjustments to common equity that will be phased in from January 1, 2014 through January 1, 2018, including deduction of deferred tax assets for tax-loss carry-forwards, goodwill and intangibles and investments in banking and finance entities. In addition, increases in the tier 1 capital ratio from 4% to 6% will be phased in from January 1, 2013 through January 1, 2015.

Basel III also introduces an additional 2.5% CET1 requirement, known as a capital conservation buffer, to absorb losses in periods of financial and economic stress. Banks that do not maintain this buffer will be limited in their ability to pay dividends or make discretionary bonus payments or other earnings distributions. The capital conservation buffer will be phased in from January 1, 2016 through year-end 2018.

Basel III further provides for a countercyclical buffer that could require banks to hold up to an additional 2.5% of common equity or other capital that would be available to fully absorb losses. This requirement is expected to be imposed by national regulators where credit growth is deemed to be excessive and leading to the build-up of system-wide risk. This countercyclical buffer will be phased in from January 1, 2016 through year-end 2018.

Most capital instruments that do not meet the strict criteria for inclusion in the Basel III CET1 will be excluded beginning January 1, 2013. Capital instruments that would no longer qualify as tier 1 or tier 2 capital will be phased out over a 10-year period beginning January 1, 2013. In addition, instruments with an incentive to redeem prior to their stated maturity, if any, will be phased out at their effective maturity date, generally the date of the first step-up coupon.

The Basel III leverage ratio requirement introduces a non-risk based ratio that is calibrated to supplement the Basel III risk-based capital requirements and constrain the build-up of leverage in the banking sector. Broadly, the leverage ratio is defined as the relative amount of tier 1 capital to non-risk weighted assets and certain off-balance sheet exposures. The BCBS is testing a minimum leverage ratio of 3% during the period from January 1, 2013 to January 1, 2017.

In January 2011, the BCBS issued requirements to ensure that all classes of capital instruments fully absorb losses at the point of non-viability before taxpayers are exposed to loss. In order for a financial instrument issued by a bank to be included in additional tier 1 or tier 2 capital, it must meet the specified minimum requirements.

In November 2011, the BCBS issued final rules for global systemically important banks (G-SIBs) on loss absorbency requirements, which are in addition to Basel III requirements, reflecting the greater risk G-SIBs pose to the financial system. The additional requirements, to be phased in from January 1, 2016 through year-end 2018, are to be met with CET1 requirements ranging from 1% to 2.5%, depending on a bank's systemic importance, with an additional possible surcharge of 1% as a disincentive to a bank becoming even more systemically important. The Financial Stability Board has identified us as a G-SIB.

In February 2013, the BCBS and the International Organization of Securities Commissions (IOSCO) proposed global standards on margin requirements for non-centrally cleared derivatives. Under the proposal, margin requirements would be significantly higher than current market practice and could increase in times of market stress. The proposal would also cause market participants to be exposed to the risk of loss of larger amounts of posted collateral in the event a counterparty defaults. The proposal's margin requirements would be phased in beginning January 1, 2015. Larger market participants would be required to comply with the requirements before smaller participants.

Switzerland

As of January 1, 2013, the Basel III framework was implemented in Switzerland along with the Swiss «Too Big to Fail» legislation and regulations thereunder. Together with the related implementing ordinances, the legislation includes capital, liquidity, leverage and large exposure requirements, and rules for emergency plans designed to maintain systemically relevant functions in the event of threatened insolvency. Certain requirements under the legislation, including those regarding capital, are to be phased in through year-end 2018.

The legislation on capital requirements builds on Basel III, but in respect of systemically relevant banks goes beyond its minimum standards, including requiring that we have common equity of at least 10% of RWA and contingent capital or other qualifying capital of up to 9% of RWA by January 1, 2019.

This new capital regime imposes on us three components of capital: (i) a basic capital requirement in common equity of 4.5% of RWA, (ii) a capital buffer equal to 8.5% of RWA, which would consist of at least 5.5% in the form of common equity and up to 3% in the form of contingent capital, including contingent convertible bonds, with a high trigger, and (iii) a progressive capital component of up to (and initially calibrated at) 6% of RWA, which may consist entirely of contingent capital with a lower trigger. The progressive capital component will increase or decrease based on our market share in

Switzerland and the size of our leverage exposures (which include balance sheet and off-balance sheet exposures). Furthermore, the Swiss Financial Market Supervisory Authority (FINMA) can grant capital rebates, if the overall resolvability of the bank is improved. Based on these parameters, FINMA will determine the progressive capital component requirements on an annual basis. A high trigger means the bonds are required to provide loss absorption through conversion into common equity or be written off in the event the CET1 ratio falls below 7%, and a low trigger means the bonds are required to convert into common equity or be written off in the event the CET1 ratio falls below 5%. These contingent capital instruments must comply with the Basel III minimum requirements for tier 2 capital (subordination, point-of-non-viability loss absorption and minimum tenor).

Also under the "Too Big to Fail" legislation, Swiss systemically relevant banks are required to provide a Recovery and Resolution Plan (RRP) to FINMA for approval, and must update the report at least annually. The "recovery" part of the RRP must outline recovery options available to a bank in various severe stress events, including those caused by idiosyncratic, systemic, capital or liquidity stress scenarios. The recovery plan's purpose is to prepare for the survival of the bank in such stress scenarios. As part of the plan, a governance framework must be defined with clear escalation and decision points and may be based on existing capital and liquidity plans. The "resolution" part of the RRP is prepared by FINMA and describes how the bank can be unwound in an orderly fashion while ensuring the continuation of systemically relevant functions in Switzerland (including payment services and access to savings deposits) in the event of the bank's impending insolvency.

In June 2012, the Swiss Federal Council adopted implementing ordinances under the "Too Big to Fail" legislation. Effective upon adoption, the ordinances imposed a supplemental countercyclical buffer of up to 2.5% of RWA that can be activated during periods of excess credit growth and subsequently deactivated by the Federal Council upon request of the SNB after consultation with FINMA. Also effective upon adoption were increased lending standards for new residential mortgages. The remaining June ordinance requirements became effective January 1, 2013, with some being phased in through the end of 2018.

In September 2012, the Swiss Parliament approved the portions of the ordinances specific to systemically relevant banks, including requirements regarding capital, leverage, large exposure and RRP. These requirements became effective January 1, 2013.

Under these ordinances, we must comply with an additional leverage ratio, applicable to Swiss systemically relevant

banks. This leverage ratio has to be at least 24% of the percentage points of each of the minimum, buffer and progressive capital requirements. Since the ratio is defined by reference to capital requirements subject to transitional arrangements, the new leverage ratio will be phased in from 2013 to 2018. The ratio is calculated as Swiss Core Capital plus high and low-trigger contingent capital divided by total exposure. Total exposure consists of balance sheet assets plus exposure add-ons including cash collateral netting reversals and off-balance sheet derivative exposures, guarantees and commitments.

In November 2012, the Swiss Federal Council adopted the liquidity ordinance (Liquidity Ordinance) that implements Basel III liquidity requirements into Swiss law. The Liquidity Ordinance requires appropriate management and monitoring of liquidity risks. In particular, banks must carry out stress tests and prepare an emergency concept for liquidity shortages. The requirements apply to all banks, but are tiered according to the type, complexity and degree of risk of a bank's activities. The Liquidity Ordinance entered into force on January 1, 2013. It contains supplementary requirements for systemically relevant banks, including us, which are generally consistent with our existing June 2010 agreement with FINMA on the holding of liquidity. The supplementary requirements for systemically relevant banks are expected to be approved by the Federal Parliament during 2013. It is expected that the Liquidity Ordinance will be amended in 2014 to include final Basel III LCR rules and any related FINMA-specific requirements.

On February 13, 2013, the Swiss Federal Council decided to activate the countercyclical capital buffer based on the request of the SNB. This activation of the countercyclical buffer will require banks to hold additional capital in the amount of 1% of their RWA pertaining to mortgage loans that finance residential property in Switzerland beginning September 30, 2013.

Credit Suisse believes that it can meet the new requirements within the prescribed time frames by building capital through earnings, issuing contingent capital or other qualifying instruments and by managing its RWA and balance sheet exposures.

- ▶ Refer to "Liquidity and funding management" and "Capital management" in III – Treasury, Risk, Balance sheet and Off-balance sheet for further information regarding our current regulatory framework and expected changes to this framework affecting capital and liquidity standards.

In October 2012, FINMA published a new Banking Insolvency Ordinance–FINMA (Banking Insolvency Ordinance) that entered into force on November 1, 2012. The ordinance governs bankruptcy and resolution procedures of Swiss banks and

is based on the previously amended Swiss Federal Law on Banks and Savings Banks of November 8, 1934, as amended (Bank Law), to streamline the procedure for restructuring troubled banks and provide FINMA with significantly increased resolution authority. Instead of prescribing a particular resolution concept, the ordinance provides for various resolution tools from which FINMA may choose in any given case. Under the ordinance, FINMA may open resolution procedures, and if it decides to do so shall appoint a resolution authority (unless it assumes this role itself), and is required to approve a resolution plan for troubled banks. FINMA has discretion to take decisive action in the resolution of a bank, including by taking out existing shareholders, forcing a debt-to-equity swap, reducing a bank's credit claims, and staying or terminating finance contracts. The ordinance, however, requires that FINMA first cancel all equity capital and that all contingent convertible bonds (such as our Buffer Capital Notes) be converted into equity prior to ordering a debt-to-equity conversion or debt reduction. Taking any such measures with respect to debt instruments must be prioritized first to subordinated claims not qualifying as regulatory capital, then to other claims that are not excluded from conversion, and lastly to customer deposits in excess of privileged amounts.

On October 30, 2012, the Swiss Federal Supreme Court issued a decision in a case brought by a client of another bank seeking reimbursement of commissions paid to the client's bank by providers of investment products. The court ruled that such payments ("retrocessions") received in the context of a discretionary asset management mandate from issuers of investment products are owed to the client (including payments from intra-group companies) unless a client waiver is in place. FINMA subsequently issued a notice requiring all banks to inform potentially affected clients. We continue to evaluate the impact, if any, of this decision on our business.

On January 1, 2013, the bilateral tax agreements between Switzerland and each of the UK and Austria entered into force, allowing for the regularization of assets in Switzerland of UK and Austrian residents. Past assets are to be regularized through an anonymous one-off payment deducted by paying agents in Switzerland or by a bank client's voluntary disclosure to Austrian or British authorities, as applicable. Austrian and UK clients have two options to regularize their future investment income and capital gains: they can instruct the Swiss bank to either deduct a withholding tax from relevant income and gains (which will grant client anonymity) or report such income and gains to their home authorities. In December 2012, the bilateral tax agreement between Switzerland and Germany was rejected by the German government.

On December 19, 2012, the Swiss Federal Council adopted an overview of its financial market policy. The policy's

stated aims include combating financial crime by implementing the revised Financial Action Task Force recommendations and ensuring the competitiveness of Switzerland as a financial center. The Federal Council also reiterated its support for entering into withholding tax agreements, administrative and mutual assistance in line with international standards, and additional due diligence requirements for financial intermediaries as effective means to prevent tax abuses.

In its December 19, 2012 financial market policy overview, the Swiss Federal Council reiterated the importance of passing further financial market legislation deemed equivalent to certain EU regulations in order to facilitate access of Swiss financial services providers to the EU market. The Federal Council referenced the regulation on OTC Derivatives, Central Counterparties and Trade Repositories (also known as the European Market Infrastructure Regulation, or EMIR), which in March 2013 began to be phased in. Related Swiss draft legislation is expected by the second quarter of 2013. The Federal Council also referenced the proposed revisions to the existing EU Markets in Financial Instruments Directive (MiFID I) relating to increased investor protection. The proposals consist of a revised directive (MiFID II) and a new related regulation (MiFIR). If adopted as proposed by the European Commission, the MiFID II/MiFIR regime for granting access to EU markets for financial services providers based in third countries would require that Switzerland pass equivalent legislation and that Swiss financial services providers establish an EU branch. However, the impact of MiFID II/MiFIR even on "equivalent" third country financial services providers can only be assessed once MiFID II/MiFIR are finalized.

On February 1, 2013, the Swiss Tax Administrative Assistance Act entered into force. The Act governs administrative assistance in double taxation and other international agreements that Switzerland has entered into which provide for the exchange of information relating to tax matters consistent with Article 26 of the OECD Model Tax Convention. Under the new law, administrative assistance is no longer prohibited for group requests based on a behavioral pattern. However, so-called "fishing expeditions" are expressly prohibited. This new standard is generally applicable for periods beginning February 1, 2013.

On March 3, 2013, Swiss citizens approved the so-called "Minder Initiative" intended to strengthen shareholder rights. The initiative requires legislation be passed to impose board and executive compensation related requirements on Swiss public companies, including requiring a binding (rather than advisory) shareholder vote on total board and total executive management compensation and prohibiting severance payments, salary prepayments and payments related to the acquisition or disposal of companies. The initiative also provides

that the board members, the board chairperson and the compensation committee members be directly elected by shareholders annually. Further, the initiative calls for criminal sanctions in case of noncompliance. The Federal Council will have one year to issue a transitional ordinance which will be applicable until the Swiss Parliament passes the new law. Timing for the final implementation of the initiative is currently undetermined.

US

In July 2010, the US enacted the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act). Although the Dodd-Frank Act provides a broad framework for regulatory changes, implementation will require further detailed rulemaking over several years by different regulators, including the US Department of the Treasury (US Treasury), the US Federal Reserve (Fed), the US Securities and Exchange Commission (SEC), the Office of the Comptroller of the Currency (OCC), the Federal Deposit Insurance Corporation (FDIC), the Commodity Futures Trading Commission (CFTC) and the newly created Financial Stability Oversight Council (FSOC). Implementation of the Dodd-Frank Act and related final regulations could result in additional costs or limit or restrict the way we conduct our business, although uncertainty remains about many of the details, impact and timing of these reforms. These and other current reform proposals could potentially have a material effect on our businesses.

The Dodd-Frank Act will limit the ability of banking entities to sponsor or invest in certain private equity or hedge funds or to engage in certain types of proprietary trading in the US (the so-called "Volcker Rule"). In October 2011 and January 2012, US regulators issued proposed regulations to implement the Volcker Rule. The statutory provisions of the Volcker Rule became effective on July 21, 2012, and financial institutions subject to the Volcker Rule have two years from that date (with possible extensions) to bring their activities and investments into compliance. US regulators have not yet finalized implementing regulations for the Volcker Rule, and we do not know what changes to the proposed regulations they will make in the final rule. We have assessed how the proposed regulations would affect our businesses and have been developing and starting to implement plans to bring affected businesses into compliance with the regulations if issued as proposed. When the final regulations are issued, we will reevaluate the impact of the regulations on our businesses and will adjust our plans for compliance with the regulations to the extent required.

The Dodd-Frank Act also provides regulators with tools to impose greater capital, leverage and liquidity requirements and other prudential standards, particularly for financial institutions that pose significant systemic risk. In December 2012, the

Fed proposed a rule under the Dodd-Frank Act that would create a new framework for regulation of the US operations of foreign banking organizations. The proposal would require Credit Suisse to create a single US intermediate holding company (IHC) to hold all of its US subsidiaries; this would not apply to Credit Suisse AG's New York branch (New York Branch). The IHC would be subject to local risk-based capital and leverage requirements. In addition, both the IHC itself and the combined US operations of Credit Suisse (including the IHC and the New York Branch) would be subjected to other new prudential requirements, including with respect to liquidity risk management, separate liquidity buffers for each of the IHC and the New York Branch, limits on credit exposures to any single counterparty, stress testing, and other prudential standards. The combined US operations of Credit Suisse would also become subject to an early remediation regime which could be triggered by capital, leverage, stress tests, liquidity, risk management and market indicators. Under the proposal, the framework's prudential requirements and early remediation requirements would become effective on July 1, 2015. The Dodd-Frank Act furthermore creates an extensive framework for the regulation of OTC derivatives and requires broader regulation of hedge funds and private equity funds, as well as credit agencies.

The Dodd-Frank Act also establishes an "Orderly Liquidation Authority", a new regime for the orderly liquidation of systemically significant non-bank financial companies. To finance a resolution under this new regime, the FDIC may borrow funds from the US Treasury, which must be repaid from the proceeds of the resolution. If such proceeds are insufficient to repay the US Treasury in full, the FDIC is required to assess other large financial institutions, including those that have USD 50 billion or more in total consolidated assets, in an amount sufficient to repay all of the funds borrowed from the US Treasury in connection with the liquidation under the Orderly Liquidation Authority. In addition, the Fed and the FDIC approved final rules to implement the resolution plan requirement in the Dodd-Frank Act, which requires bank holding companies with total consolidated assets of USD 50 billion or more and certain designated non-bank financial firms to submit annually to the Fed and the FDIC resolution plans describing the strategy for rapid and orderly resolution under the US Bankruptcy Code or other applicable insolvency regimes, though such plans may not rely on the Orderly Liquidation Authority. Our initial resolution plan was submitted on July 1, 2012 and our first annual update will be due on July 1, 2013.

In addition, the Dodd-Frank Act requires issuers with listed securities to establish a claw-back policy to recoup erroneously awarded compensation in the event of an accounting

restatement, although it is currently unclear if this requirement will apply to foreign private issuers, like the Group.

The Dodd-Frank Act also grants the SEC discretionary rule-making authority to impose a new fiduciary standard on brokers, dealers and investment advisers and expands the extraterritorial jurisdiction of US courts over actions brought by the SEC or the US with respect to violations of the antifraud provisions in the Securities Act of 1933, Securities Exchange Act of 1934 and Investment Advisers Act of 1940.

In December 2011, the CFTC finalized rules under the Dodd-Frank Act requiring regulatory and public reporting for a wide range of OTC derivatives. In addition, during 2012 the CFTC finalized many of the rules under the Dodd-Frank Act relating to the regulation of swap dealers and major swap participants. Among other things, these rules require swap dealers and major swap participants to register with and be subject to internal and external business conduct regulation by the CFTC. The rules include both entity-level requirements that apply on a firm-wide basis, which include risk management, swap data repository and large trader reporting and capital requirements, and transaction-level requirements, which cover matters such as mandatory clearing of specified interest rate swaps and credit default swaps, swap processing, margin requirements, documentation, portfolio reconciliation and compression, real-time public reporting, daily trading records and external business conduct standards, and apply on a transaction-by-transaction basis.

On December 31, 2012, Credit Suisse International, the entity through which we conduct a majority of our swap trading business, registered with the CFTC as a swap dealer and became subject to these new rules. As a non-US swap dealer, Credit Suisse International is exempt on an interim basis from certain of these requirements pursuant to an exemptive order issued by the CFTC on December 21, 2012. In addition, the application of these rules to Credit Suisse International is subject to several industry-wide, temporary CFTC no-action letters intended to enable the industry to work through practical or technical challenges and interpretive uncertainties and develop the infrastructure necessary for compliance. If this relief expires prior to the development of that infrastructure by Credit Suisse International, this could cause significant disruptions in the entity's ability to trade OTC derivatives with US persons. Credit Suisse International also expects to apply to the CFTC for substituted compliance, which would allow Credit Suisse International to be deemed in compliance with certain CFTC rules through compliance with comparable European regulations. However, as the CFTC has not yet provided final guidance on how it will assess comparability and because not all of the comparable European regulations have been finalized, it is not yet clear which of these CFTC rules, if any,

would ultimately apply to Credit Suisse International. If substituted compliance is not permitted or is finalized in a manner less favorable than expected or the exemptive order expires without being renewed, Credit Suisse International could be subject to duplicative or conflicting requirements across multiple jurisdictions, which could cause significant disruptions, and cause it to incur additional costs and administrative burdens, in our OTC derivatives business.

While Credit Suisse currently does not intend to register any of its affiliates with the CFTC as a major swap participant, Credit Suisse has established a program for monitoring swap exposures to US persons for purposes of maintaining such exposures below the swap exposure threshold for major swap participant registration.

In addition, we expect the SEC to finalize its rules implementing the derivatives provisions of the Dodd-Frank Act during 2013. While the SEC's proposals have largely paralleled many of the CFTC's rules, significant differences between the final CFTC and SEC rules could materially increase the compliance costs associated with, and hinder the efficiency of, our equity and credit derivatives businesses with US persons. Significant differences between the SEC rules regarding capital, margin and segregation requirements for OTC derivatives and related CFTC rules could also have similar effects. In relation to these SEC and CFTC rules, we are in the process of developing and implementing the extensive technological, operational and compliance infrastructure that will be necessary for compliance with the rules.

The Foreign Account Tax Compliance Act (FATCA) became law in the US on March 18, 2010. The legislation requires Foreign Financial Institutions (FFIs) (such as Credit Suisse) to enter into an FFI agreement and agree to identify and provide the US Internal Revenue Service (IRS) with information on accounts held by US persons and certain US-owned foreign entities, or otherwise face 30% withholding tax on withholdable payments. In addition, FFIs that have entered into an FFI agreement will be required to withhold on such payments made to FFIs that have not entered into an FFI agreement, account holders who fail to provide sufficient information to classify an account as a US or non-US account, and US account holders who do not agree to the FFI reporting their account to the IRS. In 2012, the US Treasury expressed the intent to enter into intergovernmental agreements to implement the reporting and withholding tax provisions of FATCA. Following the issuance of the final US regulations in January 2013, Switzerland and the US signed such an agreement in February 2013 which will enable FFIs in Switzerland to comply with FATCA while remaining in compliance with Swiss law. Under the agreement, US authorities may ask Swiss authorities for administrative assistance in connection with group

requests where consent to provide information regarding potential US accounts is not provided to the FFI. In order for the terms of the agreement to apply to FFIs in Switzerland before FATCA enters into force on January 1, 2014, the agreement must be approved and ratified by the Swiss Parliament by such date. Complying with the required identification, withholding and reporting obligations requires significant investment in an FFI's compliance and reporting framework. We are continuing to follow developments regarding FATCA closely and are coordinating with all relevant authorities.

EU

The EU, the UK and other national European jurisdictions have also proposed and enacted a wide range of prudential, securities and governance regulations to address systemic risk and to further regulate financial institutions, products and markets. These proposals are at various stages of the EU pre-legislative, legislative and rule making processes, and their final form and cumulative impact remain uncertain. The final regulations could result in additional costs, limit or restrict the ways we conduct our businesses, and may potentially have a material effect on our businesses. We are assessing how the proposals would affect our various businesses and have been developing and are implementing plans to bring affected businesses into compliance with the regulations.

In October 2011, the European Commission issued legislative proposals for a new regulation on insider dealing and market manipulation (market abuse) and for a directive on criminal sanctions for insider dealing and market manipulation to update, strengthen and extend the scope of the existing market abuse framework. These proposals are expected to come into effect in late 2014 at the earliest.

In October 2011, the European Commission published its proposed revisions to the existing Markets in Financial Instruments Directive (known as MiFID I), consisting of the revised directive MiFID II and a new related regulation, MiFIR. The proposed revisions are to further strengthen the EU regulatory framework for the provision of investment services and trading in financial instruments. A number of substantial reforms are proposed on transaction reporting, market structure, securities trading and conduct of business rules, including new regulatory equivalence requirements for third country firms (such as Credit Suisse) in order for those firms to provide certain investment services in the EU. The MiFID II/MiFIR proposals are expected to be finalized and agreed by EU legislators by the third quarter of 2013 and to enter into effect in late 2014 at the earliest.

In March 2012, a regulation that bans uncovered sovereign CDS and restricts short selling of stocks and government bonds (known as the Short Selling Regulation) was adopted

by the EU. The regulation came into force on November 1, 2012.

In June 2012, the European Commission published a legislative proposal for a directive establishing a framework for the recovery and resolution of credit institutions and investment firms (known as the Bank Recovery and Resolution Directive). The framework will give national regulators wide-ranging powers to intervene where an entity is likely to fail in order to avoid adverse effects on wider financial stability. The directive also proposes to give regulators certain bank resolution powers, including the authority to sell the business, to transfer assets to a bridge institution, to transfer other assets to an asset management vehicle, and debt write-down (bail-in) solutions. Covered entities will also be required to have recovery plans approved by national regulators. Recovery plans will set out actions to be taken to return their financial condition to normal following a significant deterioration. In addition, national resolution authorities will be established and will prepare resolution plans proposing the manner in which an institution will be resolved in an orderly manner, were it to fail.

In the UK, the Financial Services Authority (FSA) is obliged to draw up rules on recovery and resolution plans under the Financial Services Act 2010. The rules are expected to incorporate the EU recovery and resolution proposals mentioned above. Covered entities will be required to have recovery plans similar to those proposed by the European Commission. In addition, they will be required to submit certain organizational data in order to allow the FSA and the Bank of England to draw up resolution plans. The FSA is expected to publish final rules in the near future. In 2012, Credit Suisse provided relevant information to UK regulatory authorities based on existing guidance.

In August 2012, EMIR entered into force. The regulation requires that certain standardized OTC derivatives contracts be centrally cleared and, where OTC transactions are not subject to central clearing, specified techniques are employed to monitor, measure and mitigate the operational and counterparty risks presented by those transactions. Further, market participants will be required to report any European derivative contract to a central trade repository. The phase-in of the EMIR requirements began in March 2013.

In September 2012, the European Commission published a proposal for a regulation that would empower the European Central Bank (ECB) as a single supervisor for banks in the 17 eurozone countries, a communication explaining its plans to create a European banking union, and a proposal for a regulation that would define the role of the European Banking Authority under the new supervisory arrangements. The Single Supervisory Mechanism designating the ECB as the lead prudential supervisor for certain eurozone banking groups was

agreed to by EU finance ministers in December 2012. The ECB is expected to assume its prudential supervisory duties during 2014.

In the UK, the Independent Commission on Banking (ICB) published a final report setting out certain recommendations designed to improve stability and competition in UK banking. Aspects of the proposals may also apply to UK banks which are subsidiaries of a non-UK bank group. The ICB recommendations include the enhancement of loss absorbing capacity of bank capital, the creation of a "retail ring fence" that would separate the taking of deposits from, and the provision of overdrafts to, individuals and small and medium-sized enterprises from a broad range of investment and other banking activities. The government introduced a banking reform bill to enact certain of the reforms proposed by the ICB report in the 2012-2013 parliamentary session, setting out details of how the ICB reforms will be implemented. The reforms are expected to be implemented in stages, with full implementation by 2019.

As a proposed EU-wide financial transaction tax was unsuccessful, a group of eleven EU member states (FTT-11) are expected to adopt such a tax applicable only for those countries under the EU enhanced cooperation procedure. If approved in the form released on February 14, 2013, the tax would apply to a wide range of financial transactions, including minimum rates of 0.01% for derivative products and 0.1% for other financial instruments. The tax would apply to transactions where either party is resident in one of the eleven participating countries or where a financial instrument is issued in one of those countries. To become effective, the proposed FTT-11 directive will require unanimous agreement of the 11 participating member states. The tax could come into effect as early as January 1, 2014. Where a participating member state already has a financial transaction tax in place, such as France and Italy, the FTT-11 tax would be expected to replace those existing national financial transaction tax regimes.

The Alternative Investment Fund Managers Directive (AIFMD) will enter into effect on July 22, 2013. AIFMD establishes a comprehensive regulatory and supervisory framework for alternative investment fund managers (AIFMs) operating in the EU. The directive increases transparency for investors and regulators and allows AIFMs to market funds to professional investors throughout the EU with the introduction of the "EU passport". Available from July 2013 to EU AIFMs and EU Alternative Investment Funds (AIFs), the EU passport is expected to be extended in 2015 to non-EU AIFMs and non-EU AIFs, which in the meantime will continue to access the EU market via the existing private placement regimes of the individual member states. AIFMD will also impose a new, strict

depositary regime affecting how prime brokers may provide custody services to fund managers.

Regulatory framework

Switzerland

Although Credit Suisse Group is not a bank according to the Bank Law, and its Implementing Ordinance of May 17, 1972, as amended (Implementing Ordinance), the Group is required, pursuant to the provisions on consolidated supervision of financial groups and conglomerates of the Bank Law, to comply with certain requirements for banks, including with respect to capital adequacy, solvency and risk concentration on a consolidated basis and reporting obligations. Our banks in Switzerland are regulated by FINMA on a legal entity basis and, if applicable, on a consolidated basis.

Our banks in Switzerland operate under banking licenses granted by FINMA pursuant to the Bank Law and the Implementing Ordinance. In addition, certain of these banks hold securities dealer licenses granted by FINMA pursuant to the Swiss Federal Act of Stock Exchanges and Securities Trading (SESTA).

FINMA is the sole bank supervisory authority in Switzerland and is independent from the SNB. Under the Bank Law, FINMA is responsible for the supervision of the Swiss banking system. The SNB is responsible for implementing the government's monetary policy relating to banks and securities dealers and for ensuring the stability of the financial system. Under the "Too Big to Fail" legislation, the SNB is also responsible for determining which banks in Switzerland are systemically relevant banks and which functions are systemically relevant in Switzerland. The SNB has identified the Group as a systemically relevant bank.

Our banks in Switzerland are subject to close and continuous prudential supervision and direct audits by FINMA. Under the Bank Law, our banks are subject to inspection and supervision by an independent auditing firm recognized by FINMA, which is appointed by the bank's board of directors and required to perform annual audits of the bank's financial statements and to assess whether the bank is in compliance with laws and regulations, including the Bank Law, the Implementing Ordinance and FINMA regulations.

Under the Bank Law, a bank must maintain an adequate ratio between its capital resources and its total risk-weighted assets. This requirement applies to the Group on a consolidated basis. For purposes of complying with Swiss capital requirements, bank regulatory capital is divided into tier 1 and tier 2 capital.

Our regulatory capital is calculated on the basis of accounting principles generally accepted in the US (US GAAP), with certain adjustments required by, or agreed with, FINMA.

The Group became subject to international capital adequacy standards known as ◊Basel II on January 1, 2008, subject to certain additional requirements for large banks under the then existing Capital Adequacy Ordinance and as set forth by FINMA. In November 2008, we agreed to a decree issued by FINMA requiring that we comply with new capital adequacy ratios, in lieu of those certain additional requirements under the Capital Adequacy Ordinance, and leverage capital requirements by 2013. The capital adequacy target is a range between 50% and 100% above the Pillar I requirements under Basel II. In addition, the decree includes leverage limits that require us to maintain by 2013 a minimum leverage ratio of tier 1 capital to total adjusted average assets (on a non-risk-weighted basis) of 3% at the Group and Bank consolidated level and 4% at the Bank on an unconsolidated basis by 2013. Total assets are adjusted for purposes of calculating the leverage ratio, and adjustments relate to assets from Swiss lending activities and assets excluded in determining regulatory core capital. These requirements were intended to be counter-cyclical, with the expected capital adequacy target level 100% above the Pillar I requirements, and a leverage ratio above the minimum 3% or 4%, during good times. We will remain subject to these various requirements up until higher requirements under the "Too Big to Fail" legislation are phased in. The requirements under "Too Big to Fail" are being phased in beginning January 1, 2013.

Banks are required to maintain a specified liquidity standard pursuant to the new Liquidity Ordinance. These rules continue to be based on the liquidity principles earlier agreed with FINMA and require that we have adequate holdings of liquid, unencumbered, high-quality securities available in a crisis situation for designated periods of time. The crisis scenario assumptions include global market dislocation, large on and off-balance sheet outflows, no access to unsecured wholesale funding markets, a significant withdrawal of deposits, varying access to secured market funding and the impacts from fears of insolvency. The principles aim to ensure we can meet our financial obligations in an extreme scenario for a minimum of 30 days. The principles take into consideration quantitative and qualitative factors and require us to address the possibility of emergency funding costs as we manage our capital and business and call for additional reporting to FINMA. The principles are expected to be modified in the future to reflect the final ◊Basel III liquidity requirements and specific FINMA requirements.

- ▶ Refer to "Liquidity and funding management" and "Capital management" in III – Treasury, Risk, Balance sheet and Off-balance sheet for further information regarding our current regulatory framework and expected changes to this framework affecting capital and liquidity standards.

Under Swiss banking law, banks and securities dealers are required to manage risk concentration within specific limits. Aggregated credit exposure to any single counterparty or a group of related counterparties must bear an adequate relationship to the bank's core tier 1 capital, taking into account counterparty risks and ◊risk mitigation instruments.

Under the Bank Law and SESTA, Swiss banks and securities dealers are obligated to keep confidential the existence and all aspects of their relationships with customers. These customer confidentiality laws do not, however, provide protection with respect to criminal offenses such as insider trading, money laundering, terrorist financing activities, tax fraud or evasion or prevent the disclosure of information to courts and administrative authorities.

Swiss rules and regulations to combat money laundering and terrorist financing are comprehensive and require banks and other financial intermediaries to thoroughly verify and document customer identity before commencing business. In addition, these rules and regulations include obligations to maintain appropriate policies for dealings with politically exposed persons and procedures and controls to detect and prevent money laundering and terrorist financing activities, including reporting suspicious activities to authorities.

Our securities dealer activities in Switzerland are conducted primarily through the Bank and are subject to regulation under SESTA, which regulates all aspects of the securities dealer business in Switzerland, including regulatory capital, risk concentration, sales and trading practices, record-keeping requirements and procedures and periodic reporting procedures. Securities dealers are supervised by FINMA.

Our asset management activities in Switzerland, which include the establishment and administration of mutual funds registered for public distribution, are conducted under the supervision of FINMA.

Since January 1, 2010, compensation design and its implementation and disclosure must comply with standards promulgated by FINMA under its Circular on Remuneration Schemes.

US

Our banking operations are subject to extensive federal and state regulation and supervision in the US. Our direct US offices are composed of our New York Branch and representative offices in California. Each of these offices is licensed

with, and subject to examination and regulation by, the state banking authority in the state in which it is located.

Effective October 3, 2011, the New York State Banking Department and the New York State Insurance Department were abolished and the authority of both former agencies was transferred to a new Department of Financial Services, whose head is the Superintendent of Financial Services (Superintendent). The New York Branch is licensed by the Superintendent, examined by the New York State Department of Financial Services, and subject to laws and regulations applicable to a foreign bank operating a New York branch. Under the New York Banking Law, the New York Branch must maintain eligible assets with banks in the state of New York. The amount of eligible assets required, which is expressed as a percentage of third-party liabilities, would increase if the New York Branch is no longer designated well rated by the Superintendent.

The New York Banking Law authorizes the Superintendent to seize our New York Branch and all of our business and property in New York State (which includes property of the New York Branch, wherever it may be located, and all of our property situated in New York State) under circumstances generally including violations of law, unsafe or unsound practices or insolvency. In liquidating or dealing with the New York Branch's business after taking possession, the Superintendent would only accept for payment the claims of depositors and other creditors (unaffiliated with us) that arose out of transactions with the New York Branch. After the claims of those creditors were paid out of the business and property of the Bank in New York, the Superintendent would turn over the remaining assets, if any, to us or our liquidator or receiver. Under New York Banking Law, the New York Branch is generally subject to single borrower lending limits expressed as a percentage of the worldwide capital of the Bank.

Our operations are also subject to reporting and examination requirements under US federal banking laws. Our US non-banking operations are subject to examination by the Fed in its capacity as our US umbrella supervisor. The New York Branch is also subject to examination by the Fed and is subject to Fed requirements and limitations on the acceptance and maintenance of deposits. Because the New York Branch does not engage in retail deposit taking, it is not a member of, and its deposits are not insured by, the FDIC.

US federal banking laws provide that a state-licensed branch (such as the New York Branch) or agency of a foreign bank may not, as a general matter, engage as principal in any type of activity that is not permissible for a federally licensed branch or agency of a foreign bank unless the Fed has determined that such activity is consistent with sound banking practice. US federal banking laws also subject a state branch or

agency to single borrower lending limits based on the capital of the entire foreign bank. Under the Dodd-Frank Act, lending limits will take into account credit exposure arising from derivative transactions, securities borrowing and lending transactions and repurchase and reverse repurchase agreements with counterparties. The OCC published an interim final lending limit rule implementing the Dodd-Frank Act changes in June 2012. Under the interim rule, banks have until July 1, 2013 to comply with the changes directed by the Dodd-Frank Act, unless the compliance date is extended. In addition, regulations which the FSOC and the Fed may adopt could affect the nature of the activities which the Bank (including the New York Branch) may conduct, and may impose restrictions and limitations on the conduct of such activities.

The Fed may terminate the activities of a US branch or agency of a foreign bank if it finds that the foreign bank: (i) is not subject to comprehensive supervision in its home country; (ii) has violated the law or engaged in an unsafe or unsound banking practice in the US; or (iii) for a foreign bank that presents a risk to the stability of the US financial system, the home country of the foreign bank has not adopted, or made demonstrable progress toward adopting, an appropriate system of financial regulation to mitigate such risk.

A major focus of US policy and regulation relating to financial institutions has been to combat money laundering and terrorist financing. These laws and regulations impose obligations to maintain appropriate policies, procedures and controls to detect, prevent and report money laundering and terrorist financing, verify the identity of customers and comply with economic sanctions. Any failure to maintain and implement adequate programs to combat money laundering and terrorist financing, and violations of such economic sanctions, laws and regulations, could have serious legal and reputational consequences. We take our obligations to prevent money laundering and terrorist financing in the US and globally very seriously, while appropriately respecting and protecting the confidentiality of clients. We have policies, procedures and training intended to ensure that our employees comply with "know your customer" regulations and understand when a client relationship or business should be evaluated as higher risk for us.

Credit Suisse Group and the Bank became financial holding companies for purposes of US federal banking law in 2000 and, as a result, may engage in a broad range of non-banking activities in the US, including insurance, securities, private equity and other financial activities, in each case subject to regulatory requirements and limitations. Credit Suisse Group is still required to obtain the prior approval of the Fed (and potentially other US banking regulators) before acquiring, directly or indirectly, the ownership or control of more than 5% of any class of voting shares of (or otherwise controlling) any

US bank, bank holding company or many other US depository institutions and their holding companies, and as a result of the Dodd-Frank Act, before making certain acquisitions involving large non-bank companies. The New York Branch is also restricted from engaging in certain tying arrangements involving products and services, and in certain transactions with certain of its affiliates. If Credit Suisse Group or the Bank ceases to be well-capitalized or well-managed under applicable Fed rules, or otherwise fails to meet any of the requirements for financial holding company status, it may be required to discontinue certain financial activities or terminate its New York Branch. Credit Suisse Group's ability to undertake acquisitions permitted by financial holding companies could also be adversely affected.

Our US-based broker-dealers are subject to extensive regulation by US regulatory authorities. The SEC is the federal agency primarily responsible for the regulation of broker-dealers, investment advisers and investment companies, while the CFTC is the federal agency primarily responsible for the regulation of futures commission merchants, commodity pool operators and commodity trading advisors. With the effectiveness of the Dodd-Frank Act, these CFTC registration categories have been expanded to include persons engaging in a relevant activity with respect to swaps. In addition, the US Treasury has the authority to promulgate rules relating to US Treasury and government agency securities, the Municipal Securities Rule-making Board (MSRB) has the authority to promulgate rules relating to municipal securities, and the MSRB also promulgates regulations applicable to certain securities credit transactions. In addition, broker-dealers are subject to regulation by securities industry self-regulatory organizations, including the Financial Industry Regulation Authority (FINRA), and by state securities authorities. For futures and swap activities, broker-dealers are subject to futures industry self-regulatory organizations such as the National Futures Association (NFA).

Our US broker-dealers are registered with the SEC and in all 50 states, the District of Columbia, Puerto Rico and the US Virgin Islands, and our US futures commission merchants, commodity pool operators and commodity trading advisors are registered with the CFTC. Our US registered entities are subject to extensive regulatory requirements that apply to all aspects of their securities and futures activities, including: capital requirements; the use and safekeeping of customer funds and securities; the suitability of customer investments; record-keeping and reporting requirements; employee-related matters; limitations on extensions of credit in securities transactions; prevention and detection of money laundering and terrorist financing; procedures relating to research analyst independence; procedures for the clearance and settlement of trades; and communications with the public.

Our US broker-dealers are also subject to the SEC's net capital rule, which requires broker-dealers to maintain a specified level of minimum net capital in relatively liquid form. Compliance with the net capital rule could limit operations that require intensive use of capital, such as underwriting and trading activities and the financing of customer account balances and also could restrict our ability to withdraw capital from our broker-dealers. Our US broker-dealers are also subject to the net capital requirements of FINRA and, in some cases, other self-regulatory organizations.

Certain of our US broker-dealers are also registered as futures commission merchants and subject to the capital and other requirements of the CFTC and the NFA.

Our securities and asset management businesses include legal entities registered and regulated as a broker-dealer and investment adviser by the SEC. The SEC-registered mutual funds that we advise are subject to the Investment Company Act of 1940. For pension fund customers, we are subject to the Employee Retirement Income Security Act of 1974 and similar state statutes. We are subject to the Commodity Exchange Act for investment vehicles we advise that are commodity pools.

Credit Suisse International is registered with the CFTC as a swap dealer as a result of its swap activities with US persons and is therefore subject to reporting, record-keeping, swap confirmation, swap portfolio compression, clearing and certain business conduct requirements under the Dodd-Frank Act, and will become subject to electronic trading, additional business conduct, swap trading relationship documentation, portfolio reconciliation and margin requirements under the Dodd-Frank Act when they go into effect later in 2013.

EU

Since it was announced in 1999, the EU's Financial Services Action Plan has given rise to numerous measures (both directives and regulations) aimed at increasing integration and harmonization in the European market for financial services. While regulations have immediate and direct effect in member states, directives must be implemented through national legislation. As a result, the terms of implementation of directives are not always consistent from country to country. In response to the financial crisis and in order to strengthen European supervisory arrangements, the EU established the European Systemic Risk Board, which has macro-prudential oversight of the financial system. The EU has also established three supervisory authorities responsible for promoting greater harmonization and consistent application of EU legislation by national regulators: the European Banking Authority, the European Securities and Markets Authority and the European Insurance and Occupational Pensions Authority.

The Capital Requirements Directive (CRD), implemented in various EU countries including the UK, applies the ◊Basel II capital framework for banking groups operating in the EU. The CRD has been amended by CRD II, which governs own funds, large exposures, supervisory arrangements, qualitative standards for liquidity risk management and securitization, and which came into force on December 31, 2010, and by CRD III, which governs both the disclosure and content of remuneration policies, effective January 1, 2011, and capital requirements for trading books and re-securitizations and disclosure of securitization exposures, effective December 31, 2011. Further reforms are proposed by CRD IV which, once enacted, will replace the current CRD directive with new measures implementing the Basel III requirements, as well as creating a single harmonized prudential rule book for banks, introducing new corporate governance and a limited number of additional remuneration requirements, including an expected cap on variable remuneration, and enhancing the powers of regulators. CRD IV is expected to come into force some time in 2014.

The existing Markets in Financial Instruments Directive (MiFID I) establishes high-level organizational and business conduct standards that apply to all investment firms. These include standards for managing conflicts of interest, best execution, enhanced investor protection, including client classification, and the requirement to assess suitability and appropriateness in providing investment services to clients. MiFID I sets standards for regulated markets (i.e. exchanges) and multilateral trading facilities, and sets out pre-trade and post-trade price transparency requirements for equity trading. MiFID I also sets standards for the disclosure of fees and other payments received from or paid to third parties in relation to investment advice and services and regulates investment services relating to commodity derivatives. In relation to these and other EU-based investment services and activities, MiFID I introduced a "passport" for investment firms, enabling them to conduct cross-border activities and establish branches throughout the EU on the basis of authorization from their home state regulator.

UK

The UK FSA is the principal statutory regulator of financial services activity in the UK, deriving its powers from the Financial Services and Markets Act 2000 (FSMA). The FSA regulates banking, insurance, investment business and the activities of mortgage intermediaries. The FSA generally adopts a risk-based approach, supervising all aspects of a firm's business, including capital resources, systems and controls and management structures, the conduct of its business, anti-money laundering and staff training. The FSA has wide investigatory and enforcement powers, including the power to

require information and documents from financial services businesses, appoint investigators, apply to the court for injunctions or restitution orders, prosecute criminal offenses, impose financial penalties, issue public statements or censures and vary, cancel or withdraw authorizations it has granted. In June 2010, the UK government announced that the FSA will be replaced by three new agencies: the Prudential Regulation Authority, a subsidiary of the Bank of England, which will be responsible for the micro-prudential regulation of banks and larger investment firms; the Financial Conduct Authority, which will regulate markets, the conduct of business of all financial firms, and the prudential regulation of firms not regulated by the Prudential Regulation Authority; and the Financial Policy Committee of the Bank of England, which will be responsible for macro-prudential regulation. The FSA will officially transition fully to these successor supervisory entities in April 2013.

As a member state of the EU, the UK is required to implement EU directives into national law. The regulatory regime for banks operating in the UK conforms to required EU standards including compliance with capital adequacy standards, customer protection requirements, conduct of business rules and anti-money laundering rules. These standards, requirements and rules are similarly implemented, under the same directives, throughout the other member states of the EU in which we operate.

The London branch of Credit Suisse AG (London Branch), Credit Suisse International and Credit Suisse (UK) Limited are authorized to take deposits. We also have a number of entities authorized to conduct investment business and asset management activities. In deciding whether to grant authorization, the FSA must first determine whether a firm satisfies the threshold conditions for authorization, which includes suitability and the requirement for the firm to be fit and proper. In addition to regulation by the FSA, certain wholesale money markets activities are subject to the Non-Investment Products Code, a voluntary code of conduct published by the Bank of England which FSA-regulated firms are expected to follow when conducting wholesale money market business.

The London Branch will be required to continue to comply principally with Swiss home country regulation. However, as a response to the global financial crisis, the FSA made changes to its prudential supervision rules in its Handbook of Rules and Guidance, applying a principle of "self-sufficiency", such that Credit Suisse International, Credit Suisse Securities (Europe) Limited and Credit Suisse (UK) Limited are required to maintain adequate liquidity resources, under the day-to-day supervision of the entity's senior management, held in a custodian account in the name of the entity, unencumbered and attributed to the entity balance sheet. In addition, the FSA requires Credit Suisse International, Credit Suisse Securities (Europe)

Limited and Credit Suisse (UK) Limited to maintain a minimum capital ratio and to monitor and report large exposures in accordance with the rules implementing the CRD.

Our London bank and broker-dealer subsidiaries and asset management companies are authorized under the FSMA and are subject to regulation by the FSA. In deciding whether to authorize an investment firm in the UK, the FSA will consider the threshold conditions, which includes suitability and the general requirement for a firm to be fit and proper. The FSA is responsible for regulating most aspects of an investment firm's business, including its regulatory capital, sales and trading practices, use and safekeeping of customer funds and securities, record-keeping, margin practices and procedures, registration standards for individuals carrying on certain functions, anti-money laundering systems and periodic reporting and settlement procedures.

On January 1, 2011, the FSA implemented the requirements of CRD III, including requiring certain investment firms not headquartered in the European Economic Area, in respect of their UK operations, to have remuneration policies, procedures and practices that are consistent with and promote sound and effective risk management. CRD IV proposes further changes to banks' remuneration policies, and is expected to be passed into law some time in 2014.

On January 1, 2011, a levy attributable to the UK operations of large banks on certain funding came into effect. During 2012, the levy was 8.8 basis points for short-term liabilities and 4.4 basis points for long-term equity and liabilities. The levy increased on January 1, 2013 to 13 basis points and 6.5 basis points, respectively.

Risk factors

Our businesses are exposed to a variety of risks that could adversely affect our results of operations and financial condition, including, among others, those described below.

Liquidity risk

Liquidity, or ready access to funds, is essential to our businesses, particularly our Investment Banking business. We maintain available liquidity to meet our obligations in a stressed liquidity environment.

- ▶ Refer to "Liquidity and funding management" in III – Treasury, Risk, Balance sheet and Off-balance sheet for information on our liquidity management.

Our liquidity could be impaired if we were unable to access the capital markets or sell our assets, and we expect our liquidity costs to increase

Our ability to borrow on a secured or unsecured basis and the cost of doing so can be affected by increases in interest rates or credit spreads, the availability of credit, regulatory requirements relating to liquidity or the market perceptions of risk relating to us or the banking sector, including our perceived or actual creditworthiness. An inability to obtain financing in the unsecured long-term or short-term debt capital markets, or to access the secured lending markets, could have a substantial adverse effect on our liquidity. In challenging credit markets, our funding costs may increase or we may be unable to raise funds to support or expand our businesses, adversely affecting our results of operations. Following the financial crisis in 2008 and 2009, our costs of liquidity have remained high and we expect to incur additional costs as a result of regulatory requirements for increased liquidity and the challenging economic environment in Europe, the US and elsewhere.

If we are unable to raise needed funds in the capital markets, we may need to liquidate unencumbered assets to meet our liabilities. In a time of reduced liquidity, we may be unable to sell some of our assets, or we may need to sell assets at depressed prices, which in either case could adversely affect our results of operations and financial condition.

Our businesses rely significantly on our deposit base for funding

Our businesses benefit from short-term funding sources, including primarily demand deposits, inter-bank loans, time deposits and cash bonds. Although deposits have been, over time, a stable source of funding, this may not continue. In that case, our liquidity position could be adversely affected and we

might be unable to meet deposit withdrawals on demand or at their contractual maturity, to repay borrowings as they mature or to fund new loans, investments and businesses.

Changes in our ratings may adversely affect our business

Ratings are assigned by rating agencies. They may lower, indicate their intention to lower or withdraw their ratings at any time. The major rating agencies remain focused on the financial services industry, particularly on uncertainties as to whether firms that pose systemic risk would receive government or central bank support in a financial or credit crisis, and on such firms' potential vulnerability to market sentiment and confidence, particularly during periods of severe economic stress. For example, in June 2012, following a review of seventeen of the world's largest banks, Moody's Investor Services lowered its ratings of fifteen of those banks, including lowering Credit Suisse's credit rating by three notches. Further downgrades in our assigned ratings, including in particular our credit ratings, could increase our borrowing costs, limit our access to capital markets, increase our cost of capital and adversely affect the ability of our businesses to sell or market their products, engage in business transactions – particularly longer-term and derivatives transactions – and retain our clients.

Market risk

We may incur significant losses on our trading and investment activities due to market fluctuations and volatility

Although we continued to reduce our balance sheet and accelerated the implementation of our client-focused, capital-efficient strategy in 2012, we continue to maintain large trading and investment positions and hedges in the debt, currency and equity markets, and in private equity, hedge funds, real estate and other assets. These positions could be adversely affected by volatility in financial and other markets, that is, the degree to which prices fluctuate over a particular period in a particular market, regardless of market levels. To the extent that we own assets, or have net long positions, in any of those markets, a downturn in those markets could result in losses from a decline in the value of our net long positions. Conversely, to

the extent that we have sold assets that we do not own or have net short positions in any of those markets, an upturn in those markets could expose us to potentially significant losses as we attempt to cover our net short positions by acquiring assets in a rising market. Market fluctuations, downturns and volatility can adversely affect the fair value of our positions and our results of operations. Adverse market or economic conditions or trends have caused, and in the future may cause, a significant decline in our net revenues and profitability.

Our businesses are subject to the risk of loss from adverse market conditions and unfavorable economic, monetary, political, legal and other developments in the countries we operate in around the world

As a global financial services company, our businesses are materially affected by conditions in the financial markets and economic conditions generally in Europe, the US and elsewhere around the world. The recovery from the economic crisis of 2008 and 2009 continues to be sluggish in several key developed markets. Additionally, the European sovereign debt crisis, as well as concerns over US debt levels and the federal budget process that led to the first downgrade of US sovereign debt in the modern era, have not been permanently resolved. Our financial condition and results of operations could be materially adversely affected if these conditions do not improve, or if they stagnate or worsen. Further, various countries in which we operate or invest have experienced severe economic disruptions particular to that country or region, including extreme currency fluctuations, high inflation, or low or negative growth, among other negative conditions. In 2012, concerns about weaknesses in the economic and fiscal condition of certain European countries, including Greece, Ireland, Italy, Portugal and Spain, continued, especially with regard to how such weaknesses might affect other economies as well as financial institutions (including Credit Suisse) which lent funds to or did business with or in those countries. Continued concern about the European sovereign debt crisis could cause disruptions in market conditions in Europe and around the world. There is always the chance that economic disruption in other countries, even in countries in which we do not currently conduct business or have operations, will adversely affect our businesses and results.

Adverse market and economic conditions continue to create a challenging operating environment for financial services companies. In particular, the impact of interest and foreign currency exchange rates, the risk of geopolitical events, fluctuations in commodity prices, the European sovereign debt crisis and the US federal debt crisis have affected financial markets and the economy. In recent years, movements in interest

rates have affected our net interest income and the value of our trading and non-trading fixed income portfolios. In addition, movements in equity markets, together with lower industry-wide capital issuance levels, have affected the value of our trading and non-trading equity portfolios, while the strength of the Swiss franc has adversely affected our revenues and net income.

Such adverse market or economic conditions may reduce the number and size of investment banking transactions in which we provide underwriting, mergers and acquisitions advice or other services and, therefore, may adversely affect our financial advisory and underwriting fees. Such conditions may adversely affect the types and volumes of securities trades that we execute for customers and may adversely affect the net revenues we receive from commissions and spreads. In addition, several of our businesses engage in transactions with, or trade in obligations of, governmental entities, including super-national, national, state, provincial, municipal and local authorities. These activities can expose us to enhanced sovereign, credit-related, operational and reputational risks, including the risks that a governmental entity may default on or restructure its obligations or may claim that actions taken by government officials were beyond the legal authority of those officials, which could adversely affect our financial condition and results of operations.

Unfavorable market or economic conditions have affected our businesses over the last few years, including the low interest rate environment, continued cautious investor behavior, lower industry-wide capital issuance levels, and subdued mergers and acquisitions activity. These negative factors have been reflected in lower commissions and fees from our client-flow sales and trading and asset management activities, including commissions and fees that are based on the value of our clients' portfolios. Investment performance that is below that of competitors or asset management benchmarks could result in a decline in assets under management and related fees and make it harder to attract new clients. In light of the continued dislocation in the financial and credit markets, there has been a fundamental shift in client demand away from more complex products and significant client deleveraging, and our Private Banking & Wealth Management division's results of operations have been and could continue to be adversely affected as long as this continues.

Adverse market or economic conditions have also negatively affected our private equity investments since, if a private equity investment substantially declines in value, we may not receive any increased share of the income and gains from such investment (to which we are entitled in certain cases when the return on such investment exceeds certain threshold returns), may be obligated to return to investors previously

received excess carried interest payments and may lose our pro rata share of the capital invested. In addition, it could become more difficult to dispose of the investment, as even investments that are performing well may prove difficult to exit in weak IPO markets.

In addition to the macroeconomic factors discussed above, other events beyond our control, including terrorist attacks, military conflicts, economic or political sanctions, disease pandemics, political unrest or natural disasters could have a material adverse effect on economic and market conditions, market volatility and financial activity, with a potential related effect on our businesses and results.

We may incur significant losses in the real estate sector

We finance and acquire principal positions in a number of real estate and real estate-related products, primarily for clients, and originate loans secured by commercial and residential properties. As of December 31, 2012, our real estate loans (as reported to the SNB) totaled approximately CHF 133 billion. We also securitize and trade in commercial and residential real estate and real estate-related whole loans, mortgages, and other real estate and commercial assets and products, including ◊commercial and ◊residential mortgage-backed securities. Our real estate-related businesses and risk exposures could continue to be adversely affected by the downturn in real estate markets, other sectors and the economy as a whole. In particular, the risk of potential price corrections in the real estate market in certain areas of Switzerland could have a material adverse effect on our real estate-related businesses.

Holding large and concentrated positions may expose us to large losses

Concentrations of risk could increase losses, given that we have sizeable loans to, and securities holdings in, certain customers, industries or countries. Decreasing economic growth in any sector in which we make significant commitments, for example, through underwriting, lending or advisory services, could also negatively affect our net revenues.

We have significant risk concentration in the financial services industry as a result of the large volume of transactions we routinely conduct with broker-dealers, banks, funds and other financial institutions, and in the ordinary conduct of our business we may be subject to risk concentration with a particular counterparty. We, like other financial institutions, continue to adapt our practices and operations in consultation with our regulators to better address an evolving understanding of our exposure to, and management of, systemic risk and risk concentration to financial institutions. Regulators continue to focus on these risks, and there are numerous new regulations

and government proposals, and significant ongoing regulatory uncertainty, about how best to address them. There can be no assurance that the changes in our industry, operations, practices and regulation will be effective in managing this risk.

- Refer to "Regulation and supervision" for further information.

Risk concentration may cause us to suffer losses even when economic and market conditions are generally favorable for others in our industry.

Our hedging strategies may not prevent losses

If any of the variety of instruments and strategies we use to hedge our exposure to various types of risk in our businesses is not effective, we may incur losses. We may be unable to purchase hedges or be only partially hedged, or our hedging strategies may not be fully effective in mitigating our risk exposure in all market environments or against all types of risk.

Market risk may increase the other risks that we face

In addition to the potentially adverse effects on our businesses described above, market risk could exacerbate the other risks that we face. For example, if we were to incur substantial trading losses, our need for liquidity could rise sharply while our access to liquidity could be impaired. In conjunction with another market downturn, our customers and counterparties could also incur substantial losses of their own, thereby weakening their financial condition and increasing our credit and counterparty risk exposure to them.

Credit risk

We may suffer significant losses from our credit exposures

Our businesses are subject to the fundamental risk that borrowers and other counterparties will be unable to perform their obligations. Our credit exposures exist across a wide range of transactions that we engage in with a large number of clients and counterparties, including lending relationships, commitments and letters of credit, as well as derivative, foreign exchange and other transactions. Our exposure to credit risk can be exacerbated by adverse economic or market trends, as well as increased volatility in relevant markets or instruments. In addition, disruptions in the liquidity or transparency of the financial markets may result in our inability to sell, syndicate or realize the value of our positions, thereby leading to increased concentrations. Any inability to reduce these positions may not only increase the market and credit risks associated with such positions, but also increase the level of risk-

weighted assets on our balance sheet, thereby increasing our capital requirements, all of which could adversely affect our businesses.

- ▶ Refer to "Credit risk" in III – Treasury, Risk, Balance sheet and Off-balance sheet – Risk management for information on management of credit risk.

Management's determination of the provision for loan losses is subject to significant judgment. Our banking businesses may need to increase their provisions for loan losses or may record losses in excess of the previously determined provisions if our original estimates of loss prove inadequate, which could have a material adverse effect on our results of operations.

- ▶ Refer to "Credit risk" in III – Treasury, Risk, Balance sheet and Off-balance sheet – Risk management and "Note 1 – Summary of significant accounting policies", "Note 10 – Provision for credit losses" and "Note 18 – Loans, allowance for loan losses and credit quality" in V – Consolidated financial statements – Credit Suisse Group for information on provisions for loan losses and related risk mitigation.

Our regular review of the creditworthiness of clients and counterparties for credit losses does not depend on the accounting treatment of the asset or commitment. Changes in creditworthiness of loans and loan commitments that are **fair valued** are reflected in trading revenues.

We have experienced in the past, and may in the future experience, pressure to assume longer-term credit risk, extend credit against less liquid collateral and price derivative instruments more aggressively based on the credit risks that we take due to competitive factors. We expect our capital and liquidity requirements, and those of the financial services industry, to increase as a result of these risks.

Defaults by a large financial institution could adversely affect financial markets generally and us specifically

Concerns or even rumors about or a default by one institution could lead to significant liquidity problems, losses or defaults by other institutions because the commercial soundness of many financial institutions may be closely related as a result of credit, trading, clearing or other relationships between institutions. This risk is sometimes referred to as systemic risk. Concerns about defaults by and failures of many financial institutions, particularly those with significant exposure to the eurozone, continued in 2012 and could continue to lead to losses or defaults by financial institutions and financial intermediaries with which we interact on a daily basis, such as clearing agencies, clearing houses, banks, securities firms and exchanges. Our credit risk exposure will also increase if the collateral we hold cannot be realized upon or can only be liqui-

dated at prices insufficient to cover the full amount of exposure.

The information that we use to manage our credit risk may be inaccurate or incomplete

Although we regularly review our credit exposure to specific clients and counterparties and to specific industries, countries and regions that we believe may present credit concerns, default risk may arise from events or circumstances that are difficult to foresee or detect, such as fraud. We may also fail to receive full information with respect to the credit or trading risks of a counterparty.

Risks from estimates and valuations

We make estimates and valuations that affect our reported results, including measuring the **fair value** of certain assets and liabilities, establishing provisions for contingencies and losses for loans, litigation and regulatory proceedings, accounting for goodwill and intangible asset impairments, evaluating our ability to realize deferred tax assets, valuing equity-based compensation awards and calculating expenses and liabilities associated with our pension plans. These estimates are based upon judgment and available information, and our actual results may differ materially from these estimates.

- ▶ Refer to "Critical accounting estimates" in II – Operating and financial review and "Note 1 – Summary of significant accounting policies" in V – Consolidated financial statements – Credit Suisse Group for information on these estimates and valuations.

Our estimates and valuations rely on models and processes to predict economic conditions and market or other events that might affect the ability of counterparties to perform their obligations to us or impact the value of assets. To the extent our models and processes become less predictive due to unforeseen market conditions, illiquidity or volatility, our ability to make accurate estimates and valuations could be adversely affected.

Risks relating to off-balance sheet entities

We enter into transactions with special purpose entities (SPEs) in our normal course of business, and certain SPEs with which we transact business are not consolidated and their assets and liabilities are off-balance sheet. The accounting requirements for consolidation, initially and if certain events occur that require us to reassess whether consolidation is required, can require the exercise of significant management

judgment. Accounting standards relating to consolidation, or their interpretation, have changed and may continue to change. If we are required to consolidate an SPE, its assets and liabilities would be recorded on our consolidated balance sheets and we would recognize related gains and losses in our consolidated statements of operations, and this could have an adverse impact on our results of operations and capital and leverage ratios.

- Refer to "Off-balance sheet" in III – Treasury, Risk, Balance sheet and Off-balance sheet – Balance sheet, off-balance sheet and contractual obligations for information on our transactions with and commitments to SPEs.

Cross-border and foreign exchange risk

Cross-border risks may increase market and credit risks we face

Country, regional and political risks are components of market and credit risk. Financial markets and economic conditions generally have been and may be materially affected by such risks. Economic or political pressures in a country or region, including those arising from local market disruptions, currency crises, monetary controls or other factors, may adversely affect the ability of clients or counterparties located in that country or region to obtain foreign currency or credit and, therefore, to perform their obligations to us, which in turn may have an adverse impact on our results of operations.

We may face significant losses in emerging markets

As a global financial services company doing business in emerging markets, we are exposed to economic instability in emerging market countries. We monitor these risks, seek diversity in the sectors in which we invest and emphasize client-driven business. Our efforts at limiting emerging market risk, however, may not always succeed.

Currency fluctuations may adversely affect our results of operations

We are exposed to risk from fluctuations in exchange rates for currencies, particularly the US dollar. In particular, a substantial portion of our assets and liabilities are denominated in currencies other than the Swiss franc, which is the primary currency of our financial reporting. Our capital is also stated in Swiss francs and we do not fully hedge our capital position against changes in currency exchange rates. Despite the actions of the SNB to maintain a floor for the CHF-EUR exchange rate, the Swiss franc remained strong against the US dollar and euro in 2012. The appreciation of the Swiss franc in particular and exchange rate volatility in general have

had an adverse impact on our results of operations and capital position in recent years and may have such an effect in the future.

Operational risk

We are exposed to a wide variety of operational risks, including information technology risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. In general, although we have business continuity plans, our businesses face a wide variety of operational risks, including technology risk that stems from dependencies on information technology, third-party suppliers and the telecommunications infrastructure. As a global financial services company, we rely heavily on our financial, accounting and other data processing systems, which are varied and complex. Our business depends on our ability to process a large volume of diverse and complex transactions, including derivatives transactions, which have increased in volume and complexity. We are exposed to operational risk arising from errors made in the execution, confirmation or settlement of transactions or in transactions not being properly recorded or accounted for. Regulatory requirements in this area have increased and are expected to increase further.

Information security, data confidentiality and integrity are of critical importance to our businesses. Despite our wide array of security measures to protect the confidentiality, integrity and availability of our systems and information, it is not always possible to anticipate the evolving threat landscape and mitigate all risks to our systems and information. We could also be affected by risks to the systems and information of clients, vendors, service providers, counterparties and other third parties.

If any of our systems do not operate properly or are compromised as a result of cyber-attacks, security breaches, unauthorized access, loss or destruction of data, unavailability of service, computer viruses or other events that could have an adverse security impact, we could be subject to litigation or suffer financial loss not covered by insurance, a disruption of our businesses, liability to our clients, regulatory intervention or reputational damage. Any such event could also require us to expend significant additional resources to modify our protective measures or to investigate and remediate vulnerabilities or other exposures.

We may suffer losses due to employee misconduct

Our businesses are exposed to risk from potential non-compliance with policies, employee misconduct or negligence and

fraud, which could result in regulatory sanctions and serious reputational or financial harm. In recent years, a number of multinational financial institutions have suffered material losses due to the actions of "rogue traders" or other employees. It is not always possible to deter employee misconduct and the precautions we take to prevent and detect this activity may not always be effective.

Risk management

We have risk management procedures and policies designed to manage our risk. These techniques and policies, however, may not always be effective, particularly in highly volatile markets. We continue to adapt our risk management techniques, in particular ◊value-at-risk and economic capital, which rely on historical data, to reflect changes in the financial and credit markets. No risk management procedures can anticipate every market development or event, and our risk management procedures and hedging strategies, and the judgments behind them, may not fully mitigate our risk exposure in all markets or against all types of risk.

- ▶ Refer to "Risk management" in III – Treasury, Risk, Balance sheet and Off-balance sheet for information on our risk management.

Legal and regulatory risks

Our exposure to legal liability is significant

We face significant legal risks in our businesses, and the volume and amount of damages claimed in litigation, regulatory proceedings and other adversarial proceedings against financial services firms are increasing.

We and our subsidiaries are subject to a number of material legal proceedings, regulatory actions and investigations, and an adverse result in one or more of these proceedings could have a material adverse effect on our operating results for any particular period, depending, in part, upon our results for such period.

- ▶ Refer to "Note 37 – Litigation" in V – Consolidated financial statements – Credit Suisse Group for information relating to these and other legal and regulatory proceedings involving our Investment Banking and other businesses.

It is inherently difficult to predict the outcome of many of the legal, regulatory and other adversarial proceedings involving our businesses, particularly those cases in which the matters are brought on behalf of various classes of claimants, seek damages of unspecified or indeterminate amounts or involve

novel legal claims. Management is required to establish, increase or release reserves for losses that are probable and reasonably estimable in connection with these matters.

- ▶ Refer to "Critical accounting estimates" in II – Operating and financial review and "Note 1 – Summary of significant accounting policies" in V – Consolidated financial statements – Credit Suisse Group for more information.

Regulatory changes may adversely affect our business and ability to execute our strategic plans

As a participant in the financial services industry, we are subject to extensive regulation by governmental agencies, supervisory authorities and self-regulatory organizations in Switzerland, the EU, the UK, the US and other jurisdictions in which we operate around the world. Such regulation is increasingly more extensive and complex and, in recent years, costs related to our compliance with these requirements and the penalties and fines sought and imposed on the financial services industry by regulatory authorities have all increased significantly. These regulations often serve to limit our activities, including through the application of increased capital requirements, customer protection and market conduct regulations, and direct or indirect restrictions on the businesses in which we may operate or invest. Such limitations can have a negative effect on our business and our ability to implement strategic initiatives. To the extent we are required to divest certain businesses, we could incur losses, as we may be forced to sell such businesses at a discount, which in certain instances could be substantial, as a result of both the constrained timing of such sales and the possibility that other financial institutions are liquidating similar investments at the same time.

Since 2008, regulators and governments have focused on the reform of the financial services industry, including enhanced capital, leverage and liquidity requirements, changes in compensation practices (including tax levies) and measures to address systemic risk. We are already subject to extensive regulation in many areas of our business and expect to face increased regulation and regulatory scrutiny and enforcement. We expect such increased regulation to continue to increase our costs, including, but not limited to, costs related to compliance, systems and operations, as well as affecting our ability to conduct certain businesses, which could adversely affect our profitability and competitive position. Variations in the details and implementation of such regulations may further negatively affect us, as certain requirements currently are not expected to apply equally to all of our competitors or to be implemented uniformly across jurisdictions.

For example, the additional requirements related to minimum regulatory capital, leverage ratios and liquidity measures imposed by ◊Basel III, together with more stringent require-

ments imposed by the Swiss “Too Big To Fail” legislation and its implementing ordinances, have contributed to our decision to reduce risk weighted assets and the size of our balance sheet, and could potentially impact our access to capital markets and increase our funding costs. In addition, the ongoing implementation in the US of the provisions of the Dodd-Frank Act, including the “Volcker Rule”, derivatives regulation, and other regulatory developments described in “Regulation and supervision”, have imposed, and will continue to impose, new regulatory burdens on certain of our operations. These requirements have contributed to our decision to exit certain businesses (including a number of our private equity businesses) and may lead us to exit other businesses. Because the scope of the Volcker Rule remains subject to final rule making and its impact on our market-making and risk mitigation activities is unclear, it is still uncertain whether we may be required to curtail or discontinue some of these activities or if our operations may otherwise be adversely affected. Under the Dodd-Frank Act, we also expect to become subject to new CFTC and SEC rules that could materially increase the operating costs, including compliance, information technology and related costs, associated with our derivatives businesses with US persons. Further, in December 2012, the Fed proposed a rule under the Dodd-Frank Act that would create a new framework for regulation of the US operations of foreign banking organizations such as ours. Although the final content and impact of the proposal cannot be predicted at this time, if implemented as proposed, this rule may result in our incurring additional costs and limit or restrict the way we conduct our business in the US.

Similarly, recently enacted and possible future cross-border tax regulation with extraterritorial effect, such as the US Foreign Account Tax Compliance Act, and bilateral tax treaties, such as Switzerland’s treaties with the UK and Austria, impose detailed reporting obligations and increased compliance and systems-related costs on our businesses. Finally, implementation of EMIR and the proposed revisions to MiFID II may negatively affect our business activities. If Switzerland does not pass legislation that is deemed equivalent to these EU regulations in a timely manner, Swiss banks, including us, may be limited from participating in businesses regulated by such laws.

Additionally, pursuant to an amendment of the Bank Law in 2012 and the new Banking Insolvency Ordinance that came into effect in late 2012, FINMA has significantly increased authority in case of resolution proceedings involving banks in Switzerland. This resolution authority includes, among other things, the power to cancel outstanding equity, to convert debt instruments and other liabilities of a bank into equity and to cancel such liabilities fully or partially.

We expect the financial services industry, including Credit Suisse, to continue to be affected by the significant uncertainty over the scope and content of regulatory reform in 2013 and beyond. Changes in laws, rules or regulations, or in their interpretation or enforcement, or the implementation of new laws, rules or regulations, may adversely affect our results of operations.

Despite our best efforts to comply with applicable regulations, a number of risks remain, particularly in areas where applicable regulations may be unclear or inconsistent among jurisdictions or where regulators revise their previous guidance or courts overturn previous rulings. Authorities in many jurisdictions have the power to bring administrative or judicial proceedings against us, which could result in, among other things, suspension or revocation of our licenses, cease and desist orders, fines, civil penalties, criminal penalties or other disciplinary action which could materially adversely affect our results of operations and seriously harm our reputation.

- ▶ Refer to “Regulation and supervision” for a description of our regulatory regime and capital requirements and a summary of some of the significant regulatory and government reform proposals affecting the financial services industry.

Changes in monetary policy are beyond our control and difficult to predict

We are affected by the monetary policies adopted by the central banks and regulatory authorities of Switzerland, the US and other countries. The actions of the SNB and other central banking authorities directly impact our cost of funds for lending, capital raising and investment activities and may impact the value of financial instruments we hold and the competitive and operating environment for the financial services industry. Many central banks have implemented significant changes to their monetary policy. We cannot predict whether these changes will have a material adverse effect on us or our operations. In addition, changes in monetary policy may affect the credit quality of our customers. Any changes in monetary policy are beyond our control and difficult to predict.

Legal restrictions on our clients may reduce the demand for our services

We may be materially affected not only by regulations applicable to us as a financial services company, but also by regulations of general application and changes in enforcement practices. Our business could be affected by, among other things, existing and proposed tax legislation, antitrust and competition policies, corporate governance initiatives and other governmental regulations and policies, and changes in the interpretation or enforcement of existing laws and rules that affect business and the financial markets. For example, focus on tax

compliance and changes in enforcement practices could lead to asset outflows (primarily from customers in mature Western European markets) from our Wealth Management Clients business in Switzerland.

Any conversion of our convertible capital instruments will dilute the ownership interests of existing shareholders

Under Swiss regulatory capital rules, we are now required to issue a significant amount of contingent capital instruments which will convert into common equity upon the occurrence of specified triggering events, including our CET1 capital ratio falling below prescribed thresholds, or a determination by FINMA that conversion is necessary, or that we require public sector capital support, to prevent us from becoming insolvent. We have already issued or agreed to issue an aggregate of CHF 8.4 billion in principal amount of such contingent capital, and we expect to issue more such contingent capital in the future. We have also issued a significant volume of the mandatory and contingent convertible securities (MACCS), totaling an aggregate of CHF 3.8 billion, which convert into 233.5 million shares on March 29, 2013 (subject to acceleration in certain circumstances), with settlement and delivery of shares in early April 2013. The conversion of some or all of our contingent capital due to the occurrence of a triggering event will result in the dilution of the ownership interests of our then existing shareholders, which dilution could be substantial. Similarly, the conversion of the MACCS will result in substantial dilution of the ownership interests of existing shareholders who do not hold an equivalent amount of MACCS. Additionally, any conversion, or the anticipation of the possibility of a conversion, could depress the market price of our ordinary shares.

- Refer to "Banking relationships with members of the Board and Executive Board and related party transactions" in IV – Corporate Governance and Compensation – Corporate Governance for more information on the triggering events related to our contingent capital instruments.

Competition

We face intense competition

We face intense competition in all financial services markets and for the products and services we offer. Consolidation through mergers, acquisitions, alliances and cooperation, including as a result of financial distress, has increased competitive pressures. Competition is based on many factors, including the products and services offered, pricing, distribution systems, customer service, brand recognition, perceived financial strength and the willingness to use capital to serve

client needs. Consolidation has created a number of firms that, like us, have the ability to offer a wide range of products, from loans and deposit-taking to brokerage, investment banking and asset management services. Some of these firms may be able to offer a broader range of products than we do, or offer such products at more competitive prices. Current market conditions have resulted in significant changes in the competitive landscape in our industry as many institutions have merged, altered the scope of their business, declared bankruptcy, received government assistance or changed their regulatory status, which will affect how they conduct their business. In addition, current market conditions have had a fundamental impact on client demand for products and services. Although we expect the increasing consolidation and changes in our industry to offer opportunities, we can give no assurance that our results of operations will not be adversely affected.

Our competitive position could be harmed if our reputation is damaged

In the highly competitive environment arising from globalization and convergence in the financial services industry, a reputation for financial strength and integrity is critical to our performance, including our ability to attract and maintain clients and employees. Our reputation could be harmed if our comprehensive procedures and controls fail, or appear to fail, to address conflicts of interest, prevent employee misconduct, produce materially accurate and complete financial and other information or prevent adverse legal or regulatory actions.

- Refer to "Reputational risk" in III – Treasury, Risk, Balance sheet and Off-balance sheet – Risk management for more information.

We must recruit and retain highly skilled employees

Our performance is largely dependent on the talents and efforts of highly skilled individuals. Competition for qualified employees is intense. We have devoted considerable resources to recruiting, training and compensating employees. Our continued ability to compete effectively in our businesses depends on our ability to attract new employees and to retain and motivate our existing employees. The continued public focus on compensation practices in the financial services industry, and related regulatory changes, may have an adverse impact on our ability to attract and retain highly skilled employees.

We face competition from new trading technologies

Our businesses face competitive challenges from new trading technologies, which may adversely affect our commission and trading revenues, exclude our businesses from certain trans-

action flows, reduce our participation in the trading markets and the associated access to market information and lead to the creation of new and stronger competitors. We have made, and may continue to be required to make, significant additional expenditures to develop and support new trading systems or otherwise invest in technology to maintain our competitive position.

Risks relating to our strategy

We may not achieve all of the expected benefits of our strategic initiatives

In light of increasing regulatory and capital requirements and continued challenging market and economic conditions, to optimize our use of capital and improve our cost structure we have continued to adapt our client-focused, capital-efficient strategy and have implemented new efficiency measures. Actions taken to adapt our strategy, some of which are ongoing, include strengthening our capital position, reducing our cost base, decreasing the size of our balance sheet, reducing our risk-weighted assets, focusing on chosen businesses and markets in Investment Banking, and integrating our Private Banking and Asset Management divisions into a new, single division. Factors beyond our control, including but not limited to the market and economic conditions and other challenges

discussed in this report, could limit our ability to achieve some or all of the expected benefits of these initiatives.

In addition, acquisitions and other similar transactions we undertake as part of our strategy subject us to certain risks. Even though we review the records of companies we plan to acquire, it is generally not feasible for us to review all such records in detail. Even an in-depth review of records may not reveal existing or potential problems or permit us to become familiar enough with a business to assess fully its capabilities and deficiencies. As a result, we may assume unanticipated liabilities (including legal and compliance issues), or an acquired business may not perform as well as expected. We also face the risk that we will not be able to integrate acquisitions into our existing operations effectively as a result of, among other things, differing procedures, business practices and technology systems, as well as difficulties in adapting an acquired company into our organizational structure. We face the risk that the returns on acquisitions will not support the expenditures or indebtedness incurred to acquire such businesses or the capital expenditures needed to develop such businesses.

In recent years, we have also undertaken a number of new joint ventures and strategic alliances. Although we endeavor to identify appropriate partners, our joint venture efforts may prove unsuccessful or may not justify our investment and other commitments.

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Operating and financial review

- 48 Operating environment**
- 51 Credit Suisse**
- 55 Core Results (including Overview of results)**
- 68 Private Banking & Wealth Management**
- 79 Investment Banking**
- 84 Corporate Center**
- 85 Assets under management**
- 88 Critical accounting estimates**

Operating environment

The global economy faced significant challenges in 2012, and concerns regarding eurozone sovereign debt significantly impacted markets. With major central banks maintaining low interest rates and increased risk appetite in the second half of the year, equity markets ended the year higher. The US dollar weakened against most currencies except the Japanese yen. The Swiss National Bank continued to defend the previously announced floor of CHF 1.20 per euro.

Economic environment

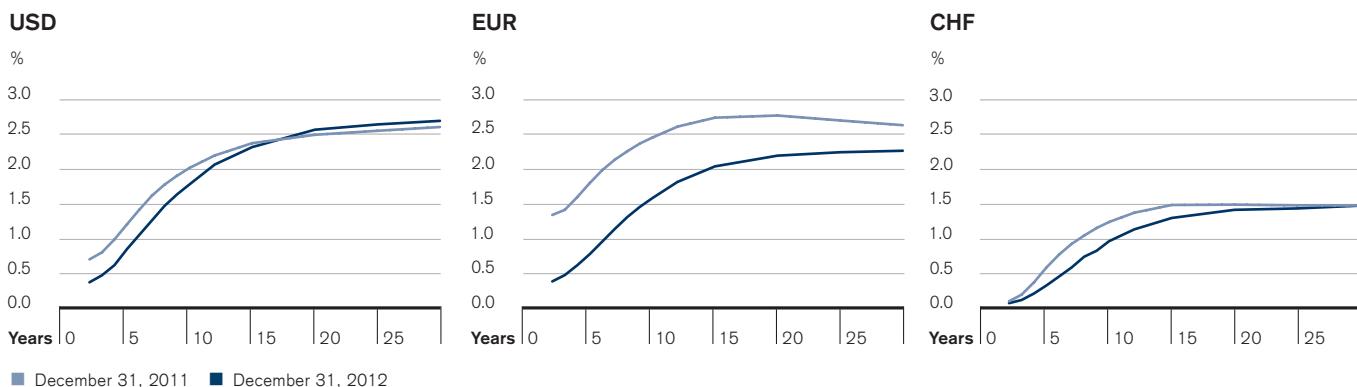
Global gross domestic product growth reported in 2012 remained relatively weak, reflecting low consumer confidence and weak business sentiment, continued high unemployment rates and uncertainty related to the eurozone sovereign debt crisis. Towards the end of the year, leading indicators, including the global manufacturing purchasing managers index, rose modestly. While US and Chinese growth was relatively robust in the second half of 2012, economic activity in the eurozone continued to shrink. In Switzerland, economic growth was comparatively strong, and unemployment was low. Inflation remained subdued in most developed countries, but was higher in emerging markets.

Central banks across the globe remained concerned about the growth outlook, and generally further eased monetary pol-

icy in 2012. The US Federal Reserve (Fed) reacted to the slow improvement in the US labor market by extending its pledge to keep short-term interest rates unchanged, noting that monetary policy would remain highly accommodative even after the recovery strengthens. The Fed also continued to shift its short-term US Treasury holdings towards longer-term securities and announced it would purchase significant amounts of mortgage-backed securities until there is substantial labor market improvement. The European Central Bank (ECB) announced that it would stand ready, under certain conditions, to buy unlimited amounts of short-dated eurozone sovereign bonds in order to lower governments' borrowing costs. This announcement resulted in a marked drop in the bond yields of troubled eurozone sovereigns. The Bank of Japan (BoJ) announced an official inflation target and expanded its asset purchase program further.

Yield curves

Near term interest rates generally declined further in 2012.



Source: Datastream, Credit Suisse

Equity markets

After a difficult first half year, equity markets closed 2012 higher with banks outperforming. Volatility peaked in summer.

Performance by region



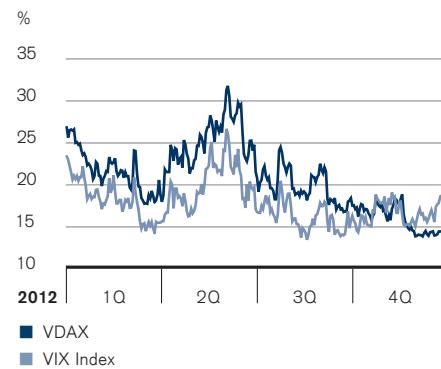
Source: Bloomberg, MSCI Barra, Credit Suisse

Performance world banks



Source: Datastream, MSCI Barra, Credit Suisse

Volatility

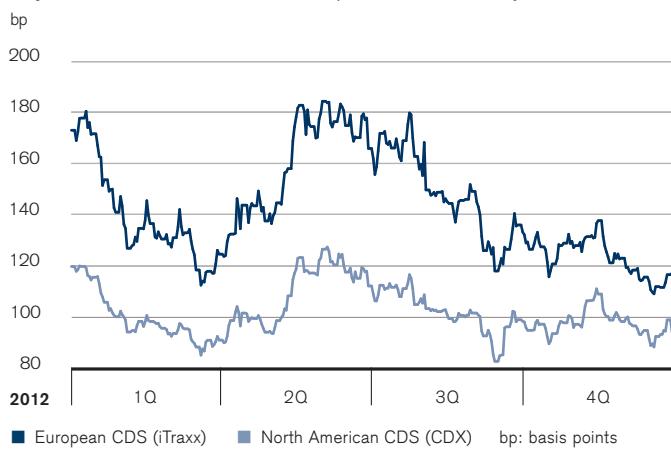


Source: Datastream, Credit Suisse

The eurozone sovereign debt crisis was a key theme, especially in the first half of the year. Eurozone member states increased the combined lending power of the European Financial Stability Facility and the European Stability Mechanism (ESM). European leaders agreed on a single banking supervisory mechanism to be run by the ECB and authorized the ESM to inject funds into banks directly once the supervisory mechanism is operative. Increased liquidity caused a sharp fall in short-term interest rates, with three-month London interbank offered rate (LIBOR) dropping below the ECB's target rate.

Credit spreads

Credit spreads tightened in 2012 due to monetary stimulus from major central banks and reduced political uncertainty.



Source: Bloomberg, Credit Suisse

After a good start at the beginning of the year, eurozone sovereign debt issues weighed on equity markets until May. The measures announced by the ECB supported stock markets mid-year, with equity markets posting strong gains following US elections in early November. With increased risk appetite and low bond yields at the end of the year, global equity prices finished the year higher. Equity market volatility, as indicated by the Chicago Board Options Exchange Market Volatility Index (VIX), increased temporarily in the first half of the year when the eurozone debt crisis was in focus, and again at the end of the year relating to the US "fiscal cliff" debate (refer to the charts "Equity markets"). The Dow Jones Credit Suisse Hedge Fund Index gained 8% in 2012. According to Hedge Fund Research, steady inflows combined with performance-based gains pushed total industry assets to a record high of USD 2.25 trillion.

Increased monetary stimulus from major central banks and reduced political uncertainties in the second half of the year led to a significant compression of credit spreads. Both corporate high yield and emerging markets bonds delivered total returns in the high teens in 2012. European sovereign debt concerns dominated market action beginning in 2Q12, sending Spanish yields to record highs and Italian credit spreads above 5% in the 10-year segment. However, expectations of increased ECB and US Fed stimulus and further ECB announcements sparked credit spread tightening which lasted through the year-end (refer to the charts "Credit spreads").

Tension in the eurozone sovereign debt market was a key foreign exchange market driver in 2012. Major currencies, including the euro, weakened against the US dollar in the first half of the year. However, ECB and Fed measures caused the

US dollar to weaken against the euro in the second half of the year as eurozone sovereign debt concerns eased and the Fed announced a further round of Treasury securities purchases. The Japanese yen declined against the US dollar and most other major currencies as BoJ monetary policies became further expansionary. The Swiss franc remained slightly above the minimum exchange rate of CHF 1.20 per euro previously declared by the Swiss National Bank, which intervened in currency markets in 2012 to defend the floor. Emerging market currencies generally benefitted from stable global growth prospects and capital inflows.

Commodity markets ended 2012 largely unchanged from 2011 levels, though experienced significant price volatility during the year. Commodity prices reached a peak towards the end of 1Q12 but adjusted significantly downward when global economic growth slowed. Prices increased during 3Q12 and 4Q12 amid signs of growth and growing confidence that the eurozone sovereign debt crisis was increasingly contained. Oil prices saw divergent developments, with US benchmark oil West Texas Intermediate ending the year slightly lower, affected by increased shale oil production in the US, and European Brent ending the year 4% higher due to restricted global production. Gold prices were higher, partly reflecting low real interest rates, ending the year above USD 1,650.

Market volumes (growth in % year on year)

2012	Global	Europe
Equity trading volume ¹	(22)	(21)
Announced mergers and acquisitions ²	(1)	(5)
Completed mergers and acquisitions ²	(15)	(32)
Equity underwriting ²	(15)	(22)
Debt underwriting ²	33	13
Syndicated lending – investment-grade ²	(28)	–

¹ London Stock Exchange, Borsa Italiana, Deutsche Börse, BME and Euronext. Global also includes New York Stock Exchange and NASDAQ. ² Dealogic.

Sector environment

The banking sector benefitted from central bank measures while the sector continued to transition to new regulatory requirements. Global banks took significant steps to restructure businesses and decrease costs while also taking measures to increase capital and liquidity ratios. European and North American bank stocks outperformed global equity indices. After European bank stocks declined 10% in the first half of 2012, they finished the year 23% higher. North American bank stocks ended the year with a positive return of 16% (refer to the charts "Equity markets").

Private banking clients remained cautious. Due to prevailing market uncertainty, clients' cash deposits remained high despite record low interest rates. Strong inflows in bond and money market funds continued towards the end of the year, and exchange-traded funds (ETFs) posted net inflows. In Switzerland, concerns about the real estate market overheating in certain areas remained pronounced. The wealth management sector continued to adapt to further industry-specific regulatory changes.

In investment banking, equity trading volume decreased significantly compared to 2011. Activity from mergers and acquisitions (M&As) also decreased, most markedly in Europe. However, global debt underwriting improved by 33% compared to the previous year. In the second half of the year, hedge funds were able to capitalize on improved liquidity conditions, relatively increased risk appetite and generally favorable volatility.

Credit Suisse

In 2012, we recorded net income attributable to shareholders of CHF 1,349 million. Diluted earnings per share were CHF 0.81. Return on equity attributable to shareholders was 3.9%.

Results

	in / end of		% change		
	2012	2011	2010	12 / 11	11 / 10
Statements of operations (CHF million)					
Net interest income	7,150	6,433	6,541	11	(2)
Commissions and fees	13,073	12,952	14,078	1	(8)
Trading revenues	1,195	5,020	9,338	(76)	(46)
Other revenues	2,548	1,820	1,429	40	27
Net revenues	23,966	26,225	31,386	(9)	(16)
Provision for credit losses	170	187	(79)	(9)	-
Compensation and benefits	12,530	13,213	14,599	(5)	(9)
General and administrative expenses	7,310	7,372	7,231	(1)	2
Commission expenses	1,775	1,992	2,148	(11)	(7)
Total other operating expenses	9,085	9,364	9,379	(3)	0
Total operating expenses	21,615	22,577	23,978	(4)	(6)
Income from continuing operations before taxes	2,181	3,461	7,487	(37)	(54)
Income tax expense	496	671	1,548	(26)	(57)
Income from continuing operations	1,685	2,790	5,939	(40)	(53)
Income/(loss) from discontinued operations	0	0	(19)	-	100
Net income	1,685	2,790	5,920	(40)	(53)
Less net income attributable to noncontrolling interests	336	837	822	(60)	2
Net income/(loss) attributable to shareholders	1,349	1,953	5,098	(31)	(62)
of which from continuing operations	1,349	1,953	5,117	(31)	(62)
of which from discontinued operations	0	0	(19)	-	100
Earnings per share (CHF)					
Basic earnings per share from continuing operations	0.82	1.37	3.93	(40)	(65)
Basic earnings per share	0.82	1.37	3.91	(40)	(65)
Diluted earnings per share from continuing operations	0.81	1.36	3.91	(40)	(65)
Diluted earnings per share	0.81	1.36	3.89	(40)	(65)
Return on equity (%)					
Return on equity attributable to shareholders	3.9	6.0	14.4	-	-
Return on tangible equity attributable to shareholders ¹	5.2	8.1	19.8	-	-
Number of employees (full-time equivalents)					
Number of employees	47,400	49,700	50,100	(5)	(1)

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

Credit Suisse and Core Results

in	Core Results			Noncontrolling interests without SEI			Credit Suisse		
	2012	2011	2010	2012	2011	2010	2012	2011	2010
Statements of operations (CHF million)									
Net revenues	23,606	25,429	30,625	360	796	761	23,966	26,225	31,386
Provision for credit losses	170	187	(79)	0	0	0	170	187	(79)
Compensation and benefits	12,494	13,151	14,562	36	62	37	12,530	13,213	14,599
General and administrative expenses	7,288	7,350	7,194	22	22	37	7,310	7,372	7,231
Commission expenses	1,775	1,992	2,148	0	0	0	1,775	1,992	2,148
Total other operating expenses	9,063	9,342	9,342	22	22	37	9,085	9,364	9,379
Total operating expenses	21,557	22,493	23,904	58	84	74	21,615	22,577	23,978
Income from continuing operations before taxes	1,879	2,749	6,800	302	712	687	2,181	3,461	7,487
Income tax expense	496	671	1,548	0	0	0	496	671	1,548
Income from continuing operations	1,383	2,078	5,252	302	712	687	1,685	2,790	5,939
Income/(loss) from discontinued operations	0	0	(19)	0	0	0	0	0	(19)
Net income	1,383	2,078	5,233	302	712	687	1,685	2,790	5,920
Less net income attributable to noncontrolling interests	34	125	135	302	712	687	336	837	822
Net income attributable to shareholders	1,349	1,953	5,098	0	0	0	1,349	1,953	5,098
Statement of operations metrics (%)									
Cost/income ratio	91.3	88.5	78.1	—	—	—	90.2	86.1	76.4
Pre-tax income margin	8.0	10.8	22.2	—	—	—	9.1	13.2	23.9
Effective tax rate	26.4	24.4	22.8	—	—	—	22.7	19.4	20.7
Net income margin ¹	5.7	7.7	16.6	—	—	—	5.6	7.4	16.2

¹ Based on amounts attributable to shareholders.

Credit Suisse reporting structure and Core Results

Credit Suisse results include revenues and expenses from the consolidation of certain private equity funds and other entities in which we have noncontrolling interests without significant economic interest (SEI) in such revenues and expenses. Core Results include the results of our two segments and the Corporate Center and discontinued operations, but do not include noncontrolling interests without SEI.



Differences between Group and Bank

Except where noted, the business of the Bank is substantially the same as the business of Credit Suisse Group, and substantially all of the Bank's operations are conducted through the Private Banking & Wealth Management and Investment Banking segments. These segment results are included in Core Results. Certain other assets, liabilities and results of operations are managed as part of the activities of the two segments. However, since they are legally owned by the Group, they are not included in the Bank's financial statements. These related principally to the activities of Neue Aar-

gauer Bank and BANK-now, which are managed as part of Private Banking & Wealth Management, and hedging activities relating to share-based compensation awards. Core Results also includes certain Corporate Center activities of the Group that are not applicable to the Bank.

These operations and activities vary from period to period and give rise to differences between the Bank's assets, liabilities, revenues and expenses, including pensions and taxes, and those of the Group.

- ▶ Refer to "Note 39 – Subsidiary guarantee information" in V – Consolidated financial statements – Credit Suisse Group for further information on the Bank.

Differences between Group and Bank businesses

Entity	Principal business activity
Neue Aargauer Bank	Banking (in the Swiss canton of Aargau)
BANK-now	Private credit and car leasing (in Switzerland)
Financing vehicles of the Group	Special purpose vehicles for various funding activities of the Group, including for purposes of raising capital

Credit Suisse AG merged with ClariDen Leu on April 2, 2012, assuming all of its rights and obligations.

Comparison of consolidated statements of operations

in	Group			Bank		
	2012	2011	2010	2012	2011	2010
Statements of operations (CHF million)						
Net revenues	23,966	26,225	31,386	23,533	25,187	30,533
Total operating expenses	21,615	22,577	23,978	21,472	22,563	24,118
Income from continuing operations before taxes	2,181	3,461	7,487	1,973	2,501	6,536
Income tax expense	496	671	1,548	478	459	1,307
Income from continuing operations	1,685	2,790	5,939	1,495	2,042	5,229
Income/(loss) from discontinued operations	0	0	(19)	0	0	(19)
Net income	1,685	2,790	5,920	1,495	2,042	5,210
Less net income/(loss) attributable to noncontrolling interests	336	837	822	(600)	901	802
Net income attributable to shareholders	1,349	1,953	5,098	2,095	1,141	4,408

Comparison of consolidated balance sheets

end of	Group			Bank		
	2012	2011	2012	2011	2012	2011
Balance sheet statistics (CHF million)						
Total assets	924,280	1,049,165	908,160	1,034,787		
Total liabilities	881,996	1,008,080	865,999	996,436		

Capitalization and indebtedness

	Group		Bank	
end of	2012	2011	2012	2011
Capitalization and indebtedness (CHF million)				
Due to banks	31,014	40,147	30,574	40,077
Customer deposits	308,312	313,401	297,690	304,130
Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions	132,721	176,559	132,721	176,559
Long-term debt	148,134	162,655	146,997	161,353
Other liabilities	261,815	315,318	258,017	314,317
Total liabilities	881,996	1,008,080	865,999	996,436
Total equity	42,284	41,085	42,161	38,351
Total capitalization and indebtedness	924,280	1,049,165	908,160	1,034,787

Capital adequacy – Basel II.5

	Group		Bank	
end of	2012	2011	2012	2011
Capital (CHF million)				
Tier 1 capital	43,547	36,844	39,660	35,098
of which hybrid instruments	8,781	10,888	8,781	10,888
Total eligible capital	49,936	48,654	47,752	48,390
Capital ratios (%)				
Tier 1 ratio	19.4	15.2	18.4	15.1
Total capital ratio	22.3	20.1	22.2	20.8

Dividends of the Bank to the Group

end of	2012	2011
Per share issued (CHF)		
Dividend ^{1,2}	0.23 ³	0.23

Registered shares of CHF 100.00 nominal value each. As of December 31, 2012 and 2011, total share capital consisted of 43,996,652 registered shares.

¹ Dividends are determined in accordance with Swiss law and the Bank's articles of incorporation. ² In 2010, 2009 and 2008, dividends per share issued were CHF 0.23, CHF 68.19 and CHF 0.23, respectively. ³ Proposal of the Board of Directors to the annual general meeting of the Bank.

Core Results

For 2012, net income attributable to shareholders was CHF 1,349 million. Net revenues were CHF 23,606 million and total operating expenses were CHF 21,557 million. Results included fair value losses before tax from movements in own credit spreads of CHF 2,939 million, compared to fair value gains of CHF 1,616 million in 2011. Our results also reflected realignment costs of CHF 680 million, gains of CHF 533 million before tax from the sale of real estate and gains of CHF 384 million before tax from the sale of our remaining ownership interest in Aberdeen Asset Management. Our Basel II.5 tier 1 ratio was 19.4% and we made substantial progress in reducing Basel III risk-weighted assets in Investment Banking and for the Group. We attracted CHF 10.8 billion of net new assets.

Results

	in / end of		% change		
	2012	2011	2010	12 / 11	11 / 10
Statements of operations (CHF million)					
Net interest income	7,133	6,405	6,474	11	(1)
Commissions and fees	13,100	12,984	14,131	1	(8)
Trading revenues	1,161	4,921	9,328	(76)	(47)
Other revenues	2,212	1,119	692	98	62
Net revenues	23,606	25,429	30,625	(7)	(17)
Provision for credit losses	170	187	(79)	(9)	–
Compensation and benefits	12,494	13,151	14,562	(5)	(10)
General and administrative expenses	7,288	7,350	7,194	(1)	2
Commission expenses	1,775	1,992	2,148	(11)	(7)
Total other operating expenses	9,063	9,342	9,342	(3)	–
Total operating expenses	21,557	22,493	23,904	(4)	(6)
Income from continuing operations before taxes	1,879	2,749	6,800	(32)	(60)
Income tax expense	496	671	1,548	(26)	(57)
Income from continuing operations	1,383	2,078	5,252	(33)	(60)
Income/(loss) from discontinued operations	0	0	(19)	–	100
Net income	1,383	2,078	5,233	(33)	(60)
Less net income attributable to noncontrolling interests	34	125	135	(73)	(7)
Net income/(loss) attributable to shareholders	1,349	1,953	5,098	(31)	(62)
of which from continuing operations	1,349	1,953	5,117	(31)	(62)
of which from discontinued operations	0	0	(19)	–	100
Statement of operations metrics (%)					
Cost/income ratio	91.3	88.5	78.1	–	–
Pre-tax income margin	8.0	10.8	22.2	–	–
Effective tax rate	26.4	24.4	22.8	–	–
Net income margin ¹	5.7	7.7	16.6	–	–
Number of employees (full-time equivalents)					
Number of employees	47,400	49,700	50,100	(5)	(1)

¹ Based on amounts attributable to shareholders.

Core Results reporting by division

	2012	2011	2010	in 12 / 11	% change 11 / 10
Net revenues (CHF million)					
Wealth Management Clients	8,952	9,085	10,039	(1)	(10)
Corporate & Institutional Clients	2,126	2,065	2,032	3	2
Asset Management	2,463	2,297	2,509	7	(8)
Private Banking & Wealth Management	13,541	13,447	14,580	1	(8)
Investment Banking	12,558	10,460	15,873	20	(34)
Corporate Center	(2,493)	1,522	172	—	—
Net revenues	23,606	25,429	30,625	(7)	(17)
Provision for credit losses (CHF million)					
Wealth Management Clients	110	78	69	41	13
Corporate & Institutional Clients	72	33	(52)	118	—
Private Banking & Wealth Management	182	111	17	64	—
Investment Banking	(12)	76	(96)	—	—
Provision for credit losses	170	187	(79)	(9)	—
Total operating expenses (CHF million)					
Wealth Management Clients	6,821	7,561	7,365	(10)	3
Corporate & Institutional Clients	1,110	1,111	1,113	0	0
Asset Management	1,653	1,703	1,943	(3)	(12)
Private Banking & Wealth Management	9,584	10,375	10,421	(8)	0
Investment Banking	10,568	10,977	12,375	(4)	(11)
Corporate Center	1,405	1,141	1,108	23	3
Total operating expenses	21,557	22,493	23,904	(4)	(6)
Income/(loss) from continuing operations before taxes (CHF million)					
Wealth Management Clients	2,021	1,446	2,605	40	(44)
Corporate & Institutional Clients	944	921	971	2	(5)
Asset Management	810	594	566	36	5
Private Banking & Wealth Management	3,775	2,961	4,142	27	(29)
Investment Banking	2,002	(593)	3,594	—	—
Corporate Center	(3,898)	381	(936)	—	—
Income from continuing operations before taxes	1,879	2,749	6,800	(32)	(60)

Core Results include the results of our two segments, the Corporate Center and discontinued operations. Core Results exclude revenues and expenses in respect of noncontrolling interests in which we do not have SEI.

As of November 30, 2012 we integrated our former Private Banking and Asset Management divisions into a single, new Private Banking & Wealth Management division. In addition, the majority of our securities trading and sales business in Switzerland was transferred from the Investment Banking division into the Private Banking & Wealth Management division.

Certain reclassifications have been made to prior periods to conform to the current presentation.

- Refer to "Format of presentation and changes in reporting" in Information and developments for further information.

Core Results reporting by region

			in		% change	
	2012	2011	2010	12 / 11	11 / 10	
Net revenues (CHF million)						
Switzerland	7,455	7,590	7,934	(2)	(4)	
EMEA	6,749	6,520	7,718	4	(16)	
Americas	9,507	7,272	11,726	31	(38)	
Asia Pacific	2,388	2,525	3,075	(5)	(18)	
Corporate Center	(2,493)	1,522	172	—	—	
Net revenues	23,606	25,429	30,625	(7)	(17)	
Income/(loss) from continuing operations before taxes (CHF million)						
Switzerland	2,536	2,407	2,775	5	(13)	
EMEA	882	44	757	—	(94)	
Americas	2,510	6	3,873	—	(100)	
Asia Pacific	(151)	(89)	331	70	—	
Corporate Center	(3,898)	381	(936)	—	—	
Income from continuing operations before taxes	1,879	2,749	6,800	(32)	(60)	

A significant portion of our business requires inter-regional coordination in order to facilitate the needs of our clients. The methodology for allocating our results by region is dependent on management judgment. For Wealth Management Clients and Corporate & Institutional Clients, results are allocated based on the management reporting structure of our relationship managers and the region where the transaction is recorded. For Asset Management, results are allocated based on the location of the investment advisors and sales teams. For Investment Banking, trading results are allocated based on where the risk is primarily managed and fee-based results are allocated where the client is domiciled.

Results overview

2012 versus 2011

In 2012, we recorded net income attributable to shareholders of CHF 1,349 million, down 31% compared to 2011. Net revenues were CHF 23,606 million, down 7%, and total operating expenses were CHF 21,557 million, down 4%, compared to 2011, mainly due to lower compensation and benefits. Our 2012 results included negative impacts of CHF 3.8 billion consisting of fair value losses before tax from movements in own credit spreads of CHF 2.9 billion, realignment costs of CHF 680 million from cost efficiency measures and additional litigation provisions of CHF 227 million before tax from the settlement of National Century Financial Enterprises, Inc. (NCFE)-related litigation. Also included were gains of CHF 533 million before tax from the sale of real estate and gains of CHF 384 million before tax from the sale of our remaining ownership interest in Aberdeen Asset Management (Aberdeen).

In **Private Banking & Wealth Management**, net revenues of CHF 13,541 million were stable compared to 2011, with lower recurring commissions and fees offset by higher other revenues. Transaction- and performance-based revenues and net interest income were stable. Lower recurring commissions and fees mainly reflected lower investment product management fees and lower discretionary mandate man-

agement fees. Other revenues of CHF 448 million were higher compared to 2011, mainly reflecting a gain of CHF 384 million on the sale of our remaining ownership interest in Aberdeen in 2012, partially offset by lower investment-related gains and impairments related to Asset Management Finance LLC (AMF).

In **Investment Banking**, net revenues were CHF 12,558 million, compared to net revenues of CHF 10,460 million in 2011. We delivered strong results in 2012 despite challenging market conditions and subdued levels of client activity in many of our businesses. Relative to 2011, our net revenues increased 20% on materially lower ◊Basel III risk-weighted assets. In addition, we made substantial progress in reducing our cost base during the year. Our results demonstrated our strong franchise momentum and successful execution of our refined strategy to increase operating and capital efficiency. Fixed income sales and trading revenues were substantially higher compared to a weak 2011, reflecting significantly higher revenues from securitized products and global credit products in 2012, due to improved market conditions. Substantial inventory reductions in these businesses also resulted in lower revenue volatility in 2012. Revenues from emerging markets, corporate lending and foreign exchange were also higher. We incurred losses of CHF 589 million from businesses we are exiting in 2012 compared to losses of CHF 387 million in 2011.

Overview of results

in / end of	Private Banking & Wealth Management			Investment Banking		
	2012	2011	2010	2012	2011	2010
Statements of operations (CHF million)						
Net revenues	13,541	13,447	14,580	12,558	10,460	15,873
Provision for credit losses	182	111	17	(12)	76	(96)
Compensation and benefits	5,561	5,729	6,041	6,070	6,471	7,811
General and administrative expenses	3,219	3,818	3,502	3,551	3,388	3,369
Commission expenses	804	828	878	947	1,118	1,195
Total other operating expenses	4,023	4,646	4,380	4,498	4,506	4,564
Total operating expenses	9,584	10,375	10,421	10,568	10,977	12,375
Income/(loss) from continuing operations before taxes	3,775	2,961	4,142	2,002	(593)	3,594
Income tax expense	—	—	—	—	—	—
Income from continuing operations	—	—	—	—	—	—
Income/(loss) from discontinued operations	—	—	—	—	—	—
Net income	—	—	—	—	—	—
Less net income attributable to noncontrolling interests	—	—	—	—	—	—
Net income attributable to shareholders	—	—	—	—	—	—
Statement of operations metrics (%)						
Cost/income ratio	70.8	77.2	71.5	84.2	104.9	78.0
Pre-tax income margin	27.9	22.0	28.4	15.9	(5.7)	22.6
Effective tax rate	—	—	—	—	—	—
Income margin from continuing operations	—	—	—	—	—	—
Net income margin	—	—	—	—	—	—
Utilized economic capital and return						
Average utilized economic capital (CHF million)	9,981	10,115	9,934	18,729	18,882	19,586
Pre-tax return on average utilized economic capital (%) ³	38.5	29.9	42.4	11.4	(2.6)	19.0
Balance sheet statistics (CHF million)						
Total assets	407,329	392,201	383,902	658,622	790,167	783,266
Net loans	207,702	196,268	182,880	34,501	37,134	35,970
Goodwill	2,409	2,471	2,481	5,980	6,120	6,104
Number of employees (full-time equivalents)						
Number of employees	27,300	28,100	28,700	19,800	20,700	20,500

¹ Core Results include the results of our integrated banking business, excluding revenues and expenses in respect of noncontrolling interests without SEI. ² Includes diversification benefit. ³ Calculated using a return excluding interest costs for allocated goodwill. ⁴ Under the central treasury model, Group financing results in intra-Group balances between the segments. The elimination of these assets and liabilities occurs in the Corporate Center.

Equity sales and trading revenues were up modestly as stronger revenues in convertibles, derivatives and prime services were partially offset by declines in cash equities due to lower industry-wide trading volumes compared to 2011. Underwriting and advisory results were higher compared to 2011, due to strong debt underwriting revenues, particularly in leveraged finance, partially offset by lower equity underwriting revenues. Additionally, M&A fees increased as market share gains in completed M&A transactions more than offset lower industry-wide completed M&A activity.

Corporate Center includes parent company operations such as Group financing, expenses for projects sponsored by the Group and certain expenses and revenues that have not been allocated to the segments. In addition, the Corporate Center includes consolidation and elimination adjustments required to eliminate intercompany revenues and expenses. In 2012, losses before taxes were CHF 3,898 million compared to income before taxes of CHF 381 million in 2011, primarily reflecting fair value losses on our long-term vanilla debt of CHF 1,663 million, debit valuation adjustments (DVA) losses on certain structured notes liabilities of CHF 958 million and fair value losses on stand-alone derivatives of CHF 318 million.

Corporate Center			Core Results ¹			Noncontrolling interests without SEI			Credit Suisse		
2012	2011	2010	2012	2011	2010	2012	2011	2010	2012	2011	2010
(2,493)	1,522	172	23,606	25,429	30,625	360	796	761	23,966	26,225	31,386
0	0	0	170	187	(79)	0	0	0	170	187	(79)
863	951	710	12,494	13,151	14,562	36	62	37	12,530	13,213	14,599
518	144	323	7,288	7,350	7,194	22	22	37	7,310	7,372	7,231
24	46	75	1,775	1,992	2,148	0	0	0	1,775	1,992	2,148
542	190	398	9,063	9,342	9,342	22	22	37	9,085	9,364	9,379
1,405	1,141	1,108	21,557	22,493	23,904	58	84	74	21,615	22,577	23,978
(3,898)	381	(936)	1,879	2,749	6,800	302	712	687	2,181	3,461	7,487
–	–	–	496	671	1,548	0	0	0	496	671	1,548
–	–	–	1,383	2,078	5,252	302	712	687	1,685	2,790	5,939
–	–	–	0	0	(19)	0	0	0	0	0	(19)
–	–	–	1,383	2,078	5,233	302	712	687	1,685	2,790	5,920
–	–	–	34	125	135	302	712	687	336	837	822
–	–	–	1,349	1,953	5,098	0	0	0	1,349	1,953	5,098
–	–	–	91.3	88.5	78.1	–	–	–	90.2	86.1	76.4
–	–	–	8.0	10.8	22.2	–	–	–	9.1	13.2	23.9
–	–	–	26.4	24.4	22.8	–	–	–	22.7	19.4	20.7
–	–	–	5.9	8.2	17.1	–	–	–	7.0	10.6	18.9
–	–	–	5.7	7.7	16.6	–	–	–	5.6	7.4	16.2
2,530 ²	1,798 ²	1,124 ²	31,218	30,782	31,121	–	–	–	31,218	30,782	31,121
–	–	–	6.7	9.5	22.5	–	–	–	7.6	11.8	24.7
(145,777) ⁴	(137,952) ⁴	(142,018) ⁴	920,174	1,044,416	1,025,150	4,106	4,749	6,855	924,280	1,049,165	1,032,005
20	11	(8)	242,223	233,413	218,842	–	–	–	242,223	233,413	218,842
–	–	–	8,389	8,591	8,585	–	–	–	8,389	8,591	8,585
300	900	900	47,400	49,700	50,100	–	–	–	47,400	49,700	50,100

The fair value losses reflected the narrowing of credit spreads on senior and subordinated debt across most currencies. Additionally, the 2012 losses included business realignment costs of CHF 680 million, consisting primarily of severance and other compensation expenses relating to the Group-wide cost efficiency initiatives, additional litigation provisions of CHF 227 million before tax from the settlement of NCFE-related litigation and gains from the sale of real estate of CHF 533 million before tax.

Provision for credit losses reflected net provisions of CHF 170 million, with net provisions of CHF 182 million in

Private Banking & Wealth Management and releases of CHF 12 million in Investment Banking.

Total operating expenses were CHF 21,557 million, down 4%, mainly reflecting a 5% decrease in compensation and benefits due to lower discretionary performance-related compensation expense and lower salary expense, reflecting lower headcount, partly offset by an expense of CHF 500 million from cost efficiency measures. General and administrative expenses were stable, mainly reflecting a decrease in professional services, partly offset by an increase in occupancy expenses. General and administrative expenses also included costs of CHF 180 million in connection with our cost efficiency initiatives.

The **Core Results effective tax rate** was 26.4% in 2012, compared to 24.4% in 2011. The effective tax rate for full-year 2012 was mainly impacted by the geographical mix of results, an increase and a re-assessment in deferred tax balances in Switzerland and the release of tax contingency accruals. The effective tax rate also reflected re-assessments in valuation allowances against deferred tax assets in the US, the UK and Asia. In addition, the tax charge was negatively influenced by the impact of the change in UK corporation tax from 25% to 23%. Overall, net deferred tax assets decreased CHF 1,538 million to CHF 6,972 million during 2012.

- Refer to "Note 26 – Tax" in V – Consolidated financial statements – Credit Suisse Group for further information.

Assets under management of CHF 1,250.8 billion were CHF 65.6 billion higher compared to the end of 2011, driven primarily by positive market movements and by net new assets

of CHF 10.8 billion, partially offset by adverse foreign exchange-related movements. Wealth Management Clients contributed net new assets of CHF 19.0 billion with inflows particularly from emerging markets and from the ◉ ultra-high-net-worth individual (UHNWI) client segment, partially offset by outflows in Western Europe and outflows relating to the integration of Clariden Leu. Corporate & Institutional Clients reported net new assets of CHF 1.5 billion. Asset Management reported net asset outflows of CHF 9.0 billion primarily from multi-asset class solutions which included redemptions of CHF 14.7 billion from a single fixed income mandate, partially offset by inflows in index strategies and credit products. Assets under management continued to reflect a risk-averse asset mix, with investments in less complex, lower-margin products and a significant portion of assets in cash and money market products.

Impact from movements in own credit spreads

Our Core Results revenues are impacted by changes in credit spreads on fair-valued Credit Suisse long-term vanilla debt and ◉ DVA relating to certain structured notes liabilities carried at ◉ fair value. For segment reporting purposes through the end of 2011, the cumulative fair value gains of CHF 1.5 billion on Credit Suisse long-term vanilla debt as of the opening first quarter 2010 balance sheet was charged to the segments on a straight-line amortization basis, and the difference between this amortization and the fair valuation on this Credit Suisse debt from changes in credit spreads was included in the Corporate Center.

Beginning in the first quarter of 2012, we fully reflect the fair value impact from movements in credit spreads on our long-term vanilla debt and DVA on certain structured notes liabilities in the Corporate Center and discontinued the amortization in the segments of the past fair value gains on long-term

vanilla debt. DVA on certain structured notes liabilities was previously recorded in the Investment Banking segment and is now recorded in the Corporate Center in order to aggregate all credit-spread impacts on our funding instruments and to reflect that these impacts are driven by the creditworthiness of the Group rather than our Investment Banking segment or the issuer. Prior periods have been reclassified to conform to the current presentation and such reclassifications had no impact on the Group's net income/(loss) or total shareholders' equity.

Our Core Results are also impacted by fair valuation gains/(losses) on stand-alone derivatives relating to certain of our funding liabilities. These fair valuation gains/(losses) on the stand-alone derivatives are recorded in the Corporate Center, reflect the volatility of cross-currency swaps and yield curve volatility and, over the life of the derivatives, will result in no net gains/(losses).

in	2012	2011	2010
Net income/(loss) attributable to shareholders, excluding impact from movements in credit spreads (CHF million)	3,610	802	4,929
Fair value gains/(losses) from movements in own credit spreads	(2,939)	1,616	269
Fair value gains/(losses) on own long-term vanilla debt	(1,663)	1,210	341
Fair value gains/(losses) on debit valuation adjustments on structured notes	(958)	697	(73)
Fair value gains/(losses) on stand-alone derivatives	(318)	(291)	1
Tax expense/(benefit)	(678)	465	100
Net income attributable to shareholders	1,349	1,953	5,098

Regulatory capital excludes cumulative fair value gains/(losses) related to own long-term vanilla debt and structured notes, net of tax. Refer to "Capital management" in III – Treasury, risk, balance sheet and off-balance sheet for further information.

2011 versus 2010

In 2011, we recorded net income attributable to shareholders of CHF 1,953 million, down 62% compared to 2010. Net revenues were CHF 25,429 million, down 17%, and total operating expenses were CHF 22,493 million, down 6%, compared to 2010, mainly due to lower compensation and benefits. Our 2011 results included negative impacts of CHF 1.8 billion consisting of realignment costs of CHF 847 million from cost efficiency measures and CHF 974 million (CHF 547 million of negative revenues and CHF 427 million of associated costs) from businesses we are exiting and the reduction of risk-weighted assets in our Investment Banking fixed income business. Also included were litigation provisions of CHF 478 million in connection with German and US tax matters. We had fair value gains of CHF 1,210 million on Credit Suisse long-term vanilla debt, DVA gains of CHF 697 million on certain structured notes liabilities and fair value losses of CHF 291 million on stand-alone derivatives. Revenues were adversely impacted and expenses were favorably impacted by the strengthening of the Swiss franc against major currencies. Compared to 2010, the adverse impact on net revenues and income before taxes was CHF 3,092 million and CHF 909 million, respectively.

In **Private Banking & Wealth Management**, net revenues of CHF 13,447 million decreased 8% compared to 2010. The adverse impact of the lower average exchange rate of major currencies against the Swiss franc on net revenues and income before taxes was CHF 1,071 million and CHF 597 million, respectively. Excluding this adverse foreign exchange impact, revenues were stable compared to 2010. Recurring commissions and fees in 2011 compared to 2010 were down 7% as average assets under management decreased slightly, mainly due to the adverse foreign exchange translation impact. In an ongoing low interest rate environment net interest income decreased 6%. Transaction- and performance-based revenues decreased 8%, reflecting lower client activity and lower transaction-based volumes. Other revenues were down 35%, reflecting gains in 2010 on the sale of securities purchased from our money market funds and lower investment-related gains in 2011.

In **Investment Banking**, net revenues were CHF 10,460 million, compared to CHF 15,873 million in 2010. Results in many of our businesses in 2011 were negatively impacted by significantly lower levels of client activity and a volatile trading environment compared to 2010. In light of increasing regulatory and capital requirements and continued challenging market and economic conditions, we announced a refinement of our Investment Banking strategy in November 2011, including an accelerated risk-weighted asset reduction plan. In 2011, we reduced our Basel III risk-weighted assets by USD 80 bil-

lion, or 25%, to USD 242 billion. Fixed income sales and trading revenues were significantly lower in 2011, reflecting challenging trading conditions, subdued client activity levels across most businesses and the execution of our risk reduction strategy. We incurred losses of CHF 512 million from businesses we are exiting and from the reduction of risk-weighted assets in 2011. Our equity sales and trading results declined primarily due to lower levels of client activity in cash equities. Prime services revenues declined, reflecting the foreign exchange translation impact. In US dollars, we had record prime services results due to higher client activity and higher client balances. We also had weak results in derivatives, reflecting reduced customer flow. In 2011, we maintained our market share and leading market share rankings in cash equities and prime services. Underwriting and advisory results were lower in 2011, reflecting a decline in industry-wide capital issuance levels and a decrease in our completed M&A market share from 2010, respectively.

Corporate Center reported income before taxes of CHF 381 million in 2011, compared to losses before taxes of CHF 936 million in 2010, primarily reflecting fair value gains on our long-term vanilla debt of CHF 1,210 million, DVA gains on certain structured notes liabilities of CHF 697 million and fair value losses on stand-alone derivatives of CHF 291 million, resulting in overall gains on such items of CHF 1,616 million. The fair value gains reflected the widening of credit spreads across all currencies, including senior and subordinated debt. Additionally, the 2011 result included CHF 847 million of costs consisting primarily of severance and other compensation expenses relating to the accelerated Group-wide cost efficiency initiatives.

Provision for credit losses reflected net provisions of CHF 187 million, with net provisions of CHF 111 million and CHF 76 million in Private Banking & Wealth Management and Investment Banking, respectively.

Total operating expenses were CHF 22,493 million, down 6%, mainly reflecting a 10% decrease in compensation and benefits due to lower discretionary performance-related compensation expense and the favorable foreign exchange translation impact, partly offset by CHF 715 million from cost efficiency measures. General and administrative expenses increased 2%, reflecting an increase in litigation provisions, IT investment costs and costs of CHF 132 million in connection with our cost efficiency initiatives, partially offset by lower professional fees and the favorable foreign exchange translation impact. Litigation provisions included CHF 478 million in connection with German and US tax matters.

The **Core Results effective tax rate** was 24.4% in 2011, compared to 22.8% in 2010. The effective tax rate for full-year 2011 was mainly impacted by the geographical mix of

results, an increase in deferred tax balances in Switzerland and the US and the release of tax contingency accruals. The effective tax rate also reflected an increase in valuation allowances against deferred tax assets in the UK and Asia and a write-down of deferred tax assets reflecting legislation in the UK and Japan that decreased the corporate income tax rate. Overall, net deferred tax assets decreased CHF 495 million to CHF 8,510 million during 2011.

- ▶ Refer to "Note 26 – Tax" in V – Consolidated financial statements – Credit Suisse Group for further information.

Assets under management as of the end of 2011 were CHF 1,185.2 billion, 1.7% lower compared to the end of 2010, as strong net new assets of CHF 46.6 billion were mainly offset by adverse market movements. Wealth Management Clients contributed net new assets of CHF 37.4 billion with strong contributions from emerging markets and from the UHNWI client segment. Corporate & Institutional Clients reported net new assets of CHF 5.3 billion. Asset Management reported net new assets of CHF 5.2 billion, primarily from inflows in real estate, commodities, multi-asset class solutions and ETFs, partially offset by net outflows from emerging markets, and from outflows from discontinued businesses and investment sales. Average assets under management in 2011 decreased slightly, as net new assets were more than offset by adverse market movements and foreign exchange-related movements.

Information and developments

Format of presentation and changes in reporting

In managing the business, revenues are evaluated in the aggregate, including an assessment of trading gains and losses and the related interest income and expense from financing and hedging positions. For this reason, individual revenue categories may not be indicative of performance.

Beginning in the first quarter of 2012, we fully reflect the fair value impact from movements in credit spreads on our long-term vanilla debt and DVA on certain structured notes liabilities in the Corporate Center.

- ▶ Refer to "Impact from movements in own credit spreads" for further information.

In the second quarter 2012, we made a number of changes to the presentation of our results, mainly related to the legal merger of Clariden Leu into the Bank, and the integration of our Private Banking and Investment Banking operations into a

single function. We also performed a review of our policies regarding the measurement of assets under management and net new assets. As a result of this review we adopted a more restrictive definition of these metrics, leading to a decrease in assets under management of CHF 45 billion for the Group at the end of the second quarter 2012.

In the third quarter 2012, we began recording gains on the sale of real estate made in connection with our July 2012 capital measures in the Corporate Center.

In the fourth quarter 2012, we integrated our previously reported Private Banking and Asset Management divisions into a single, new Private Banking & Wealth Management division and transferred the majority of our securities trading and sales business in Switzerland from Investment Banking into Private Banking & Wealth Management. This reorganization was effective November 30, 2012. The new presentation of Private Banking & Wealth Management results includes a presentation of the combined results of its three operating businesses: Wealth Management Clients, Corporate & Institutional Clients and Asset Management. The results of the transferred securities trading and sales business in Switzerland are allocated among the three operating businesses.

Prior periods have been restated to conform to the current presentation.

As of January 1, 2013, the Basel Committee on Banking Supervision Basel III framework (Basel III) was implemented in Switzerland along with the Swiss "Too Big to Fail" legislation and regulations thereunder. Our related disclosures are in accordance with our current interpretation of such requirements, including relevant assumptions. Changes in the final implementation of these requirements in Switzerland or in any of our assumptions or estimates could result in different numbers from those shown in this report. Our ratio calculations use estimated risk-weighted assets as of December 31, 2012, as if the Basel III framework had been implemented in Switzerland as of such date.

Subsequent event

On March 13, 2013, we entered into agreements with bond investors of affiliates of NCFE to end all bond investor litigation against Credit Suisse. As a result of this settlement, we increased existing NCFE-related litigation provisions by CHF 227 million, resulting in an after tax charge of CHF 134 million in respect of our previously reported 2012 financial results.

- ▶ Refer to "Note 37 – Litigation" in V – Consolidated financial statements – Credit Suisse Group for further information.

Key performance indicators

Our KPIs are targets to be achieved over a three to five year period across market cycles. Our KPIs are assessed annually as part of our normal planning process.

in / end of	Target	2012	2011	2010
Growth (%)				
Collaboration revenues ¹	18–20% of net revenues	18.6	16.8	14.4
Net new asset growth	Above 6%	0.9	3.9	5.3
Efficiency and performance (%)				
Total shareholder return (Credit Suisse) ²	Superior return vs peer group	4.8	(39.4)	(23.3)
Total shareholder return of peer group ^{2,3}	–	49.2	(35.0)	(1.7)
Return on equity attributable to shareholders	Above 15%	3.9	6.0	14.4
Core Results pre-tax income margin	Pre-tax income margin above 28%	8.0	10.8	22.2
Capital (%)				
Tier 1 ratio (Basel II.5)	Compliance with Swiss "Too Big to Fail" and Basel III	19.4	15.2	14.2

¹ Includes revenues recognized when more than one of the Group's divisions participates in a particular transaction. ² Source: Bloomberg. Total shareholder return is calculated as equal to the appreciation or depreciation of a particular share, plus any dividends, over a given period, expressed as a percentage of the share's value as of the beginning of the period. ³ The peer group for this comparison comprises Bank of America, Barclays, BNP Paribas, Citigroup, Deutsche Bank, HSBC, JPMorgan Chase, Société Générale and UBS. The total shareholder return of this peer group is calculated as a simple, unweighted average of the return reported by Bloomberg for each of the members of the peer group.

Key performance indicators

Our historical key performance indicators (KPIs) are provided in the table above. We assessed our KPIs as part of our normal planning process. Beginning in the first quarter of 2013, we have adjusted our KPIs for the Group and for our Private Banking & Wealth Management and Investment Banking divisions to reflect our strategic plan, the regulatory environment and the market cycle. Income statement based KPIs will be measured on underlying results, which are non-GAAP financial measures that exclude valuation impacts from movements in own credit spreads and certain other significant items for which a reconciliation to reported results will be provided.

For the Group, we have replaced the Core Results pre-tax income margin KPI with an underlying Core Results cost/income ratio target of below 70%. In addition, we are targeting an underlying return on equity attributable to shareholders above 15%. Our capital measures going forward will continue to be based on compliance with Swiss "Too Big to Fail" and Basel III capital standards and are targeting a Look-through Swiss Core Capital ratio above 10%. Our KPIs for collaboration revenues and total shareholder return remain unchanged at present and the KPI for net new asset growth will now be measured at the Wealth Management Clients and Asset Management business levels instead of at the Group level.

In our Private Banking & Wealth Management division, we will target net new asset growth of 6% for both the Wealth Management Clients and the Asset Management businesses.

We will also target an underlying divisional cost/income ratio of 65%.

In our Investment Banking division, we will replace the pre-tax income margin KPI with an underlying cost/income ratio target of 70%.

Collaboration revenues

Collaboration revenues are calculated as the percentage of the Group's net revenues represented by the aggregate collaboration revenues arising when more than one of the Group's divisions participates in a transaction. Collaboration revenues are measured by a dedicated governance structure and implemented through an internal revenue sharing structure. Only the net revenues generated by a transaction are considered. Position risk related to trading revenues, private equity and other investment-related gains, valuation adjustments and centrally managed treasury revenues are not included in collaboration revenues. Collaboration revenues are currently reported on the basis of the organizational structure prior to the establishment of the single Private Banking & Wealth Management division.

Capital trends and capital distribution proposal

Our consolidated Bank for International Settlements tier 1 ratio under Basel II.5 was strong at 19.4% as of the end of 2012, compared to 15.2% as of the end of 2011. The increase reflected decreased risk-weighted assets and increased tier 1 capital.

At the Annual General Meeting (AGM) on April 26, 2013, the Board of Directors will propose for the financial year 2012 a distribution of CHF 0.10 per share in cash out of reserves from capital contributions. In addition, the Board of Directors will propose the distribution of new shares (stock dividend). The new shares for the stock dividend will be paid in at the par value of CHF 0.04 per share out of reserves from capital contributions. The distribution out of reserves from capital contributions (cash and stock) will be free of Swiss withholding tax and will not be subject to income tax for Swiss resident individuals holding the shares as a private investment. The ex-dividend date has been set to April 30, 2013 (for cash distribution and stock dividend).

The stock dividend will be distributed to all shareholders as follows: for every share that they own, shareholders will receive a non-tradable right to the receipt of a given number of new shares for free. Following distribution, the rights will automatically be exchanged for new shares at the ratio determined by the Board of Directors immediately prior to the AGM. The Board of Directors will set the subscription ratio in such a way that the theoretical value of each right will be approximately CHF 0.65.

- ▶ Refer to "Capital management" in III – Treasury, Risk, Balance sheet and Off-balance sheet for further information on capital trends.

Cost savings and strategy implementation

We continued to adapt our client-focused, capital-efficient strategy to optimize our use of capital and improve the cost structure. In 2011, we began implementing a number of cost efficiency initiatives with a goal of achieving a total of CHF 3.0 billion of expense reductions in 2013, CHF 3.5 billion in 2014 and CHF 4.0 billion in 2015. These targets have been measured against our annualized 6M11 expense run rate measured at constant foreign exchange rates and adjusted to exclude business realignment and other significant non-operating expenses and variable compensation expenses. The majority of the expected future savings will be realized from shared infrastructure and support services across the Group, mainly through the consolidation of fragmented and duplicate functions globally and the continued consolidation of IT applications and functions. We have also targeted further savings within our two operating divisions. Within Investment Banking, we expect to deliver cost benefits from initiatives already completed in 2012 and from continuing to rationalize businesses in certain geographies. Within Private Banking & Wealth Management, we expect to deliver cost benefits from the integration of Clariden Leu completed in 2012, streamlining of front office support functions and the offshore affluent client coverage model and simplification of our operating platform.

As a result of the integration of our former reported Private Banking and Asset Management divisions into the new Private Banking & Wealth Management division and other measures, we are updating our overall cost savings targets to CHF 3.2 billion in 2013, CHF 3.8 billion by the end of 2014 and CHF 4.4 billion by the end of 2015, adjusted on the same basis as described above. We expect to incur approximately CHF 1.6 billion of business realignment costs associated with these measures during the course of 2013 to 2015.

We incurred CHF 680 million of business realignment costs associated with these measures in 2012.

In October 2012, we announced a balance sheet reduction of CHF 130 billion for the Group by year-end 2013 to under CHF 900 billion on a foreign exchange neutral basis compared to the end of the third quarter of 2012. As of the end of 2012, total assets were CHF 924 billion, down CHF 125 billion, or 12%, from 2011.

- ▶ Refer to "Strategy" in I – Information on the company for further information.

Share Issuances

In April 2012, the AGM approved a distribution against reserves from capital contributions instead of a dividend paid from net income for the year 2011 in the form of shares (scrip dividend) or cash. In May, shareholders made their election and, as a result, 24.2 million new Group shares were issued out of authorized capital, representing approximately 2% of our share capital upon issuance.

In the second quarter 2012, we issued 37.9 million new Group shares in connection with the settlement of vested share-based compensation awards, representing approximately 3.0% of our share capital upon issuance.

In the third quarter 2012, we issued 33.5 million new Group shares to cover the second quarter 2012 purchase of the residual stake in Credit Suisse Hedging-Griffo Investimentos S.A. (Hedging-Griffo), representing approximately 2.5% of our share capital upon issuance.

Risk trends

The prudent taking of risk in line with our strategic priorities is fundamental to our business as a leading global bank and remained a critical focus throughout 2012. Over the course of 2012, we took significant steps to adapt our businesses and our organization to the new regulatory requirements, which predominantly impacted the risk profile of Investment Banking. During 2012, we reduced our Group risk profile and shifted our portfolio toward less capital intense businesses. We continued to invest significantly in our IT infrastructure and further refined our risk appetite framework to ensure an appropriate balance of return and assumed risk, stability of earnings

and capital levels we seek to maintain. In 2012, overall position risk decreased 1%, utilized economic capital decreased 8% and average risk management VaR in US dollars for our trading books decreased 31%.

- ▶ Refer to "Risk management" in III – Treasury, Risk, Balance sheet and Off-balance sheet for further information on risk trends.

Board of Directors and management changes

At our AGM in April 2012, shareholders approved the election of Iris Bohnet and Jean-Daniel Gerber as new members to the Board of Directors, and the re-election of Walter B. Kielholz, Andreas N. Koopmann, Urs Rohner, Richard E. Thornburgh and John Tiner. Peter F. Weibel stepped down from the Board of Directors, having reached the internal age limit. The Board proposes that at the AGM on April 26, 2013, Kai S. Nargowala, Lead Independent Director of Singapore Telecommunications Ltd., be elected to the Board and that the following members be re-elected to the Board: Jassim Bin Hamad J.J. Al Thani and Noreen Doyle. Robert H. Benmosche, Aziz R.D. Syriani and David W. Syz will retire from the Board of Directors at the AGM 2013.

Effective April 30, 2012, Karl Landert stepped down from the Executive Board and his position as Chief Information Officer. David Mathers, Chief Financial Officer and a member of the Executive Board, also assumed responsibility for the IT organization and since January 1, 2012, for the Group's global Operations functions.

Effective May 31, 2012, Antonio Quintella was appointed as Chairman of Hedging-Griffo and stepped down from the Executive Board and his position as Chief Executive Officer (CEO) Americas. Robert Shafir assumed the role as CEO Americas in addition to his role at the time as CEO Asset Management.

Effective November 30, 2012, Hans-Ulrich Meister and Robert Shafir were appointed to jointly lead the newly created Private Banking & Wealth Management division. As regional CEO, Hans-Ulrich Meister continues to have responsibility for all businesses and clients in the Swiss region. Robert Shafir continues to serve as the CEO of the Americas region.

Effective November 30, 2012, Eric Varvel and Gaël de Boissard were appointed to jointly lead the Investment Banking division. In addition, Eric Varvel was appointed CEO of the Asia Pacific region and Gaël de Boissard took on responsibility as CEO of the Europe, Middle East and Africa (EMEA) region. Gaël de Boissard joined the Executive Board as of January 1, 2013.

As of November 30, 2012, Osama Abbasi stepped down from the Executive Board and his position as CEO of the Asia

Pacific region, Walter Berchtold stepped down from the Executive Board and his position as Chairman Private Banking and Fawzi Kyriakos-Saad stepped down from the Executive Board and his position as CEO of the EMEA region.

Regulatory developments and proposals

Government leaders and regulators continued to focus on reform of the financial services industry, including capital, leverage and liquidity requirements, changes in compensation practices and systemic risk.

- ▶ Refer to "Regulation and supervision" in I – Information on the company for further information on regulatory developments and proposals.

Compensation and benefits

Compensation and benefits for a given year reflect the strength and breadth of the business results and staffing levels and include fixed components, such as salaries, benefits and the amortization of share-based and other deferred compensation from prior-year awards, and a discretionary variable component. The variable component reflects the performance-based variable compensation for the current year. The portion of the performance-based compensation for the current year deferred through share-based and other awards is expensed in future periods and is subject to vesting and other conditions.

Our shareholders' equity reflects the effect of share-based compensation. Share-based compensation expense (which is generally based on fair value at the time of grant) reduces equity, however, the recognition of the obligation to deliver the shares increases equity by a corresponding amount. Equity is generally unaffected by the granting and vesting of share-based awards, including through the issuance of shares from approved conditional capital. The Group issues shares from conditional capital to meet its obligations to deliver share-based compensation awards. If Credit Suisse purchases shares from the market to meet its obligation to employees, these purchased treasury shares reduce equity by the amount of the purchase price. Shareholders' equity also includes, as additional paid-in capital, the excess tax benefits/charges that arise at settlement of share-based awards.

- ▶ Refer to "Compensation" in IV – Corporate Governance and Compensation for further information.
- ▶ Refer to "Consolidated statements of changes in equity" and "Note 27 – Employee deferred compensation" in V – Consolidated financial statements – Credit Suisse Group for further information.
- ▶ Refer to "Tax benefits associated with share-based compensation" in Note 26 – Tax in V – Consolidated financial statements – Credit Suisse Group for further information.

Allocations and funding

Revenue sharing and cost allocation

Responsibility for each product is allocated to a segment, which records all related revenues and expenses. Revenue-sharing and service level agreements govern the compensation received by one segment for generating revenue or providing services on behalf of another. These agreements are negotiated periodically by the relevant segments on a product-by-product basis.

The aim of revenue-sharing and service level agreements is to reflect the pricing structure of unrelated third-party transactions.

Corporate services and business support in finance, operations, including human resources, legal and compliance, risk management and IT are provided by the Shared Services area. Shared Services costs are allocated to the segments and Corporate Center based on their requirements and other relevant measures.

Funding

We centrally manage our funding activities. New securities for funding and capital purposes are issued primarily by the Bank. The Bank lends funds to our operating subsidiaries and affiliates on both a senior and subordinated basis, as needed, the latter typically to meet capital requirements, or as desired by management to capitalize on opportunities. Capital is distributed to the segments considering factors such as regulatory capital requirements, utilized economic capital and the historic and future potential return on capital.

Transfer pricing, using market rates, is used to record net revenues and expenses in each of the segments for this capital and funding. Our funds transfer pricing system is designed to allocate to our businesses funding costs in a way that incentivizes their efficient use of funding. Our funds transfer pricing system is an essential tool that allocates to the businesses the short-term and long-term costs of funding their balance sheet and the costs associated with funding liquidity and balance sheet items, such as goodwill, which are beyond the control of individual businesses. This is of greater importance in a stressed capital markets environment where raising funds is more challenging and expensive. Under this system, our businesses are also credited to the extent they provide long-term stable funding.

Fair valuations

► Fair value can be a relevant measurement for financial instruments when it aligns the accounting for these instruments with how we manage our business. The levels of the fair value hierarchy as defined by the relevant accounting guidance are not a measurement of economic risk, but rather an indication of the observability of prices or valuation inputs.

- Refer to "Note 1 – Summary of significant accounting policies" and "Note 33 – Financial instruments" in V – Consolidated financial statements – Credit Suisse Group for further information.

Based on the Group's regular review of observable parameters used in its pricing models, in 2012 the Group extended the adoption of overnight indexed swap discounting, instead of other reference rates such as ◊LIBOR, to those businesses in fixed income where the adoption had not occurred and to certain equity derivatives, which resulted in a loss of CHF 57 million.

The fair value of the majority of the Group's financial instruments is based on quoted prices in active markets (level 1) or observable inputs (level 2). These instruments include government and agency securities, certain ◊commercial paper, most investment grade corporate debt, certain high yield debt securities, exchange-traded and certain ◊over-the-counter (OTC) derivative instruments and most listed equity securities.

In addition, the Group holds financial instruments for which no prices are available and which have little or no observable inputs (level 3). For these instruments, the determination of fair value requires subjective assessment and judgment depending on liquidity, pricing assumptions, the current economic and competitive environment and the risks affecting the specific instrument. In such circumstances, valuation is determined based on management's own judgments about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). These instruments include certain OTC derivatives, including equity and credit derivatives, certain corporate equity-linked securities, mortgage-related and ◊collateralized debt obligation (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.

Models were used to value these products. Models are developed internally and are reviewed by functions independent of the front office to ensure they are appropriate for current market conditions. The models require subjective assessment and varying degrees of judgment depending on liquidity, concentration, pricing assumptions and risks affecting the specific instrument. The models consider observable and unobservable parameters in calculating the value of these products, including certain indices relating to these products. Consideration of these indices is more significant in periods of lower market activity.

As of the end of 2012, 51% and 38% of our total assets and total liabilities, respectively, were measured at fair value.

While the majority of our level 3 assets are recorded in Investment Banking, some are recorded in Private Banking & Wealth Management's Asset Management business, specifically certain private equity investments. Total assets recorded as level 3 declined by CHF 11.5 billion during 2012, primarily reflecting decreases in trading assets, loans held-for-sale and central bank funds sold, securities purchased under resale agreements and securities borrowing transactions. The decrease in trading assets primarily reflected net transfers out of level 3 due to improved observability of pricing data and net settlements. The decreases in loans held-for-sale and central bank funds sold, securities purchased under resale agreements and securities borrowing transactions were primarily due to net settlements.

Our level 3 assets, excluding noncontrolling interests and assets of consolidated VIEs that are not risk-weighted assets under the Basel framework, were CHF 29.7 billion, compared to CHF 39.3 billion as of the end of 2011. As of the end of 2012, these assets comprised 3% of total assets and 7% of total assets measured at fair value, both adjusted on the same basis, compared to 4% and 8% as of the end of 2011, respectively.

We believe that the range of any valuation uncertainty, in the aggregate, would not be material to our financial condition, however, it may be material to our operating results for any particular period, depending, in part, upon the operating results for such period.

Personnel

Headcount at the end of 2012 was 47,400, down 2,300 from the end of 2011. This reflected reductions in headcount of 3,200 employees in connection with our cost efficiency initiatives in Investment Banking and Private Banking & Wealth Management and the sale of Wincasa AG, a real estate services group, offset by graduate hiring and contractor employee conversion. Compared to year-end 2010, headcount decreased 2,700.

- ▶ Refer to "Overview" in IV – Corporate Governance and Compensation – Corporate Governance for additional information on personnel.

Private Banking & Wealth Management

In 2012, we reported income before taxes of CHF 3,775 million and net revenues of CHF 13,541 million with an improved pre-tax margin of 27.9% compared to 2011. We attracted net new assets of CHF 10.8 billion, mainly from emerging markets and our ultra-high-net-worth individual client segment.

Results

	in / end of		% change		
	2012	2011	2010	12 / 11	11 / 10
Statements of operations (CHF million)					
Net revenues	13,541	13,447	14,580	1	(8)
Provision for credit losses	182	111	17	64	–
Compensation and benefits	5,561	5,729	6,041	(3)	(5)
General and administrative expenses	3,219	3,818	3,502	(16)	9
Commission expenses	804	828	878	(3)	(6)
Total other operating expenses	4,023	4,646	4,380	(13)	6
Total operating expenses	9,584	10,375	10,421	(8)	0
Income before taxes	3,775	2,961	4,142	27	(29)
of which Wealth Management Clients	2,021	1,446	2,605	40	(44)
of which Corporate & Institutional Clients	944	921	971	2	(5)
of which Asset Management	810	594	566	36	5
Statement of operations metrics (%)					
Cost/income ratio	70.8	77.2	71.5	–	–
Pre-tax income margin	27.9	22.0	28.4	–	–
Utilized economic capital and return					
Average utilized economic capital (CHF million)	9,981	10,115	9,934	(1)	2
Pre-tax return on average utilized economic capital (%) ¹	38.5	29.9	42.4	–	–
Number of employees (full-time equivalents)					
Number of employees	27,300	28,100	28,700	(3)	(2)

¹ Calculated using a return excluding interest costs for allocated goodwill.

Results (continued)

	in / end of		% change		
	2012	2011	2010	12 / 11	11 / 10
Net revenue detail (CHF million)					
Net interest income	4,551	4,512	4,821	1	(6)
Recurring commissions and fees	4,864	5,068	5,462	(4)	(7)
Transaction- and performance-based revenues	3,678	3,607	3,900	2	(8)
Other revenues ¹	448	260	397	72	(35)
Net revenues	13,541	13,447	14,580	1	(8)
Provision for credit losses (CHF million)					
New provisions	316	277	288	14	(4)
Releases of provisions	(134)	(166)	(271)	(19)	(39)
Provision for credit losses	182	111	17	64	-
Balance sheet statistics (CHF million)					
Net loans	207,702	196,268	182,880	6	7
of which Wealth Management Clients ²	147,103	139,725	130,435	5	7
of which Corporate & Institutional Clients	60,595	56,543	52,445	7	8
Deposits	276,571	262,985	250,367	5	5
of which Wealth Management Clients ²	210,662	203,350	194,013	4	5
of which Corporate & Institutional Clients	65,909	59,635	56,354	11	6
Number of relationship managers					
Switzerland	1,550	1,730	1,680	(10)	3
EMEA	1,300	1,320	1,500	(2)	(12)
Americas	620	590	610	5	(3)
Asia Pacific	440	400	400	10	0
Wealth Management Clients	3,910	4,040	4,190	(3)	(4)
Corporate & Institutional Clients (Switzerland)	560	520	500	8	4
Number of relationship managers	4,470	4,560	4,690	(2)	(3)

¹ Includes investment-related gains/(losses), equity participations and other gains/(losses) and fair value gains/(losses) on the Clock Finance transaction. ² Wealth Management Clients covers individual clients, including affluent, high-net-worth and ultra-high-net-worth individual clients.

Results overview

For 2012, income before taxes was CHF 3,775 million, up 27% compared to 2011. Net revenues of CHF 13,541 million were stable compared to 2011, with lower recurring commissions and fees offset by higher other revenues. Transaction- and performance-based revenues and net interest income were stable. Lower recurring commissions and fees mainly reflected lower investment product management fees and lower discretionary mandate management fees. Other revenues of CHF 448 million were higher compared to 2011, mainly reflecting a gain of CHF 384 million on the sale of our remaining ownership interest in Aberdeen in 2012, partially offset by lower investment-related gains and impairments related to AMF.

Provision for credit losses in 2012 was CHF 182 million compared to CHF 111 million in 2011 on a net loan portfolio

of CHF 208 billion, including higher new provisions and lower releases in 2012 compared to 2011.

Total operating expenses were CHF 9,584 million, down 8% compared to 2011. Excluding litigation provisions of CHF 478 million in connection with the German and US tax matters in 2011, total operating expenses decreased by CHF 313 million, or 3%, reflecting lower compensation and benefits, driven by lower headcount, and lower general and administrative expenses, reflecting our efficiency measures.

Assets under management of CHF 1,250.8 billion were CHF 65.6 billion higher compared to the end of 2011, driven primarily by positive market movements and by net new assets of CHF 10.8 billion, partially offset by adverse foreign exchange-related movements. Wealth Management Clients contributed net new assets of CHF 19.0 billion with inflows particularly from emerging markets and from our ◊UHNWI client segment, partially offset by outflows in Western Europe

and outflows relating to the integration of Clariden Leu. Corporate & Institutional Clients reported net new assets of CHF 1.5 billion. Asset Management reported net asset outflows of CHF 9.0 billion primarily from multi-asset class solutions which included redemptions of CHF 14.7 billion from a single fixed income mandate, partially offset by inflows in index strategies and credit products. Assets under management continued to reflect a risk-averse asset mix, with investments in less complex, lower-margin products and a significant portion of assets in cash and money market products.

For 2011, we reported income before taxes of CHF 2,961 million, down 29% compared to 2010. Net revenues of CHF 13,447 million decreased 8% compared to 2010. The adverse impact of the lower average exchange rate of major currencies against the Swiss franc on net revenues and income before taxes was CHF 1,071 million and CHF 597 million, respectively. Excluding this adverse foreign exchange impact, revenues were stable compared to 2010.

Recurring commissions and fees in 2011 compared to 2010 were down 7% as average assets under management decreased slightly, mainly due to the adverse foreign exchange translation impact. In an ongoing low interest rate environment net interest income decreased 6%. Transaction- and performance-based revenues decreased 8%, reflecting lower client activity and lower transaction-based volumes. Other revenues were down 35%, reflecting gains in 2010 on the sale of securities purchased from our money market funds and lower investment-related gains in 2011.

Provision for credit losses in 2011 was CHF 111 million compared to CHF 17 million in 2010, mainly driven by lower releases in 2011 compared to 2010.

Total operating expenses of CHF 10,375 million in 2011 were stable compared to 2010. Excluding 2011 litigation provisions in connection with the German and US tax matters, operating expenses decreased 5%. Compensation and benefits decreased 5%, reflecting a favorable foreign exchange translation impact and lower discretionary performance-related compensation expense.

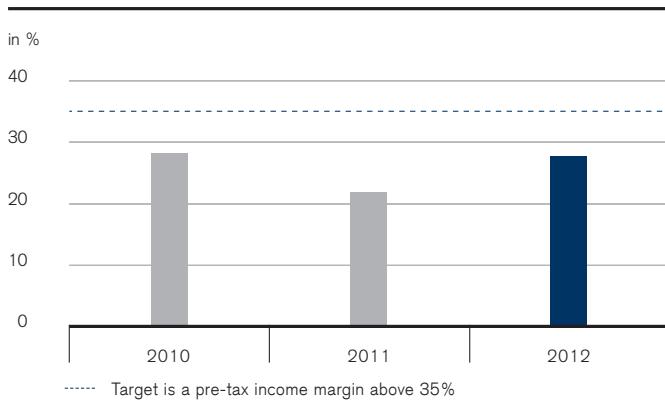
Assets under management as of the end of 2011 were CHF 1,185.2 billion, 1.7% lower compared to the end of 2010, as strong net new assets of CHF 46.6 billion were mainly offset by adverse market movements. Wealth Management Clients contributed net new assets of CHF 37.4 billion with strong contributions from emerging markets and from our UHNWI client segment. Corporate & Institutional Clients reported net new assets of CHF 5.3 billion. Asset Management reported net new assets of CHF 5.2 billion, primarily from inflows in real estate, commodities, multi-asset class solutions and ETFs, partially offset by net outflows from emerging markets and from outflows from discontinued businesses and investment sales. Average assets under management in 2011 decreased slightly, as net new assets were more than offset by adverse market movements and foreign exchange-related movements.

Assets under management – Private Banking & Wealth Management

	in / end of		% change		
	2012	2011	2010	12 / 11	11 / 10
Assets under management by business (CHF billion)					
Wealth Management Clients	798.5	750.2	763.1	6.4	(1.7)
Corporate & Institutional Clients	223.8	203.0	195.9	10.2	3.6
Asset Management	371.6	365.2	382.0	1.8	(4.4)
Assets managed across businesses ¹	(143.1)	(133.2)	(135.7)	7.4	(1.8)
Assets under management	1,250.8	1,185.2	1,205.3	5.5	(1.7)
Average assets under management (CHF billion)					
Average assets under management	1,224.7	1,187.1	1,204.6	3.2	(1.5)
Net new assets by business (CHF billion)					
Wealth Management Clients	19.0	37.4	40.6	(49.2)	(7.9)
Corporate & Institutional Clients	1.5	5.3	8.0	(71.7)	(33.8)
Asset Management	(9.0)	5.2	20.2	–	(74.3)
Assets managed across businesses ¹	(0.7)	(1.3)	(6.4)	(46.2)	(79.7)
Net new assets	10.8	46.6	62.4	(76.8)	(25.3)

¹ Assets managed by Asset Management for Wealth Management Clients and Corporate & Institutional Clients.

Pre-tax income margin (KPI)



Results detail

In connection with the integration relating to Private Banking & Wealth Management, we reviewed and adjusted our KPI targets.

- ▶ Refer to "Key performance indicators" in Core Results – Information and developments for further information.

The following provides a comparison of our 2012 results versus 2011 and 2010 results versus 2010.

Net revenues

Net interest income includes a term spread credit on stable deposit funding and a term spread charge on loans. Recurring commissions and fees includes investment product management, discretionary mandate and other asset management-related fees and fees for general banking products and services. Transaction- and performance-based revenues arise primarily from brokerage and product issuing fees, foreign exchange fees from client transactions, performance-based fees related to assets under management and custody assets, trading and sales income, placement fees, equity participations income and other transaction-based income. Other revenues include investment-related gains and losses and equity participations and other gains and losses.

2012 vs 2011: Stable at CHF 13,541 million

Net revenues were stable, with lower recurring commissions and fees offset by higher other revenues. Transaction- and performance-based revenues and net interest income were stable. Lower recurring commissions and fees mainly reflected lower investment product management fees, driven by lower fund management fees, and lower discretionary mandate management fees. Other revenues of CHF 448 million mainly reflected a CHF 384 million gain from the sales of our remain-

ing ownership interest in Aberdeen, a CHF 45 million gain from the sale of Wincasa and a CHF 41 million gain related to the sale of a non-core business, partially offset by lower investment-related gains, which included losses of CHF 82 million in connection with the planned sale of certain private equity investments, impairment charges of CHF 61 million related to AMF and impairments of a joint venture investment. Transaction- and performance-based revenues were stable with higher performance fees from our Hedging-Griffo subsidiary, single manager hedge funds and credit strategies, higher revenues from integrated solutions and gains related to a change in life insurance accounting, offset by lower brokerage and product issuing fees and lower equity participations income. Net interest income was stable, as the impact of lower deposit margins, reflecting the continued low interest rate environment, and stable loan margins were offset by higher average deposit and loan volumes.

2011 vs 2010: Down 8% from CHF 14,580 million to CHF 13,447 million

The decrease was driven by lower revenues across all revenue categories and an adverse foreign translation impact of CHF 1,071 million. Recurring commissions and fees declined due to lower revenues across most categories, mainly reflecting the adverse foreign exchange translation impact, including the impact on average assets under management. Net interest income decreased due to lower deposit margins on lower average volumes and lower loan margins on slightly higher average volumes. Lower deposit margins reflected the low interest environment with a relatively flat interest curve. Transaction- and performance-based revenues were lower, mainly due to significantly lower brokerage and product issuing fees, particularly from equities and bonds, and lower trading and sales income, both reflecting lower client activity and lower transaction-based volumes. Lower other revenues reflected gains in 2010 on the sale of securities purchased from our money market funds, and lower investment-related gains in 2011, partially offset by lower equity participations losses and a decrease in fair value losses on the Clock Finance transactions.

Provision for credit losses

The Wealth Management Clients loan portfolio is substantially comprised of residential mortgages in Switzerland and loans collateralized by securities. Our Corporate & Institutional Clients loan portfolio has relatively low concentrations and is mainly secured by mortgages, securities and other financial collateral.

2012 vs 2011: Up 64% from CHF 111 million to CHF 182 million

Provision for credit losses of CHF 182 million was up CHF 71 million compared to 2011, including 14% higher new provisions and 19% lower releases of provisions compared to

2011. Provisions for credit losses reflected net provisions of CHF 110 million in Wealth Management Clients and CHF 72 million in Corporate & Institutional Clients.

2011 vs 2010: Up from CHF 17 million to CHF 111 million

Provision for credit losses of CHF 111 million was up CHF 94 million compared to 2010, driven by 39% lower releases of provisions compared to 2010. New provisions were 4% lower. Provisions for credit losses reflected net provisions of CHF 78 million in Wealth Management Clients and CHF 33 million in Corporate & Institutional Clients.

Operating expenses

Compensation and benefits

2012 vs 2011: Down 3% from CHF 5,729 million to CHF 5,561 million

Compensation and benefits decreased slightly, driven by lower salary expense, reflecting lower headcount, and lower discretionary performance-related compensation.

2011 vs 2010: Down 5% from CHF 6,041 million to CHF 5,729 million

The decrease reflected a favorable foreign exchange translation impact and lower discretionary performance-related compensation expense.

General and administrative expenses

2012 vs 2011: Down 16% from CHF 3,818 million to CHF 3,219 million

The decrease primarily reflected 2011 litigation provisions of CHF 478 million in connection with the German and US tax matters. Excluding these litigation provisions, general and administrative expenses decreased CHF 121 million, reflecting our cost efficiency measures, including lower marketing and travel and entertainment expenses.

2011 vs 2010: Up 9% from CHF 3,502 million to CHF 3,818 million

The increase primarily reflected the litigation provisions in 2011. 2010 included CHF 44 million of provisions related to auction rate securities. Excluding these litigation provisions, general and administrative expenses decreased slightly.

Results – Wealth Management Clients

			in		% change	
	2012	2011	2010	12 / 11	11 / 10	
Statements of operations (CHF million)						
Net revenues	8,952	9,085	10,039	(1)	(10)	
Provision for credit losses	110	78	69	41	13	
Total operating expenses	6,821	7,561	7,365	(10)	3	
Income before taxes	2,021	1,446	2,605	40	(44)	
Statement of operations metrics (%)						
Cost/income ratio	76.2	83.2	73.4	–	–	
Pre-tax income margin	22.6	15.9	25.9	–	–	
Net revenue detail (CHF million)						
Net interest income	3,344	3,327	3,631	1	(8)	
Recurring commissions and fees	3,106	3,309	3,540	(6)	(7)	
Transaction- and performance-based revenues	2,461	2,449	2,868	0	(15)	
Other revenues	41 ¹	0	0	–	–	
Net revenues	8,952	9,085	10,039	(1)	(10)	
Gross margin on assets under management (bp)²						
Net interest income	42	45	47	–	–	
Recurring commissions and fees	40	44	46	–	–	
Transaction- and performance-based revenues	31	33	37	–	–	
Other revenues	1	0	0	–	–	
Gross margin	114	122	130	–	–	

¹ Reflects gains related to the sale of a non-core business in 2012. ² Net revenues divided by average assets under management.

Wealth Management Clients

Net revenues

Net interest income

2012 vs 2011: Stable at CHF 3,344 million

Stable net interest income reflected lower deposit margins and stable loan margins on higher average volumes.

2011 vs 2010: Down 8% from CHF 3,631 million to CHF 3,327 million

The decrease primarily reflected lower deposit margins on lower average volumes, and lower loan margins on slightly higher average volumes.

Recurring commissions and fees

2012 vs 2011: Down 6% from CHF 3,309 million to CHF 3,106 million

The decrease reflected lower revenues across all major revenue categories, primarily lower investment product management fees, driven by lower fund management fees, and lower discretionary mandate management fees.

2011 vs 2010: Down 7% from CHF 3,540 million to CHF 3,309 million

The decrease reflected lower revenues in investment product management fees, discretionary mandate management fees and banking services fees, partially offset by higher investment account and services fees. Overall the decrease was driven by lower average assets under management, mainly due to adverse market movements and the strengthening of the average exchange rate of the Swiss franc against major currencies compared to 2010.

Transaction- and performance-based revenues

2012 vs 2011: Stable at CHF 2,461 million

Stable transaction- and performance-based revenues reflected lower brokerage and product issuing fees, primarily in equities and mutual funds, and lower foreign exchange fees from client transactions, offset by gains of CHF 35 million in 2012 related to a change in life insurance accounting, higher performance fees from Hedging-Griffo and higher revenues from integrated solutions.

2011 vs 2010: Down 15% from CHF 2,868 million to CHF 2,449 million

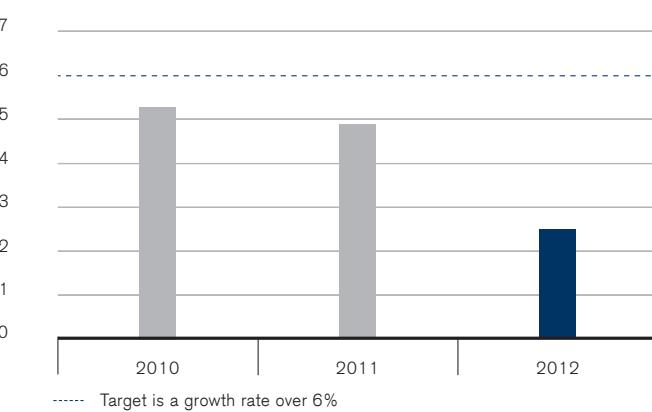
The decline was driven by substantially lower brokerage and product issuing fees, primarily in equities and bonds, and lower trading and sales income, both reflecting significantly lower client activity and lower transaction-based volumes.

Gross margin

Our gross margin was 114 basis points in 2012, eight basis points lower compared to 2011 and 16 basis points lower than 2010. Compared to 2011, the net interest income margin decreased three basis points, reflecting stable net interest income and 4.8% higher average assets under management. The recurring commissions and fees margin decreased four basis points in 2012, as recurring commissions and fees decreased 6% while average assets under management increased. The transaction- and performance-based margin decreased two basis points, reflecting stable transaction- and performance-based revenues and the increase in average assets under management.

Net new asset growth rate (KPI)

in %



Assets under management – Wealth Management Clients

	in / end of		% change		
	2012	2011	2010	12 / 11	11 / 10
Assets under management by region (CHF billion)					
Switzerland	253.6	253.7	301.9	0.0	(16.0)
EMEA	273.1	265.1	247.0	3.0	7.3
Americas	165.0	143.5	135.7	15.0	5.7
Asia Pacific	106.8	87.9	78.5	21.5	12.0
Assets under management	798.5	750.2	763.1	6.4	(1.7)
Average assets under management (CHF billion)					
Average assets under management	782.5	746.5	776.2	4.8	(3.8)
Assets under management by currency (CHF billion)					
USD	293.7	266.4	270.9	10.2	(1.7)
EUR	171.7	180.7	198.4	(5.0)	(8.9)
CHF	188.2	177.0	179.0	6.3	(1.1)
Other	144.9	126.1	114.8	14.9	9.8
Assets under management	798.5	750.2	763.1	6.4	(1.7)
Net new assets by region (CHF billion)					
Switzerland	2.3	4.9	5.2	(53.1)	(5.8)
EMEA	(3.5)	13.8	13.5	–	2.2
Americas	10.1	8.3	9.5	21.7	(12.6)
Asia Pacific	10.1	10.4	12.4	(2.9)	(16.1)
Net new assets	19.0	37.4	40.6	(49.2)	(7.9)
Growth in assets under management (CHF billion)					
Net new assets	19.0	37.4	40.6	–	–
Other effects	29.3	(50.3)	(37.2)	–	–
of which market movements	49.1	(35.9)	36.0	–	–
of which currency	(12.6)	(7.6)	(67.2)	–	–
of which other	(7.2)	(6.8)	(6.0)	–	–
Growth in assets under management	48.3	(12.9)	3.4	–	–
Growth in assets under management (%)					
Net new assets	2.5	4.9	5.3	–	–
Other effects	3.9	(6.6)	(4.9)	–	–
Growth in assets under management	6.4	(1.7)	0.4	–	–

Results – Corporate & Institutional Clients

			in	% change	
	2012	2011	2010	12 / 11	11 / 10
Statements of operations (CHF million)					
Net revenues	2,126	2,065	2,032	3	2
Provision for credit losses	72	33	(52)	118	-
Total operating expenses	1,110	1,111	1,113	0	0
Income before taxes	944	921	971	2	(5)
Statement of operations metrics (%)					
Cost/income ratio	52.2	53.8	54.8	-	-
Pre-tax income margin	44.4	44.6	47.8	-	-
Net revenue detail (CHF million)					
Net interest income	1,207	1,185	1,190	2	0
Recurring commissions and fees	450	421	446	7	(6)
Transaction- and performance-based revenues	479	476	445	1	7
Other revenues ¹	(10)	(17)	(49)	(41)	(65)
Net revenues	2,126	2,065	2,032	3	2

¹ Includes fair value losses of CHF 35 million on the Clock Finance transaction and gains of CHF 25 million related to a recovery case in 2012. Prior periods relate to fair value losses on the Clock Finance transaction.

Corporate & Institutional Clients

Net revenues

Net interest income

2012 vs 2011: Up 2% from CHF 1,185 million to CHF 1,207 million

The slight increase reflected lower deposit margins and slightly lower loan margins on higher average volumes.

2011 vs 2010: Stable at CHF 1,185 million

Stable net interest income reflected slightly higher deposit margins on higher average volumes and lower loan margins on slightly higher average volumes.

Transaction- and performance-based revenues

2012 vs 2011: Stable at CHF 479 million

Stable transaction- and performance-based revenues reflected higher trading and sales income and higher revenues from integrated solutions, primarily offset by lower brokerage and product issuing fees, mainly from interest rate swaps.

2011 vs 2010: Up 7% from CHF 446 million to CHF 476 million

The increase was driven by higher foreign exchange fees from client transactions, higher brokerage and product issuing fees and higher revenues from integrated solutions, partially offset by lower trading and sales income.

Recurring commissions and fees

2012 vs 2011: Up 7% from CHF 421 million to CHF 450 million

The increase was driven by higher banking services fees and higher investment account and services fees, primarily from custody services, partially offset by lower investment product management fees, mainly from lower fund management fees.

2011 vs 2010: Down 6% from CHF 446 million to CHF 421 million

The decline was mainly driven by lower investment account and services fees and lower banking services fees.

Results – Asset Management

	2012	2011	2010	in 12 / 11	% change 11 / 10
Statements of operations (CHF million)					
Net revenues	2,463	2,297	2,509	7	(8)
Provision for credit losses	0	0	0	–	–
Total operating expenses	1,653	1,703	1,943	(3)	(12)
Income/(loss) before taxes	810	594	566	36	5
Statement of operations metrics (%)					
Cost/income ratio	67.1	74.1	77.4	–	–
Pre-tax income margin	32.9	25.9	22.6	–	–
Net revenue detail (CHF million)					
Recurring commissions and fees	1,308	1,338	1,476	(2)	(9)
Transaction- and performance-based revenues	738	682	587	8	16
Other revenues	417	277	446	51	(38)
Net revenues	2,463	2,297	2,509	7	(8)
Net revenue detail by type (CHF million)					
Asset management fees	1,308	1,338	1,476	(2)	(9)
Placement, transaction and other fees	246	276	233	(11)	18
Performance fees and carried interest	355	221	187	61	18
Equity participations income	72	122	89	(41)	37
Fee-based revenues	1,981	1,957	1,985	1	(1)
Investment-related gains/(losses)	155	305	432	(49)	(29)
Equity participations and other gains/(losses)	361	3	(105)	–	–
Other revenues ¹	(34)	32	197	–	(84)
Net revenues	2,463	2,297	2,509	7	(8)
Fee-based margin on assets under management (bp)					
Fee-based margin ²	54	52	52	–	–

¹ Includes allocated funding costs. ² Fee-based revenues divided by average assets under management.

Asset Management

Net revenues

Fee-based revenues

2012 vs 2011: Up 1% from CHF 1,957 million to CHF 1,981 million

The increase primarily reflected higher performance fees offset by lower carried interest on private equity gains and lower equity participations income. Higher performance fees were recognized from Hedging-Griffo, credit strategies, single-manager hedge funds and from the management of the 2008 Partner Asset Facility (PAF). Carried interest from realized private equity gains in 2012 was lower than a strong 2011, which included the sale of a portfolio company in the health-care sector. Equity participations income was lower due to the sale of our ownership interest in Aberdeen and from lower revenues in single-manager hedge funds. The decrease in placement, transaction and other fees mainly reflected lower private

equity placement fees. Asset management fees decreased slightly as a result of lower average assets under management in traditional products and hedge fund of funds and from the closure and restructuring of certain product lines and private equity investment sales in 2011, partially offset by higher fees from a new secondary private equity fund and from asset inflows into index products.

2011 vs 2010: Down 1% from CHF 1,985 million to CHF 1,957 million

The decrease primarily reflected a decrease in asset management fees and performance fees offset by higher carried interest on realized private equity gains, private equity placement fees and equity participations income. The decrease in asset management fees resulted from the adverse foreign exchange translation impact, the spin-off of our real estate private equity fund and our credit hedge fund in 2010, the end of our agreement to service Aberdeen assets on a transitional basis and lower fees in traditional products and hedge fund of funds.

These were partially offset by higher fees from index products, emerging markets strategies and credit strategies. Within performance fees and carried interest, we recognized higher carried interest from realized private equity gains, partially offset by lower performance fees from Hedging-Griffo, single manager hedge funds and the management of the PAF. The increase in equity participations income was mainly due to higher income in single manager hedge funds.

Investment-related gains/(losses)

2012 vs 2011: Down 49% from CHF 305 million to CHF 155 million

In 2012, the gains of CHF 155 million reflected gains in hedge fund investments and gains in private equity investments mainly in the energy, healthcare and transportation sectors, partially offset by losses in private equity investments in the technology sector, and losses of CHF 82 million in connection with the planned sale of certain private equity investments. In 2011, the gains of CHF 305 million reflected gains in private equity investments mainly in the healthcare, industrial, commodities and transportation sectors, partially offset by losses in the technology sector.

2011 vs 2010: Down 29% from CHF 432 million to CHF 305 million

In 2011, the gains of CHF 305 million reflected gains in private equity investments mainly in the healthcare, industrial, commodities and transportation sectors, partially offset by losses in the technology sector. In 2010, the gains of CHF 432 million reflected gains in private equity investments mainly in the energy, industrial and commodities sectors, and in credit-related investments.

Equity participations and other gains/(losses)

2012 vs 2011: Up from CHF 3 million to CHF 361 million

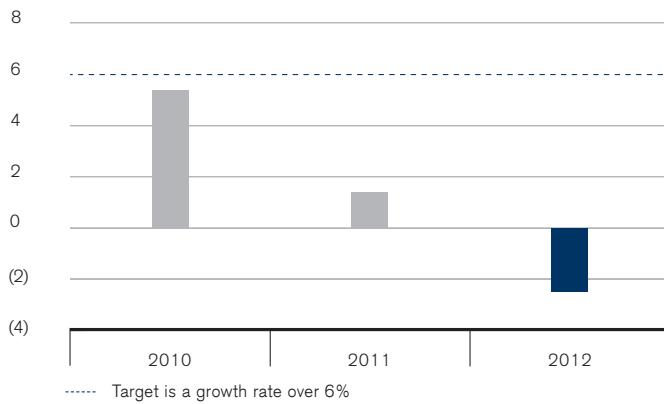
In 2012, we recognized a gain of CHF 384 million from the sales of our remaining 19.8% ownership interest in Aberdeen and a gain of CHF 45 million from the sale of Wincasa, partially offset by impairment charges of CHF 61 million related to AMF and impairments of a joint venture investment. The gain in 2011 reflected the partial sale of our ownership interest in Aberdeen, reducing our interest in Aberdeen to 19.8% from 21.0%, partially offset by an impairment of the same joint venture investment.

2011 vs 2010: Up from CHF (105) million to CHF 3 million

The gain in 2011 reflected the partial sale of our ownership interest in Aberdeen partially offset by the impairment of the joint venture investment. The losses in 2010 resulted from impairments related to AMF and a reduction in our ownership interest in Aberdeen due to an issuance of shares by Aberdeen.

Net new asset growth rate (KPI)

in %



Assets under management – Asset Management

	in / end of		% change		
	2012	2011	2010	12 / 11	11 / 10
Assets under management (CHF billion)					
Hedge funds	25.1	24.9	27.3	0.8	(8.8)
Private equity	27.9	28.4	30.8	(1.8)	(7.8)
Real estate & commodities	48.6	47.1	43.4	3.2	8.5
Credit	23.8	19.0	18.3	25.3	3.8
ETF	16.1	14.6	14.6	10.3	0.0
Index strategies	64.0	51.5	54.2	24.3	(5.0)
Multi-asset class solutions	105.4	116.0	122.2	(9.1)	(5.1)
Fixed income & equities	55.2	57.4	63.4	(3.8)	(9.5)
Other	5.5	6.3	7.8	(12.7)	(19.2)
Assets under management¹	371.6	365.2	382.0	1.8	(4.4)
Average assets under management (CHF billion)					
Average assets under management	366.8	376.2	384.5	(2.5)	(2.2)
Assets under management by currency (CHF billion)					
USD	96.5	93.5	100.8	3.2	(7.2)
EUR	47.4	59.0	58.7	(19.7)	0.5
CHF	199.1	190.7	201.3	4.4	(5.3)
Other	28.6	22.0	21.2	30.0	3.8
Assets under management	371.6	365.2	382.0	1.8	(4.4)
Growth in assets under management (CHF billion)					
Net new assets ²	(9.0)	5.2	20.2	–	–
Other effects	15.4	(22.0)	(11.5)	–	–
of which market movements	26.2	(10.6)	10.8	–	–
of which currency	(5.7)	(3.3)	(26.0)	–	–
of which other	(5.1)	(8.1) ³	3.7	–	–
Growth in assets under management	6.4	(16.8)	8.7	–	–
Growth in assets under management (%)					
Net new assets	(2.5)	1.4	5.4	–	–
Other effects	4.3	(5.8)	(3.1)	–	–
Growth in assets under management	1.8	(4.4)	2.3	–	–
Principal investments (CHF billion)					
Principal investments ⁴	2.9	3.4	3.4	(14.7)	–

¹ Excludes our portion of assets under management from our equity participation in Aberdeen. ² Includes outflows for private equity assets reflecting realizations at cost and unfunded commitments on which a fee is no longer earned. ³ Includes an adjustment to present private equity assets under management at cost for invested assets and unfunded commitments only where a fee was earned. Periods prior to 3Q11 have not been restated. ⁴ Primarily private equity investments.

Investment Banking

For 2012, we reported income before taxes of CHF 2,002 million and net revenues of CHF 12,558 million. We delivered strong results in 2012, with revenues increasing 20% from 2011, despite challenging market conditions and subdued levels of client activity in many of our businesses. In addition, we made substantial progress in executing our refined strategy, including lowering our cost base and reducing our Basel III risk-weighted assets from USD 242 billion at the end of 2011 to USD 187 billion at the end of 2012.

Results

	in / end of		% change		
	2012	2011	2010	12 / 11	11 / 10
Statements of operations (CHF million)					
Net revenues	12,558	10,460	15,873	20	(34)
Provision for credit losses	(12)	76	(96)	–	–
Compensation and benefits	6,070	6,471	7,811	(6)	(17)
General and administrative expenses	3,551	3,388	3,369	5	1
Commission expenses	947	1,118	1,195	(15)	(6)
Total other operating expenses	4,498	4,506	4,564	–	(1)
Total operating expenses	10,568	10,977	12,375	(4)	(11)
Income/(loss) before taxes	2,002	(593)	3,594	–	–
Statement of operations metrics (%)					
Cost/income ratio	84.2	104.9	78.0	–	–
Pre-tax income margin	15.9	(5.7)	22.6	–	–
Utilized economic capital and return					
Average utilized economic capital (CHF million)	18,729	18,882	19,586	(1)	(4)
Pre-tax return on average utilized economic capital (%) ¹	11.4	(2.6)	19.0	–	–
Number of employees (full-time equivalents)					
Number of employees	19,800	20,700	20,500	(4)	1

¹ Calculated using a return excluding interest costs for allocated goodwill.

Results (continued)

	2012	2011	2010	in 12 / 11	% change 11 / 10
Net revenue detail (CHF million)					
Debt underwriting	1,617	1,404	1,960	15	(28)
Equity underwriting	552	713	894	(23)	(20)
Total underwriting	2,169	2,117	2,854	2	(26)
Advisory and other fees	1,042	856	1,089	22	(21)
Total underwriting and advisory	3,211	2,973	3,943	8	(25)
Fixed income sales and trading	5,349	3,341	6,401	60	(48)
Equity sales and trading	4,330	4,279	5,683	1	(25)
Total sales and trading	9,679	7,620	12,084	27	(37)
Other	(332)	(133)	(154)	150	(14)
Net revenues	12,558	10,460	15,873	20	(34)
Average one-day, 98% risk management Value-at-Risk (CHF million)¹					
Interest rate and credit spread	53	74	94	(28)	(21)
Foreign exchange	15	13	16	15	(19)
Commodity	3	9	15	(67)	(40)
Equity	23	23	25	0	(8)
Diversification benefit	(39)	(39)	(50)	0	(22)
Average one-day, 98% risk management Value-at-Risk	55	80	100	(31)	(20)
Basel III risk-weighted assets (billion)²					
Risk-weighted assets (CHF)	172	228	302	(25)	(25)
Risk-weighted assets (USD)	187	242	322	(23)	(25)

¹ As part of the ongoing review to improve risk management approaches and methodologies, the average one-day risk management VaR measure was revised in the second quarter of 2011. Refer to "Market risk" in III – Treasury, Risk, Balance sheet and off-balance sheet – Risk management for further information on VaR and changes in VaR methodology. ² As of January 1, 2013, the Basel III framework was implemented in Switzerland along with the Swiss "Too Big to Fail" legislation and regulations thereunder. Our calculations of Basel III risk-weighted assets are in accordance with our current interpretation of such requirements, including relevant assumptions. Changes in the final implementation of these requirements in Switzerland or in any of our assumptions or estimates could result in different numbers from those shown in this report. We use estimated risk-weighted assets as of December 31, 2012, as if the Basel III framework had been implemented in Switzerland as of such date.

Results overview

In 2012, we reported income before taxes of CHF 2,002 million and net revenues of CHF 12,558 million, compared to a loss before taxes of CHF 593 million and net revenues of CHF 10,460 million in 2011. We delivered strong results in 2012 despite challenging market conditions and subdued levels of client activity in many of our businesses. Relative to 2011, our net revenues increased 20% on materially lower ◊Basel III ◊risk-weighted assets. In addition, we made substantial progress in reducing our cost base during the year. Our results demonstrated our strong franchise momentum and successful execution of our refined strategy to increase operating and capital efficiency.

- Refer to "Progress across key strategic pillars" in I – Information on the company – Strategy and "Investment Banking" in I – Information on the company – Our businesses for further information.

Fixed income sales and trading revenues were substantially higher compared to a weak 2011, reflecting significantly higher revenues from securitized products and global credit products in 2012, due to improved market conditions. Substantial inventory reductions in these businesses also resulted in lower revenue volatility in 2012. Revenues from emerging markets, corporate lending and foreign exchange were also higher. We incurred losses of CHF 589 million from businesses we are exiting in 2012 compared to losses of CHF 387 million in 2011.

Equity sales and trading revenues were up modestly as stronger revenues in convertibles, derivatives and prime services were partially offset by declines in cash equities due to lower industry-wide trading volumes compared to 2011.

Underwriting and advisory results were higher compared to 2011, due to strong debt underwriting revenues, particularly in leveraged finance, partially offset by lower equity underwriting revenues. Additionally, M&A fees increased as market share

gains in completed M&A transactions more than offset lower industry-wide completed M&A activity.

We had net releases of provision for credit losses of CHF 12 million in 2012 compared to provision for credit losses of CHF 76 million in 2011, driven by significantly lower provisions and higher releases in 2012.

Total operating expenses were CHF 10,568 million, down 4%, primarily driven by a 6% decrease in compensation and benefits. The decrease in compensation and benefits was due to lower deferred compensation expense from prior-year awards, lower salaries and other employee benefits, reflecting lower headcount, and lower discretionary performance-related compensation expense. Total other operating expenses were flat as a decline in commission expenses was offset by a 5% increase in general and administrative expenses, primarily from higher litigation provisions compared to 2011.

Results in 2012 were impacted by the strengthening of the average rate of the US dollar against the Swiss franc, compared to 2011, which favorably impacted revenues and adversely impacted expenses. In Swiss francs, net revenues increased 20% and total operating expenses declined 4%. In US dollars, net revenues increased 15% and total operating expenses declined 9% from 2011.

For 2011, we reported a loss before taxes of CHF 593 million, compared to income before taxes of CHF 3,594 million in 2010. Net revenues were CHF 10,460 million, compared to CHF 15,873 million in 2010. Results in many of our businesses in 2011 were negatively impacted by significantly lower levels of client activity and a volatile trading environment compared to 2010. In light of increasing regulatory and capital requirements and continued challenging market and economic conditions, we announced a refinement of our Investment Banking strategy in November 2011, including an accelerated risk-weighted asset reduction plan. In 2011, we reduced our Basel III risk-weighted assets by USD 80 billion, or 25%, to USD 242 billion.

Fixed income sales and trading revenues were significantly lower in 2011, reflecting challenging trading conditions, subdued client activity levels across most businesses and the execution of our risk reduction strategy. We incurred losses of CHF 512 million from businesses we are exiting and from the reduction of risk-weighted assets in 2011.

Our equity sales and trading results declined primarily due to lower levels of client activity in cash equities. Prime services revenues declined, reflecting the foreign exchange translation impact. In US dollars, we had record prime services results due to higher client activity and higher client balances. We also had weak results in derivatives, reflecting reduced customer flow. In 2011, we maintained our market share and leading market share rankings in cash equities and prime services.

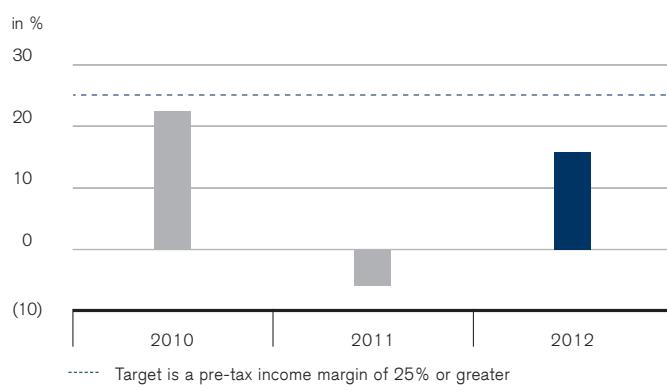
Underwriting and advisory results were lower in 2011, reflecting a decline in industry-wide capital issuance levels and a decrease in our completed M&A market share from 2010, respectively.

We had provision for credit losses of CHF 76 million in 2011 compared to net releases of provision of CHF 96 million in 2010.

Total operating expenses were CHF 10,977 million, down 11%, reflecting a 17% decrease in compensation and benefits.

The weakening of the average rate of the US dollar against the Swiss franc in 2011 adversely impacted revenues and favorably impacted expenses. In US dollars, net revenues were 23% lower and total operating expenses were up 4% compared to 2010.

Pre-tax income margin (KPI)



Results detail

As part of our normal planning process, we reviewed and adjusted our KPI targets.

- ▶ Refer to "Key performance indicators" in Core Results – Information and developments for further information.

The following provides a comparison of our 2012 results versus 2011 and 2011 results versus 2010.

Net revenues

Debt underwriting

2012 vs 2011: Up 15% from CHF 1,404 million to CHF 1,617 million

The increase was primarily due to higher results in leveraged finance, reflecting significantly higher industry-wide high yield issuance volumes. We also had higher investment grade revenues, driven by higher industry-wide issuance volumes that more than offset a modest decline in market share.

2011 vs 2010: Down 28% from CHF 1,960 million to CHF 1,404 million

The decrease was primarily due to weaker results in leveraged finance, reflecting reduced industry-wide high yield issuance volumes. We also had lower results in investment grade issuance, driven by slightly lower market share.

Equity underwriting

2012 vs 2011: Down 23% from CHF 713 million to CHF 552 million

The decrease was due to lower revenues from follow-on offerings as lower market share more than offset higher industry-wide issuance volumes. We also had lower revenues from initial public offerings (IPOs), reflecting lower industry-wide issuance volumes compared to 2011.

2011 vs 2010: Down 20% from CHF 894 million to CHF 713 million

The decrease was primarily driven by lower revenues from IPOs, reflecting lower industry-wide issuance volumes compared to 2010. We also had lower results from convertibles and follow-on offerings.

Advisory and other fees

2012 vs 2011: Up 22% from CHF 856 million to CHF 1,042 million

The increase reflected substantially higher M&A fees and other advisory fees, driven by higher completed M&A market share, more than offsetting lower completed M&A industry-wide activity. We also had higher private placement fees, reflecting a large Private Investment in Public Equity transaction in the energy sector in 3Q12.

2011 vs 2010: Down 21% from CHF 1,089 million to CHF 856 million

The decrease reflected lower M&A fees and other advisory fees, driven by a slight decline in completed M&A market share.

Fixed income sales and trading

2012 vs 2011: Up 60% from CHF 3,341 million to CHF 5,349 million

The increase was primarily due to significantly improved results in securitized products compared to a weak performance in 2011. The weak 2011 results reflected valuation reductions on client inventory, including ◊commercial mortgage-backed securities (CMBS) and ◊residential mortgage-backed securities (RMBS), losses on sales of client inventory as we reduced risk-weighted assets, and subdued client flow. In 2012, we had higher revenues in global credit products due to improved market conditions and increased client appetite for high-yielding products. Substantial inventory reductions in securitized products and global credit products in late 2011 and early 2012 resulted in lower revenue volatility in 2012. In addition, we had higher results in emerging markets, reflecting strong performance in Latin America. Revenues from corporate lending and foreign exchange also increased. These increases were offset by lower revenues in global rates due to subdued client activity. In addition, we incurred losses of CHF 589 million from businesses we are exiting in 2012 compared to losses of CHF 387 million in 2011. At the end of 2012, fixed income ◊Basel III ◊risk-weighted assets totaled USD 122 billion, a reduction of USD 54 billion, or 31% from a year ago, while revenues increased significantly.

2011 vs 2010: Down 48% from CHF 6,401 million to CHF 3,341 million

The decrease was primarily due to significantly weaker results in securitized products, reflecting valuation reductions on client inventory, including CMBS and RMBS, losses on sales of client inventory as we reduced risk-weighted assets, and subdued client flow. We also had weaker results in our credit business, including leveraged finance and investment grade trading, primarily reflecting mark-to-market losses on client inventory. Revenues were lower across all other fixed income businesses as well, including global rates, foreign exchange, emerging markets, corporate lending, and commodities, reflecting difficult trading conditions. In addition, we incurred losses of CHF 512 million from businesses we are exiting and from the reduction of risk-weighted assets. At the end of 2011, fixed income Basel III risk-weighted assets totaled USD 176 billion, a reduction of USD 93 billion, or 35% from 2010.

Equity sales and trading

2012 vs 2011: Up 1% from CHF 4,279 million to CHF 4,330 million

The increase was due to significantly higher revenues in convertibles driven by improved market conditions. We also had improved derivatives results compared to weak performance in 2011. We had resilient results in prime services with increased market share ranking and higher client balances that more than offset lower hedge fund activity and leverage levels. These revenue increases were offset by lower results in cash equities due to muted client activity and lower trading volumes compared to 2011.

2011 vs 2010: Down 25% from CHF 5,683 million to CHF 4,279 million

The decrease was due to lower cash equities results, driven by reduced client trading activity. Prime services revenues declined, reflecting the foreign exchange translation impact. In US dollars, we had record prime services results due to higher client activity and higher client balances. We also had weak results in derivatives, reflecting reduced customer flow. In 2011, we maintained our market share and leading market share rankings in cash equities and prime services.

Provision for credit losses

2012 vs 2011: From CHF 76 million to CHF (12) million

The change reflected significantly higher provisions in 2011 from a guarantee provided to a third-party bank, and higher releases in 2012.

2011 vs 2010: From CHF (96) million to CHF 76 million

The change reflected higher provisions, mainly against a guarantee provided in a prior year to a third-party bank, and lower releases and recoveries.

Operating expenses

Compensation and benefits

2012 vs 2011: Down 6% from CHF 6,471 million to CHF 6,070 million

The decrease was primarily driven by lower deferred compensation expense from prior-year awards, lower salaries and other employee benefits, reflecting lower headcount, and lower discretionary performance-related compensation expense.

2011 vs 2010: Down 17% from CHF 7,811 million to CHF 6,471 million

The decrease was primarily driven by lower deferred compensation expense from prior-year awards, lower discretionary performance-related compensation expense, reflecting the lower results, and lower salary expense.

General and administrative expenses

2012 vs 2011: Up 5% from CHF 3,388 million to CHF 3,551 million

The increase reflected the foreign exchange translation impact. In US dollars, expenses decreased 1%, reflecting lower professional service fees and other expenses, primarily offset by higher litigation provisions incurred during the year.

2011 vs 2010: Stable from CHF 3,369 million to CHF 3,388 million

General and administrative expenses reflected the foreign exchange translation impact. In US dollars, expenses increased 18%. The increase reflected an accrual for the UK bank levy of CHF 115 million, increases in IT investments, higher litigation provisions and an increase in risk management costs.

Corporate Center

In 2012, we recorded a loss from continuing operations before taxes of CHF 3,898 million, primarily reflecting fair value losses from movements in own credit spreads and severance and other compensation expenses relating to the Group-wide cost efficiency initiatives, partly offset by gains from the sale of real estate.

Corporate Center includes parent company operations such as Group financing, expenses for projects sponsored by the Group and certain expenses and revenues that have not been allocated to the segments. In addition, Corporate Center includes consolidation and elimination adjustments required to eliminate intercompany revenues and expenses.

Beginning in the first quarter 2012, we fully reflect the fair value impact from movements in credit spreads on our long-term vanilla debt and DVA on certain structured notes liabilities in the Corporate Center and discontinued the amortization in the segments of the past fair value gains on long-term vanilla debt. Prior periods have been reclassified to conform to the current presentation.

- Refer to "Impact from movements in own credit spreads" in Core Results for further information.

The following provides a comparison of our 2012 results versus 2011 and 2011 results versus 2010.

Income/(loss) from continuing operations before taxes

2012 vs 2011: From CHF 381 million to CHF (3,898) million

The decrease from a gain to a loss primarily reflected fair value losses on our long-term vanilla debt of CHF 1,663 million, DVA losses on certain structured notes liabilities of CHF 958 million and fair value losses on stand-alone derivatives of

CHF 318 million, resulting in overall losses on such items of CHF 2,939 million. The fair value losses reflected the narrowing of credit spreads on senior and subordinated debt across most currencies. In 2011, results included fair value gains from movements in own credit spreads of CHF 1,616 million. The 2012 losses also included business realignment costs of CHF 680 million, consisting primarily of severance and other compensation expenses relating to the Group-wide cost efficiency initiatives, additional litigation provisions of CHF 227 million from the settlement of NCFE-related litigation and gains from the sale of real estate of CHF 533 million.

2011 vs 2010: From CHF (936) million to CHF 381 million

The increased income primarily reflected fair value gains on our long-term vanilla debt of CHF 1,210 million, DVA gains on certain structured notes liabilities of CHF 697 million and fair value losses on stand-alone derivatives of CHF 291 million, resulting in overall gains on such items of CHF 1,616 million. The fair value gains reflected the widening of credit spreads across all currencies, including senior and subordinated debt. In 2010, results included fair value gains from movements in own credit spreads of CHF 269 million. The 2011 result also included CHF 847 million of costs consisting primarily of severance and other compensation expenses relating to the accelerated Group-wide cost efficiency initiatives.

Results

	in		% change		
	2012	2011	2010	12 / 11	11 / 10
Statements of operations (CHF million)					
Net revenues	(2,493)	1,522	172	-	-
Provision for credit losses	0	0	0	-	-
Compensation and benefits	863	951	710	(9)	34
General and administrative expenses	518	144	323	260	(55)
Commission expenses	24	46	75	(48)	(39)
Total other operating expenses	542	190	398	185	(52)
Total operating expenses	1,405	1,141	1,108	23	3
Income/(loss) from continuing operations before taxes	(3,898)	381	(936)	-	-

Assets under management

As of December 31, 2012, assets under management were CHF 1,250.8 billion, up 5.5% compared to December 31, 2011, primarily reflecting positive market movements and net new assets of CHF 10.8 billion, partly offset by adverse foreign exchange-related movements.

Assets under management

Assets under management reflect the changes in reporting as discussed in "Core Results – Information and developments – Format of presentation and changes in reporting".

Assets under management comprise assets that are placed with us for investment purposes and include discretionary and advisory counterparty assets.

Discretionary assets are assets for which the client fully transfers the discretionary power to a Credit Suisse entity with a management mandate. Discretionary assets are reported in the business in which the advice is provided as well as in the business in which the investment decisions take place. Assets managed by Asset Management for Wealth Management Clients and Corporate & Institutional Clients are reported in each applicable business and eliminated at the divisional level.

Advisory assets include assets placed with us where the client is provided access to investment advice but retains discretion over investment decisions.

Assets under management and net new assets include assets managed by consolidated entities, joint ventures and strategic participations. Assets from joint ventures and participations are counted in proportion to our share in the respective entity.

In 2012, assets under management of CHF 1250.8 billion, increased by CHF 65.6 billion, or 5.5%, compared to 2011, reflecting positive market movements and net new assets, partly offset by adverse foreign exchange-related movements. In Wealth Management Clients, assets under management of CHF 798.5 billion increased 6.4% compared to the end of 2011, as positive market movements and net new assets of CHF 19.0 billion were partially offset by adverse foreign exchange-related movements. In Asset Management, assets under management were CHF 371.6 billion, an increase of CHF 6.4 billion, or 1.8%, compared to the end of 2011, reflecting positive market performance, partially offset by net asset outflows of CHF 9.0 billion and negative foreign exchange-related movements.

Assets under management and client assets

	end of		% change		
	2012	2011	2010	12 / 11	11 / 10
Assets under management (CHF billion)					
Wealth Management Clients	798.5	750.2	763.1	6.4	(1.7)
Corporate & Institutional Clients	223.8	203.0	195.9	10.2	3.6
Asset Management ¹	371.6	365.2	382.0	1.8	(4.4)
Assets managed across businesses ²	(143.1)	(133.2)	(135.7)	7.4	(1.8)
Assets under management	1,250.8	1,185.2	1,205.3	5.5	(1.7)
of which discretionary assets	407.6	390.2	408.0	4.5	(4.4)
of which advisory assets	843.2	795.0	797.3	6.1	(0.3)
Assets under management	1,250.8	1,185.2	1,205.3	5.5	(1.7)
Client assets (CHF billion)					
Wealth Management Clients	913.8	854.2	868.6	7.0	(1.7)
Corporate & Institutional Clients	323.1	305.2	300.1	5.9	1.7
Asset Management ¹	371.6	365.2	382.0	1.8	(4.4)
Assets managed across businesses ²	(143.1)	(133.2)	(135.7)	7.4	(1.8)
Client assets	1,465.4	1,391.4	1,415.0	5.3	(1.7)

¹ Excludes our portion of assets under management from our former investment in Aberdeen.

² Assets managed by Asset Management for Wealth Management Clients and Corporate & Institutional Clients.

Growth in assets under management

in	2012	2011	2010
Growth in assets under management (CHF billion)			
Net new assets	10.8	46.6	62.4
of which Wealth Management Clients	19.0	37.4	40.6
of which Corporate & Institutional Clients	1.5	5.3	8.0
of which Asset Management ¹	(9.0)	5.2	20.2
of which assets managed across businesses ²	(0.7)	(1.3)	(6.4)
Other effects	54.8	(66.7)	(41.9)
of which Wealth Management Clients	29.3	(50.3)	(37.2)
of which Corporate & Institutional Clients	19.3	1.8	5.3
of which Asset Management	15.4	(22.0) ³	(11.5)
of which assets managed across businesses ²	(9.2)	3.8	1.5
Total growth in assets under management	65.6	(20.1)	20.5
of which Wealth Management Clients	48.3	(12.9)	3.4
of which Corporate & Institutional Clients	20.8	7.1	13.3
of which Asset Management ¹	6.4	(16.8)	8.7
of which assets managed across businesses ²	(9.9)	2.5	(4.9)
Growth in assets under management (%)			
Net new assets	0.9	3.9	5.3
of which Wealth Management Clients	2.5	4.9	5.3
of which Corporate & Institutional Clients	0.7	2.7	4.4
of which Asset Management ¹	(2.5)	1.4	5.4
of which assets managed across businesses ²	0.5	1.0	4.9
Other effects	4.6	(5.6)	(3.6)
of which Wealth Management Clients	3.9	(6.6)	(4.9)
of which Corporate & Institutional Clients	9.5	0.9	2.9
of which Asset Management	4.3	(5.8)	(3.1)
of which assets managed across businesses ²	6.9	(2.8)	(1.2)
Total growth in assets under management	5.5	(1.7)	1.7
of which Wealth Management Clients	6.4	(1.7)	0.4
of which Corporate & Institutional Clients	10.2	3.6	7.3
of which Asset Management ¹	1.8	(4.4)	2.3
of which assets managed across businesses ²	7.4	(1.8)	3.7

¹ Includes outflows for private equity assets reflecting realizations at cost and unfunded commitments on which a fee is no longer earned. ² Assets managed by Asset Management for Wealth Management Clients and Corporate & Institutional Clients. ³ Includes an adjustment to present private equity assets under management at cost for invested assets and unfunded commitments only where a fee was earned. Periods prior to 3Q11 have not been restated.

- Refer to "Private Banking & Wealth Management" and "Note 36 – Assets under management" in V – Consolidated financial statements – Credit Suisse Group for further information on assets under management.

Client assets

Client assets is a broader measure than assets under management as it includes transactional and custody accounts (assets held solely for transaction-related or safekeeping/custody purposes) and assets of corporate clients and public institutions used primarily for cash management or transaction-related purposes.

Net new assets

Net new assets include individual cash payments, security deliveries and cash flows resulting from loan increases or repayments. Interest and dividend income credited to clients, commissions, interest and fees charged for banking services are not included as they do not reflect success in acquiring assets under management.

Furthermore, changes due to foreign exchange-related and market movements as well as asset inflows and outflows due to the acquisition or divestiture of businesses are not part of net new assets.

Wealth Management Clients contributed net new assets of CHF 19.0 billion, with inflows particularly from emerging markets and from the ◊UHNWI client segment, partially offset by outflows in Western Europe and outflows relating to the integration of Clariden Leu. Corporate & Institutional Clients reported net new assets of CHF 1.5 billion. Asset Management recorded net asset outflows of CHF 9.0 billion, primarily from multi-asset class solutions which included redemptions of CHF 14.7 billion from a single fixed income mandate, partially offset by inflows in index strategies and credit products.

Critical accounting estimates

In order to prepare the consolidated financial statements in accordance with accounting principles generally accepted in the US (US GAAP), management is required to make certain accounting estimates to ascertain the value of assets and liabilities. These estimates are based upon judgment and the information available at the time, and actual results may differ materially from these estimates. Management believes that the estimates and assumptions used in the preparation of the consolidated financial statements are prudent, reasonable and consistently applied.

We believe that the critical accounting estimates discussed below involve the most complex judgments and assessments.

- ▶ Refer to "Note 1 – Summary of significant accounting policies" and "Note 2 – Recently issued accounting standards" in V – Consolidated financial statements – Credit Suisse Group for further information on significant accounting policies and new accounting pronouncements. For financial information relating to the Bank, refer to the corresponding notes in the consolidated financial statements of the Bank.

Fair value

A significant portion of our assets and liabilities are carried at ◉fair value. The fair value of the majority of these financial instruments is based on quoted prices in active markets or observable inputs.

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

We have availed ourselves of the simplification in accounting offered under the fair value option guidance in Accounting Standards Codification (ASC) Topic 825 – Financial Instruments, primarily in Investment Banking and in Private Banking

& Wealth Management's Asset Management business. This has been accomplished generally by electing the fair value option, both at initial adoption and for subsequent transactions, on items impacted by the hedge accounting requirements of US GAAP. For instruments for which there was an inability to achieve hedge accounting and for which we are economically hedged, we have elected the fair value option. Where we manage an activity on a fair value basis but previously have been unable to achieve fair value accounting, we have utilized the fair value option to align our financial accounting to our risk management reporting.

Control processes are applied to ensure that the fair values of the financial instruments reported in the consolidated financial statements, including those derived from pricing models, are appropriate and determined on a reasonable basis.

These control processes include the review and approval of new instruments, review of profit and loss at regular intervals, risk monitoring and review, price verification procedures and reviews of models used to estimate the fair value of financial instruments by senior management and personnel with relevant expertise who are independent of the trading and investment functions.

- ▶ Refer to "Note 2 – Recently issued accounting standards" and "Note 33 – Financial instruments" in V – Consolidated financial statements – Credit Suisse Group for further information on fair value.

Variable interest entities

As a normal part of our business, we engage in various transactions that include entities which are considered variable interest entities (VIEs). VIEs are special purpose entities that typically lack sufficient equity to finance their activities without additional subordinated financial support or are structured such that the holders of the voting rights do not substantively participate in the gains and losses of the entity. Such entities are required to be assessed for consolidation under US GAAP, compelling the primary beneficiary to consolidate the VIE. The primary beneficiary is the party that has the power to direct the activities that most significantly affect the economics of the VIE and potentially has significant benefits or losses in the VIE. We consolidate all VIEs where we are the primary beneficiary. VIEs may be sponsored by us, unrelated third parties or clients. Application of the accounting requirements for consolidation of VIEs, including ongoing reassessment of VIEs for

possible consolidation, may require the exercise of significant management judgment.

- ▶ Refer to "Note 1 – Summary of significant accounting policies" and "Note 32 – Transfers of financial assets and variable interest entities" in V – Consolidated financial statements – Credit Suisse Group for further information on VIEs.

Contingencies and loss provisions

A contingency is an existing condition that involves a degree of uncertainty that will ultimately be resolved upon the occurrence or non-occurrence of future events.

Litigation contingencies

We are involved in a variety of judicial, regulatory and arbitration matters in connection with the conduct of our businesses. It is inherently difficult to predict the outcome of many of these matters, particularly those cases in which the matters are brought on behalf of various classes of claimants, seek damages of unspecified or indeterminate amounts or involve novel legal claims. In presenting our consolidated financial statements, management makes estimates regarding the outcome of judicial, regulatory and arbitration matters and takes a charge to income when losses with respect to such matters are probable and can be reasonably estimated. Charges, other than those taken for costs of defense, are not established for matters when losses cannot be reasonably estimated. Estimates, by their nature, are based on judgment and currently available information and involve a variety of factors, including, but not limited to, the type and nature of the proceeding, the progress of the matter, the advice of counsel, our defenses and experience in similar matters, as well as our assessment of matters, including settlements, involving other defendants in similar or related cases or proceedings.

- ▶ Refer to "Note 37 – Litigation" in V – Consolidated financial statements – Credit Suisse Group for further information on legal proceedings.

Allowance and provision for credit losses

As a normal part of our business, we are exposed to credit risk through our lending relationships, commitments and letters of credit as well as counterparty risk on derivatives, foreign exchange and other transactions. Credit risk is the possibility of a loss being incurred as a result of a borrower or counterparty failing to meet its financial obligations or as a result of deterioration in the credit quality of the borrower or counterparty. In the event of a default, we generally incur a loss equal to the amount owed by the debtor, less any recoveries resulting from foreclosure, liquidation of collateral or the

restructuring of the debtor company. The allowance for loan losses is considered a reasonable estimate of credit losses existing at the dates of the consolidated balance sheets. This allowance is for probable credit losses inherent in existing exposures and credit exposures specifically identified as impaired.

- ▶ Refer to "Note 1 – Summary of significant accounting policies" and "Note 18 – Loans, allowance for loan losses and credit quality" in V – Consolidated financial statements – Credit Suisse Group for further information on allowance for loan losses.

Inherent loan loss allowance

The inherent loan loss allowance is for all credit exposures not specifically identified as impaired and that, on a portfolio basis, are considered to contain probable inherent loss. The estimate of this component of the allowance for the consumer loans portfolio involves applying historical and current default probabilities, historical recovery experience and related current assumptions to homogenous loans based on internal risk rating and product type. To estimate this component of the allowance for the corporate & institutional loans portfolio, the Group segregates loans by risk, industry or country rating. The methodology for Investment Banking adjusts the rating-specific default probabilities to incorporate not only historic third-party data but also those implied from current quoted credit spreads.

Many factors are evaluated in estimating probable credit losses inherent in existing exposures. These factors include: the volatility of default probabilities; rating changes; the magnitude of the potential loss; internal risk ratings; geographic, industry and other economic factors; and imprecision in the methodologies and models used to estimate credit risk. Overall credit risk indicators are also considered, such as trends in internal risk-rated exposures, classified exposures, cash-basis loans, recent loss experience and forecasted write-offs, as well as industry and geographic concentrations and current developments within those segments or locations. Our current business strategy and credit process, including credit approvals and limits, underwriting criteria and workout procedures, are also important factors.

Significant judgment is exercised in the evaluation of these factors. For example, estimating the amount of potential loss requires an assessment of the period of the underlying data. Data that does not capture a complete credit cycle may compromise the accuracy of loss estimates. Determining which external data relating to default probabilities should be used and when it should be used also requires judgment. The use of market indices and ratings that do not sufficiently correlate to our specific exposure characteristics could also affect the accuracy of loss estimates. Evaluating the impact of uncer-

tainties regarding macroeconomic and political conditions, currency devaluations on cross-border exposures, changes in underwriting criteria, unexpected correlations among exposures and other factors all require significant judgment. Changes in our estimates of probable loan losses inherent in the portfolio could have an impact on the provision and result in a change in the allowance.

Specific loan loss allowances

We make provisions for specific loan losses on impaired loans based on regular and detailed analysis of each loan in the portfolio. This analysis includes an estimate of the realizable value of any collateral, the costs associated with obtaining repayment and realization of any such collateral, the counterparty's overall financial condition, resources and payment record, the extent of our other commitments to the same counterparty and prospects for support from any financially responsible guarantors.

The methodology for calculating specific allowances involves judgments at many levels. First, it involves the early identification of deteriorating credit. Extensive judgment is required in order to properly evaluate the various indicators of financial condition of a counterparty and likelihood of repayment. The failure to identify certain indicators or give them proper weight could lead to a different conclusion about the credit risk. The assessment of credit risk is subject to inherent limitations with respect to the completeness and accuracy of relevant information (for example, relating to the counterparty, collateral or guarantee) that is available at the time of the assessment. Significant judgment is exercised in determining the amount of the allowance. Whenever possible, independent, verifiable data or our own historical loss experience is used in models for estimating loan losses. However, a significant degree of uncertainty remains when applying such valuation techniques. Under our loan policy, the classification of loan status also has a significant impact on the subsequent accounting for interest accruals.

- ▶ Refer to "Risk Management" in III – Treasury, Risk, Balance sheet and Off-balance sheet and "Note 18 – Loans, allowance for loan losses and credit quality" in V – Consolidated financial statements – Credit Suisse Group for loan portfolio disclosures, valuation adjustment disclosures and certain other information relevant to the evaluation of credit risk and credit risk management.

Goodwill impairment

Under US GAAP, goodwill is not amortized, but is reviewed for potential impairment on an annual basis as of December 31 and at any other time that events or circumstances indicate that the carrying value of goodwill may not be recoverable.

For the purpose of testing goodwill for impairment, each reporting unit is assessed individually. A reporting unit is an operating segment or one level below an operating segment, also referred to as a component. A component of an operating segment is deemed to be a reporting unit if the component constitutes a business for which discrete financial information is available and management regularly reviews the operating results of that component. In Private Banking & Wealth Management, Wealth Management Clients, Corporate & Institutional Clients and Asset Management are considered to be reporting units. Investment Banking is considered to be one reporting unit.

With the adoption of Accounting Standards Update 2011-08, "Testing Goodwill for Impairment" (ASU 2011-08), on January 1, 2012 a qualitative assessment is permitted to evaluate whether a reporting unit's fair value is less than its carrying value. If on the basis of the qualitative assessment it is more likely than not that the reporting unit's fair value is higher than its carrying value, no quantitative goodwill impairment test is required. If on the basis of the qualitative assessment it is more likely than not that the reporting unit's fair value is lower than its carrying value, the first step of the quantitative goodwill impairment test must be performed, by calculating the fair value of the reporting unit and comparing that amount to its carrying value. If the fair value of a reporting unit exceeds its carrying value, there is no goodwill impairment. If the carrying value exceeds the fair value, the second step of the quantitative goodwill impairment test, measuring the amount of an impairment loss, if any, has to be performed.

The qualitative assessment is intended to be a simplification of the annual impairment test and can be bypassed for any reporting unit and any period to proceed directly to performing the first step of the quantitative goodwill impairment test. When bypassing the qualitative assessment in any period as per the current practice of the Group, the preparation of a qualitative assessment can be resumed in any subsequent period.

Circumstances that could trigger an initial qualitative assessment or the first step of the goodwill impairment test include, but are not limited to: (i) macroeconomic conditions such as a deterioration in general economic conditions or other developments in equity and credit markets; (ii) industry and market considerations such as a deterioration in the environment in which the entity operates, an increased competitive

environment, a decline in market-dependent multiples or metrics (considered in both absolute terms and relative to peers), and regulatory or political developments; (iii) other relevant entity-specific events such as changes in management, key personnel or strategy; (iv) a more-likely-than-not expectation of selling or disposing all, or a portion, of a reporting unit; (v) results of testing for recoverability of a significant asset group within a reporting unit; (vi) recognition of a goodwill impairment in the financial statements of a subsidiary that is a component of a reporting unit; and (vii) a sustained decrease in share price (considered in both absolute terms and relative to peers).

The carrying value of each reporting unit for purposes of the goodwill impairment test is determined on the basis of the reporting units' allocated economic capital, a consistent and comprehensive tool for risk management, capital management and performance measurement. Any residual equity, after considering the total economic capital, is allocated to the reporting units on a pro-rata basis. As of December 31, 2012, such residual equity was equal to CHF 5,302 million.

Projected economic capital allocations to each reporting unit are integrated within our three-year financial planning process and are approved by the Board on an annual basis. The carrying values of the reporting units are also presented to the Audit Committee on an annual basis.

Factors considered in determining the fair value of reporting units include, among other things: an evaluation of recent acquisitions of similar entities in the market place; current share values in the market place for similar publicly traded entities, including price multiples; recent trends in our share price and those of competitors; estimates of our future earnings potential based on our three-year strategic business plan; and the level of interest rates.

Estimates of our future earnings potential, and that of the reporting units, involve considerable judgment, including management's view on future changes in market cycles, the regulatory environment, the anticipated result of the implementation of business strategies, competitive factors and assumptions concerning the retention of key employees. Adverse changes in the estimates and assumptions used to determine the fair value of the Group's reporting units may result in a goodwill impairment in the future.

An estimated balance sheet for each reporting unit is prepared on a quarterly basis. If the second step of the goodwill impairment test is required, the implied fair value of the relevant reporting unit's goodwill is compared with the carrying value of that goodwill. If the carrying value exceeds the implied fair value of the goodwill, an impairment loss is recognized in an amount equal to that excess. The loss recognized as a goodwill impairment cannot exceed the carrying value of that

goodwill. The implied fair value of goodwill is calculated in the same manner as the amount of goodwill recognized in a business combination and, as such, the current fair value of a reporting unit is assigned to all of the assets and liabilities of that unit (including any unrecognized intangible assets, but excluding goodwill) as if the reporting unit had been acquired in a business combination. An independent valuation expert would likely be engaged to assist in the valuation of the reporting unit's unrecognized intangible assets.

Based on our goodwill impairment analysis performed as of December 31, 2012, we concluded that the estimated fair value for the three reporting units in Private Banking & Wealth Management substantially exceeded the related carrying value and no impairment was necessary as of December 31, 2012.

There was also no impairment necessary for our Investment Banking reporting unit as the estimated fair value exceeded its carrying value by 10%. The goodwill allocated to this reporting unit has become more exposed to a future impairment as the valuation of the reporting unit is highly correlated with economic and financial market conditions, client trading and investing activity and the regulatory environment in which it operates. We engaged the services of an independent valuation specialist to assist in the valuation of the reporting unit as of December 31, 2012 using a combination of the market approach and income approach. Under the market approach, consideration is given to price to projected earnings multiples or price to book value multiples for similarly traded companies and prices paid in recent transactions that have occurred in its industry or in related industries. Under the income approach, a discount rate was applied that reflects the risk and uncertainty related to the reporting unit's projected cash flows.

The results of the impairment evaluation of the Investment Banking reporting unit's goodwill would be significantly impacted by adverse changes in the underlying parameters used in the valuation process. If actual outcomes adversely differ by a sufficient margin from our best estimates of the key economic assumptions and associated cash flows applied in the valuation of the reporting unit, we could potentially incur material impairment charges in the future with respect to the CHF 5,980 million of goodwill recorded in Investment Banking.

- ▶ Refer to "Note 20 – Goodwill" in V – Consolidated financial statements – Credit Suisse Group for further information on goodwill.

Taxes

Uncertainty of income tax positions

The Group follows the guidance in ASC Topic 740 – Income Taxes, which sets out a consistent framework to determine the appropriate level of tax reserves to maintain for uncertain income tax positions.

Significant judgment is required in determining whether it is more likely than not that an income tax position will be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. Further judgment is required to determine the amount of benefit eligible for recognition in the consolidated financial statements.

- ▶ Refer to "Note 26 – Tax" in V – Consolidated financial statements – Credit Suisse Group for further information on income tax positions.

Deferred tax valuation allowances

Deferred tax assets and liabilities are recognized for the estimated future tax effects of operating loss carry-forwards and temporary differences between the carrying values of existing assets and liabilities and their respective tax bases at the dates of the consolidated balance sheets.

The realization of deferred tax assets on temporary differences is dependent upon the generation of taxable income during the periods in which those temporary differences become deductible. The realization of such deferred tax assets on net operating losses is dependent upon the generation of taxable income during the periods prior to their expiration, if applicable. Management regularly evaluates whether deferred tax assets will be realized. If management considers it more likely than not that all or a portion of a deferred tax asset will not be realized, a corresponding valuation allowance is established. In evaluating whether deferred tax assets will be realized, management considers both positive and negative evidence, including projected future taxable income, the reversal of deferred tax liabilities which can be scheduled and tax planning strategies.

This evaluation requires significant management judgment, primarily with respect to projected taxable income. Future taxable income can never be predicted with certainty. It is derived from budgets and strategic business plans but is dependent on numerous factors, some of which are beyond management's control. Substantial variance of actual results from estimated future taxable profits, or changes in our estimate of future taxable profits and potential restructurings, could lead to changes in deferred tax assets being realizable, or considered realizable, and would require a corresponding adjustment to the valuation allowance.

As part of its normal practice, management has conducted a detailed evaluation of its expected future results. This evaluation has taken into account the Group's commitment to the integrated banking model and the importance of the Investment Banking segment within the integrated bank, as well as the changes announced in 2012 and the reduction in risk since 2008. This evaluation has indicated the expected future results that are likely to be earned in jurisdictions where the Group has significant deferred tax assets, such as the US, the UK and Switzerland. Management then compared those expected future results with the applicable law governing utilization of deferred tax assets. US tax law allows for a 20-year carry-forward period for net operating losses, UK tax law allows for an unlimited carry-forward period for net operating losses and Swiss tax law allows for a seven-year carry-forward period for net operating losses.

- ▶ Refer to "Note 26 – Tax" in V – Consolidated financial statements – Credit Suisse Group for further information on deferred tax assets.

Pension plans

The Group

The Group covers pension requirements, in both Swiss and non-Swiss locations, through various defined benefit pension plans and defined contribution pension plans.

Our funding policy with respect to the non-Swiss pension plans is consistent with local government and tax requirements.

The calculation of the expense and liability associated with the defined benefit pension plans requires an extensive use of assumptions, which include the discount rate, expected return on plan assets and rate of future compensation increases as determined by us. Management determines these assumptions based upon currently available market and industry data and historical performance of the plans. Management also consults with an independent actuarial firm to assist in selecting appropriate assumptions and valuing its related liabilities. The actuarial assumptions used by us may differ materially from actual results due to changing market and economic conditions, higher or lower withdrawal rates or longer or shorter life spans of the participants. Any such differences could have a significant impact on the amount of pension expense recorded in future years.

The funded status of our defined benefit pension and other post-retirement defined benefit plans are recorded in the consolidated balance sheets. The impacts from re-measuring the funded status (reflected in actuarial gains or losses) and from amending the plan (reflected in prior service cost or credits)

are recognized in equity as a component of accumulated other comprehensive income/(loss) (AOCI).

The projected benefit obligation (PBO) of our total defined benefit pension plans as of December 31, 2012 included an amount related to our assumption for future salary increases of CHF 534 million, compared to CHF 568 million as of December 31, 2011. The accumulated benefit obligation (ABO) is defined as the PBO less the amount related to estimated future salary increases. The difference between the fair value of plan assets and the ABO was an overfunding of CHF 698 million for 2012, compared to an overfunding of CHF 139 million for 2011.

We are required to estimate the expected long-term rate of return on plan assets, which is then used to compute pension cost recorded in the consolidated statements of operations. Estimating future returns on plan assets is particularly subjective, as the estimate requires an assessment of possible future market returns based on the plan asset mix. In calculating pension expense and in determining the expected long-term rate of return, we use the market-related value of assets. The assumptions used to determine the benefit obligation as of the measurement date are also used to calculate the net periodic pension cost for the 12-month period following this date.

The expected weighted-average long-term rate of return used to determine the expected return on plan assets as a component of the net periodic pension costs in 2012 and 2011 was 4.3% and 4.8%, respectively, for the Swiss plans and 6.4% and 7.3%, respectively, for the international plans. In 2012, if the expected long-term rate of return had been increased/decreased one percentage point, net pension expense for the Swiss plans would have decreased/increased CHF 145 million and net pension expense for the international plans would have decreased/increased CHF 25 million.

The discount rate used in determining the benefit obligation is based either upon high-quality corporate bond rates or government bond rates plus a premium in order to approximate high-quality corporate bond rates. In estimating the discount rate, we take into consideration the relationship between the corporate bonds and the timing and amount of the future cash outflows from benefit payments. The discount rate used for Swiss plans decreased 0.6 percentage point from 2.8% as of December 31, 2011, to 2.2% as of December 31, 2012, mainly due to a decrease in Swiss bond market rates. The average discount rate used for international plans decreased 0.3 percentage point from 4.8% as of December 31, 2011, to 4.5% as of December 31, 2012, mainly due to a decrease in bond market rates in the EU, the UK and the US. The discount rate affects both the pension expense and the PBO. For the year ended December 31, 2012, a one percentage point decline in the discount rate for the Swiss plans would have

resulted in an increase in the PBO of CHF 1,796 million and an increase in pension expense of CHF 134 million, and a one percentage point increase in the discount rate would have resulted in a decrease in the PBO of CHF 1,581 million and a decrease in the pension expense of CHF 127 million. A one percentage point decline in the discount rate for the international plans as of December 31, 2012 would have resulted in an increase in the PBO of CHF 578 million and an increase in pension expense of CHF 53 million, and a one percentage point increase in the discount rate would have resulted in a decrease in the PBO of CHF 468 million and a decrease in the pension expense of CHF 46 million.

Actuarial losses and prior service cost are amortized over the average remaining service period of active employees expected to receive benefits under the plan, which, as of December 31, 2012, was approximately nine years for the Swiss plans and four to 26 years for the international plans. The pre-tax expense associated with the amortization of net actuarial losses and prior service cost for defined benefit pension plans for the years ended December 31, 2012, 2011 and 2010 was CHF 165 million, CHF 152 million and CHF 140 million, respectively. The amortization of recognized actuarial losses and prior service cost for defined benefit pension plans for the year ending December 31, 2013, which is assessed at the beginning of the year, is expected to be CHF 175 million, net of tax. The impact from deviations between our actuarial assumptions and the actual developments of such parameters observed for our pension plans further impacts the amount of net actuarial losses or gains recognized in equity, resulting in a higher or lower amount of amortization expense in periods after 2013.

- ▶ Refer to "Note 29 – Pension and other post-retirement benefits" in V – Consolidated financial statements – Credit Suisse Group for further information on pension benefits.

The Bank

The Bank covers pension requirements for its employees in Switzerland through participation in a defined benefit pension plan sponsored by the Group (Group plan). Various legal entities within the Group participate in the Group plan, which is set up as an independent trust domiciled in Zurich. The Group accounts for the Group plan as a single-employer defined benefit pension plan and uses the projected unit credit actuarial method to determine the net periodic pension expense, PBO, ABO and the related amounts recognized in the consolidated balance sheets. The funded status of the Group plan is recorded in the consolidated balance sheets. The actuarial gains and losses and prior service costs or credits are recognized in equity as a component of AOCI.

The Bank accounts for the Group plan on a defined contribution basis whereby it only recognizes the amounts required to be contributed to the Group plan during the period as net periodic pension expense and only recognizes a liability for any contributions due and unpaid. No other expense or balance sheet amounts related to the Group plan are recognized by the Bank.

The Bank covers pension requirements for its employees in international locations through participation in various pension plans, which are accounted for as single-employer defined benefit pension plans or defined contribution pension plans.

In 2012, if the Bank had accounted for the Group plan as a defined benefit plan, the expected long-term rate of return used to determine the expected return on plan assets as a component of the net periodic pension costs would have been 4.3%. In 2012, the weighted-average expected long-term rate of return used to calculate the expected return on plan assets as a component of the net periodic pension cost for the international single-employer defined benefit pension plans was 6.4%.

The discount rate used in determining the benefit obligation is based either upon high-quality corporate bond rates or government bond rates plus a premium in order to approximate high-quality corporate bond rates. For the year ended December 31, 2012, if the Bank had accounted for the Group plan as a defined benefit plan, the discount rate used in the measurement of the benefit obligation and net periodic pension cost

would have been 2.2% and 2.8%, respectively. For the year ended December 31, 2012, the weighted-average discount rates used in the measurement of the benefit obligation and the net periodic pension costs for the international single-employer defined benefit pension plans were 4.5% and 4.8%, respectively. A one percentage point decline in the discount rate for the international single-employer plans would have resulted in an increase in PBO of CHF 578 million and an increase in pension expense of CHF 53 million, and a one percentage point increase in the discount rate would have resulted in a decrease in PBO of CHF 468 million and a decrease in pension expense by CHF 46 million.

The Bank does not recognize any amortization of actuarial losses and prior service cost for the Group pension plan. Actuarial losses and prior service cost related to the international single-employer defined benefit pension plans are amortized over the average remaining service period of active employees expected to receive benefits under the plan. The pre-tax expense associated with the amortization of recognized net actuarial losses and prior service cost for the years ended December 31, 2012, 2011 and 2010 was CHF 73 million, CHF 51 million and CHF 37 million, respectively. The amortization of recognized actuarial losses and prior service cost for the year ending December 31, 2013, which is assessed at the beginning of the year, is expected to be CHF 47 million, net of tax.



Treasury, Risk, Balance sheet and Off-balance sheet

- 96 Liquidity and funding management
- 102 Capital management
- 121 Risk management
- 149 Balance sheet, off-balance sheet
and other contractual obligations

Liquidity and funding management

During 2012, we maintained a strong liquidity and funding position. The majority of our unsecured funding was generated from core customer deposits and long-term debt.

Overview

Our liquidity and funding strategy is approved by the Capital Allocation and Risk Management Committee (CARMC) and overseen by the Board of Directors. The implementation and execution of the funding and liquidity strategy is managed by Treasury. Treasury ensures adherence to our funding policy and the efficient coordination of the secured funding desks. This approach enhances our ability to manage potential liquidity and funding risks and to promptly adjust our liquidity and funding levels to meet stress situations. Our liquidity and funding profile is regularly reported to CARMC and the Board of Directors, who define our risk tolerance and set parameters for the balance sheet usage of our businesses. The Board of Directors is responsible for defining our overall tolerance for risk in the form of a risk appetite statement.

Our liquidity and funding profile reflects our strategy and risk appetite and is driven by business activity levels and the overall operating environment. We have adapted our liquidity and funding profile to reflect lessons learned from the financial crisis, the subsequent change in our business strategy and regulatory developments. We have been an active participant in regulatory and industry forums to promote best practice standards on quantitative and qualitative liquidity management. Our internal liquidity risk management framework is subject to review and monitoring by the  Swiss Financial Market Supervisory Authority (FINMA), other regulators and rating agencies.

Regulatory framework

In April 2010 and March 2011, we implemented revised liquidity principles agreed with  FINMA, following its consultation with the Swiss National Bank (SNB), to ensure that the Group and the Bank have adequate holdings on a consolidated basis of liquid, unencumbered, high-quality securities available in a crisis situation for designated periods of time.

In December 2010, the  Basel Committee on Banking Supervision (BCBS) issued the  Basel III international framework for liquidity risk measurement, standards and monitoring.

The Basel III framework includes a  liquidity coverage ratio (LCR) and a  net stable funding ratio (NSFR). The BCBS has stated that it will continue to review the effect of these liquidity standards on financial markets, credit extension and economic growth to address unintended consequences.

The LCR, which will be phased in beginning January 1, 2015 through January 1, 2019, following an observation period which began in 2011, addresses liquidity risk over a 30-day period. The LCR aims to ensure that banks have a stock of unencumbered high-quality liquid assets available to meet short-term liquidity needs under a severe stress scenario. The LCR is comprised of two components, the value of the stock of high-quality liquid assets in stressed conditions and the total net cash outflows calculated according to specified scenario parameters. The ratio of liquid assets over net cash outflows is subject to an initial minimum requirement of 60%, which will increase by 10% for four years, reaching 100% by January 1, 2019.

The NSFR, which is expected to be introduced on January 1, 2018 following an observation period which began in 2012, establishes criteria for a minimum amount of stable funding based on the liquidity of a bank's assets and activities over a one-year horizon. The NSFR is a complementary measure to the LCR and is structured to ensure that illiquid assets are funded with an appropriate amount of stable long-term funds. The NSFR is defined as the ratio of available stable funding over the amount of required stable funding and should always be at least 100%.

In November 2012, the Swiss Federal Council adopted a liquidity ordinance that implements Basel III liquidity requirements into Swiss law subject, in part, to further rule-making in Switzerland. Both quantitative and qualitative requirements generally are consistent with our existing agreement with FINMA on liquidity principles.

Our revised liquidity principles and our liquidity risk management framework as agreed with FINMA are in line with the Basel III liquidity framework.

- ▶ Refer to "Basel framework" in I – Information on the company – Regulation and supervision – Recent regulatory developments and proposals for further information.

Liquidity risk management framework

Our approach to liquidity risk management

Our liquidity and funding policy is designed to ensure that funding is available to meet all obligations in times of stress, whether caused by market events or issues specific to Credit Suisse. We achieve this through a conservative asset/liability management strategy aimed at maintaining long-term funding, including stable deposits, well in excess of illiquid assets. To address short-term liquidity stress, we maintain a liquidity pool, described below, that covers unexpected outflows in the event of severe market and idiosyncratic stress. Our liquidity risk parameters reflect various liquidity stress assumptions that we believe are conservative. We manage our liquidity profile at a sufficient level such that, in the event we are unable to access unsecured funding, we will have sufficient liquidity to sustain operations for an extended period of time in excess of our minimum target.

Although the ◊NSFR is not expected to be introduced until 2018 and is still subject to adjustment by the ◊BCBS and ◊FINMA, we began using the NSFR in 2012 as the primary tool to monitor our structural liquidity position, plan funding and as the basis for our funds transfer pricing policy. Pursuant to our plans announced in October 2012 to reduce our balance sheet by the end of 2013 to below CHF 900 billion on a foreign exchange neutral basis compared to the end of the third quarter of 2012, we further strengthened our long-term funding profile to accelerate the increase of our NSFR. We estimate that our NSFR under the current FINMA framework was in excess of 100% as of the end of 2012. Where requirements are unclear or left to be determined by the BCBS and FINMA, we have made our own interpretation and assumptions.

In parallel with the NSFR, we continue to use our internal liquidity barometer to manage liquidity to internal targets and as a basis to model both Credit Suisse-specific and systemic market stress scenarios and their impact on funding and liquidity. Our internal barometer framework supports the management of our funding structure. It allows us to manage the time horizon over which the adjusted market value of unencumbered assets (including cash) exceeds the aggregate value of contractual outflows of unsecured liabilities plus a conservative forecast of anticipated contingent commitments. This barometer framework allows us to manage liquidity to a desired profile under stress in order to be able to continue to pursue activities for an extended period of time (also known as a liquidity horizon) without changing business plans during times of Credit Suisse-specific or market-specific stress. Under this framework, we also have short-term targets based

on additional stress scenarios to ensure uninterrupted liquidity for short time frames.

Our liquidity management framework allows us to run stress analyses on our balance sheet and off-balance sheet positions, which include, but are not limited to, the following:

- A multiple-notch downgrade in the Bank's long-term debt credit ratings, which would require additional funding as a result of certain contingent off-balance sheet obligations;
- Significant withdrawals from private banking client deposits;
- Potential cash outflows associated with the prime brokerage business;
- Availability of secured funding is subject to significant over-collateralization;
- Capital markets, certificates of deposit and ◊commercial paper (CP) markets will not be available;
- Other money market access will be significantly reduced;
- A loss in funding value of unencumbered assets;
- The inaccessibility of assets held by subsidiaries due to regulatory, operational and other constraints;
- The possibility of providing non-contractual liquidity support in times of market stress, including purchasing our unsecured debt;
- Monitoring the concentration in sources of wholesale funding and thus encourage funding diversification;
- Monitoring the composition and analysis of the unencumbered assets;
- Restricted availability of foreign currency swap markets; and
- Other scenarios as deemed necessary from time to time.

Governance

Funding, liquidity, capital and our foreign exchange exposures in the banking book are managed centrally by Treasury. Oversight of these activities is provided by the CARMC, a committee that includes the chief executive officers (CEOs) of the Group and the divisions, the Chief Financial Officer, the Chief Risk Officer (CRO) and the Treasurer.

It is CARMC's responsibility to review the capital position, balance sheet development, current and prospective funding, interest rate risk and foreign exchange exposure and to define and monitor adherence to internal risk limits. CARMC regularly reviews the methodology and assumptions of our liquidity risk management framework and determines the liquidity horizon to be maintained.

All liquidity stress tests are coordinated and overseen by the CRO to ensure a consistent and coordinated approach across all risk disciplines.

Contingency planning

In the event of a liquidity crisis, our liquidity contingency plan provides for specific actions to be taken depending on the nature of the crisis. Our Treasurer activates the contingency plan upon receipt of various reports that contain trigger levels. Pre-defined further escalation ensures the involvement of senior management and CARMC, the delivery of information to regulators and the meeting of the funding execution committee, which establishes a specific action plan and coordinates business and funding activities. In all cases, the plan's priorities are to strengthen liquidity (immediate), reduce funding needs (medium term) and assess recovery options (longer term).

Liquidity pool

Treasury manages a sizeable portfolio of liquid assets, comprised of cash, high grade bonds, major market equity securities and other liquid securities, which serves as a liquidity pool. A portion of the liquidity pool is generated through ◊ reverse repurchase agreements with top-rated counterparties. Most of these liquid assets qualify as eligible assets under the BCBS liquidity standards. We are mindful of potential credit risk and therefore focus our liquidity holdings strategy on cash at central banks and short-term reverse repurchase agreements relating to highly rated government bonds. The bonds are eligible as collateral for liquidity facilities with various central banks including the SNB, the US Federal Reserve (Fed), the European Central Bank (ECB) and the Bank of England. Our direct exposure on these bonds is limited to highly liquid, top-rated sovereign entities or fully guaranteed agencies of sovereign entities. These securities may also serve to meet liquidity requirements for our local businesses.

All securities, including those obtained from reverse repurchase agreements, are subject to a stress level ◊ haircut that

we apply for stress scenarios to reflect the risk that emergency funding may not be available at market value.

We centrally manage the liquidity pool and hold it at our main operating entities. Holding securities in these entities ensures that we can make liquidity and funding available to local entities in need without delay.

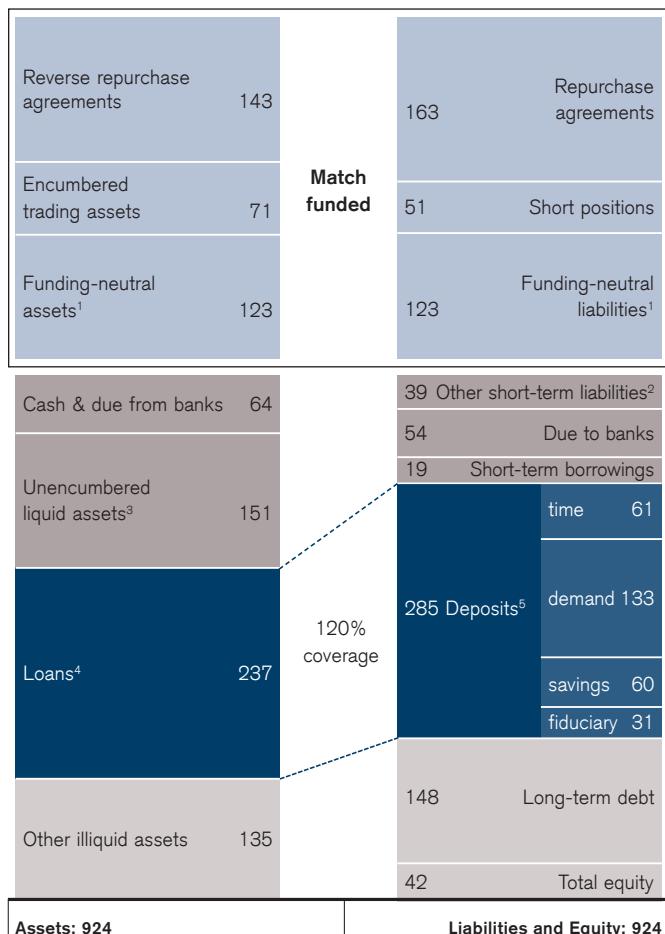
As of December 31, 2012, our liquidity pool based on our internal model was CHF 127 billion, net of the stress level haircut. The liquidity pool consisted of CHF 47 billion of cash held by major central banks, primarily the SNB, the Fed and the ECB, CHF 57 billion of securities issued by governments and government agencies, primarily of the US, Germany, France and the UK, and CHF 23 billion of other highly liquid assets including equity securities that form part of major indices.

Funding sources and uses

We primarily fund our balance sheet through core customer deposits, long-term debt and shareholders' equity. We monitor the funding sources, including their concentrations, according to their currency and geography and whether they are secured or unsecured. A substantial portion of our balance sheet is ◊ match funded and requires no unsecured funding. Match funded balance sheet items consist of assets and liabilities with close to equal liquidity durations and values so that the liquidity and funding generated or required by the positions are substantially equivalent. Cash and due from banks and ◊ reverse repurchase agreements are highly liquid. A significant part of our assets, principally unencumbered trading assets that support the securities business, is comprised of securities inventories and collateralized receivables that fluctuate and are generally liquid. These liquid assets are available to settle short-term liabilities.

Balance sheet funding structure

as of December 31, 2012 (CHF billion)



¹ Primarily includes brokerage receivables/payables, positive/negative replacement values and cash collateral. ² Primarily includes excess of funding neutral liabilities (brokerage payables) over corresponding assets. ³ Primarily includes unencumbered trading assets, unencumbered investment securities and excess reverse repurchase agreements, after haircuts. ⁴ Excludes loans with banks. ⁵ Excludes due to banks and certificates of deposit.

These assets include our liquidity pool, which amounted to CHF 127 billion as of the end of 2012 that can be monetized in a time frame consistent with our short-term stress assumptions. As a consequence of our strategy to reduce our balance sheet, we reduced our short-term liabilities by 27% to CHF 112 billion as of the end of 2012 compared to the end of 2011. This allowed us to reduce an equivalent amount of liquid assets and decrease our liquidity pool by 28% compared to the end of 2011, without a material impact on our liquidity risk.

Loans, which comprise the largest component of our illiquid assets, are funded by our core customer deposits, with an excess coverage of 20% as of the end of 2012, down from 22% as of the end of 2011, reflecting a higher increase in loans than the increase in core customer deposits. We fund other illiquid assets, including real estate, private equity and other long-term investments and a haircut for the illiquid portion of securities, with long-term debt and equity, where we try to maintain a substantial funding buffer.

Our core customer deposits totaled CHF 285 billion as of the end of 2012, an increase of 3% compared to CHF 278 billion as of the end of 2011, as a result of a growth in the customer deposit base in Private Banking & Wealth Management. Core customer deposits are from clients with whom we have a broad and longstanding relationship. Core customer deposits exclude deposits from banks and certificates of deposit. We place a priority on maintaining and growing customer deposits, as they have proved to be a stable and resilient source of funding even in difficult market conditions.

Treasury is responsible for the development, execution and regular updating of our funding plan. The plan reflects projected business growth, development of the balance sheet, future funding needs and maturity profiles as well as the effects of changing market conditions.

Interest expense on long-term debt, excluding structured notes, is monitored and managed relative to certain indices, such as the London Interbank Offered Rate, that are relevant to the financial services industry. This approach to term funding best reflects the sensitivity of both our liabilities and our assets to changes in interest rates. Our average funding cost, which is allocated to the divisions, remained largely unchanged compared to the end of 2011.

We continually manage the impact of funding spreads through careful management of our liability maturity mix and opportunistic issuance of debt. The effect of funding spreads on interest expense depends on many factors, including the absolute level of the indices on which our funding is based.

We diversify our funding sources by issuing structured notes, which are debt securities on which the return is linked to commodities, stocks, indices or currencies or other assets. We generally hedge structured notes with positions in the underlying assets or derivatives. Our liquidity planning includes settlement of structured notes. We had CHF 36.6 billion of structured notes outstanding as of the end of 2012 compared to CHF 35.7 billion as of the end of 2011.

We also use collateralized financings, including repurchase agreements and securities lending agreements. The level of our repurchase agreements fluctuates, reflecting market opportunities, client needs for highly liquid collateral, such as US treasuries and agency securities, and the impact of bal-

ance sheet and risk-weighted asset (RWA) limits. In addition, matched book trades, under which securities are purchased under agreements to resell and are simultaneously sold under agreements to repurchase with comparable maturities, earn spreads, are relatively risk-free and are generally related to client activity.

Our primary source of liquidity is funding through consolidated entities. The funding through non-consolidated special purpose entities (SPEs) and asset securitization activity is immaterial.

Securities for funding and capital purposes are issued primarily by the Bank, our principal operating subsidiary and a US registrant. The Bank lends funds to its operating subsidiaries and affiliates on both a senior and subordinated basis, as needed; the latter typically to meet capital requirements, or as desired by management to support business initiatives.

Debt issuances and redemptions

Our capital markets debt includes senior and subordinated debt issued in US-registered offerings and medium-term note programs, euro market medium-term note programs, Australian dollar domestic medium-term note programs, a Samurai shelf registration statement in Japan and covered bond programs. As a global bank, we have access to multiple markets worldwide and our major funding centers are Zurich, New York, London and Tokyo.

We use a wide range of products and currencies to ensure that our funding is efficient and well diversified across markets and investor types. Substantially all of our unsecured senior debt is issued without financial covenants, such as adverse changes in our credit ratings, cash flows, results of operations or financial ratios, which could trigger an increase in our cost of financing or accelerate the maturity of the debt. Our covered bond funding is in the form of mortgage-backed loans funded by domestic covered bonds issued through Pfandbriefbank Schweizerischer Hypothekarinstutute, one of two institutions established by a 1930 act of the Swiss parliament to centralize the issuance of covered bonds, or from our own international covered bond program.

In 2012, we issued CHF 1.4 billion of domestic covered bonds, CHF 3.3 billion of international covered bonds and

CHF 0.4 billion of senior debt, while CHF 1.1 billion of domestic covered bonds and CHF 10.8 billion of senior debt matured or were redeemed. In connection with our tender offer in July 2012, we repurchased CHF 1.7 billion of senior debt. As of December 31, 2012, we had CHF 15.2 billion of domestic and international covered bonds outstanding.

As of December 31, 2012, the weighted average maturity of long-term debt was 6.1 years (including certificates of deposit with a maturity of one year or longer, but excluding structured notes, and assuming callable securities are redeemed at final maturity or in 2030 for instruments without a stated final maturity).

- ▶ Refer to “Note 24 – Long-term debt” in V – Consolidated financial statements – Credit Suisse Group for further information.

Short-term borrowings decreased 29% to CHF 18.6 billion as of the end of 2012. The percentage of unsecured funding from long-term debt, excluding non-recourse debt associated with the consolidation of VIEs was 25% as of the end of 2012, a decrease from 26% as of the end of 2011.

- ▶ Refer to “Capital issuances and redemptions” in Capital management for further information on capital issuances, including buffer capital notes and our tender offers.

Funds transfer pricing

We maintain an internal funds transfer pricing system based on market rates. Our funds transfer pricing system is designed to allocate to our businesses all funding costs in a way that incentivizes their efficient use of funding. Our funds transfer pricing system is an essential tool that allocates to the businesses the short-term and long-term costs of funding their balance sheet usages and off-balance sheet contingencies and the costs associated with funding liquidity and balance sheet items, such as goodwill, which are beyond the control of individual businesses. This is of greater importance in a stressed capital markets environment where raising funds is more challenging and expensive. Under this system, our businesses are also credited to the extent they provide long-term stable funding.

Cash flows from operating, investing and financing activities

As a global financial institution, our cash flows are complex and interrelated and bear little relation to our net earnings and net assets. Consequently, we believe that traditional cash flow analysis is less meaningful in evaluating our liquidity position than the funding and liquidity policies described above. Cash flow analysis may, however, be helpful in highlighting certain macro trends in our business.

For the year ended December 31, 2012, net cash used in operating activities of continuing operations was CHF 12.7 billion, primarily reflecting a decrease in trading assets and liabilities, a decrease in other liabilities, an increase in other assets and the 2012 income from continuing operations. Our operating assets and liabilities vary significantly in the normal course of business due to the amount and timing of cash flows. Management believes cash flows from operations, available cash balances and short-term and long-term borrowings will be sufficient to fund our operating liquidity needs.

Our investing activities primarily include originating loans to be held to maturity, other receivables and the investment securities portfolio. For the year ended December 31, 2012, net cash of CHF 43.0 billion was provided by investing activities from continuing operations, primarily due to a decrease in central bank funds sold, securities purchased under resale agreements and securities borrowing transactions and an increase in loans.

Our financing activities primarily include the issuance of debt and receipt of customer deposits. We pay annual dividends on our common shares. In 2012, net cash used in financing activities of continuing operations was CHF 77.9 billion, mainly reflecting repayments of long-term debt and a decrease in central bank funds purchased, securities sold under repurchase agreements and securities lending transactions, partly offset by the issuances of long-term debt.

Credit ratings

Our access to the debt capital markets and our borrowing costs depend significantly on our credit ratings. Rating agencies take many factors into consideration in determining a company's rating, including such factors as earnings performance, business mix, market position, ownership, financial strategy, level of capital, risk management policies and practices, management team and the broader outlook for the financial services industry. The rating agencies may raise, lower or withdraw their ratings, or publicly announce an intention to raise or lower their ratings, at any time.

Although retail and private bank deposits are generally less sensitive to changes in a bank's credit ratings, the cost and availability of other sources of unsecured external funding is generally a function of credit ratings. Credit ratings are especially important to us when competing in certain markets and when seeking to engage in longer-term transactions, including over-the-counter (OTC) derivative instruments.

A downgrade in credit ratings could reduce our access to capital markets, increase our borrowing costs, require us to post additional collateral or allow counterparties to terminate transactions under certain of our trading and collateralized financing and derivative contracts. This, in turn, could reduce our liquidity and negatively impact our operating results and financial position. Our liquidity barometer takes into consideration contingent events associated with a two-notch downgrade in our credit ratings. The maximum impact of a simultaneous one, two or three-notch downgrade by all three major rating agencies in the Bank's long-term debt ratings would result in additional collateral requirements or assumed termination payments under certain derivative instruments of CHF 0.7 billion, CHF 2.4 billion and CHF 3.5 billion, respectively, as of December 31, 2012, and would not be material to our liquidity and funding planning. If the downgrade does not involve all three rating agencies, the impact may be smaller. The Moody's ratings downgrade announced in June 2012 had an impact of less than CHF 100 million on our collateral requirement.

As of the end of 2012, we were compliant with the requirements related to maintaining a specific credit rating under these derivative instruments.

- ▶ Refer to "Investor information" in the Appendix for further information on Group and Bank credit ratings.

Capital management

Our capital position remained strong with a BIS tier 1 ratio under Basel II.5 of 19.4% as of the end of 2012 reflecting a 7% decrease in risk-weighted assets and an increase of CHF 6.7 billion in tier 1 capital.

Capital strategy and framework

Credit Suisse considers a strong and efficient capital position to be a priority. Through our capital strategy, we continue to strengthen our capital position and optimize the use of ◊RWA, particularly in light of emerging regulatory capital requirements.

The overall capital needs of Credit Suisse reflect management's regulatory and credit rating objectives as well as our underlying risks. Our framework considers the capital needed to absorb losses, both realized and unrealized, while remaining a strongly capitalized institution. Multi-year projections and capital plans are prepared for the Group and its major subsidiaries and reviewed throughout the year with its regulators. These plans are subjected to various stress tests, reflecting both macroeconomic and specific risk scenarios. Capital contingency plans are developed in connection with these stress tests to ensure that possible mitigating actions are consistent with both the amount of capital at risk and the market conditions for accessing additional capital.

Our capital management framework relies on economic capital, which is a comprehensive tool that is also used for risk management and performance measurement. Economic capital measures risks in terms of economic realities rather than regulatory or accounting rules and is the estimated capital needed to remain solvent and in business, even under extreme market, business and operational conditions, given our target financial strength as reflected in our long-term credit rating.

- ▶ Refer to "Economic capital and position risk" in Risk Management for further information on economic capital.

The improvement of our regulatory capital position over the last few years has left us well positioned to meet the stricter capital requirements under the ◊Basel III framework and the Swiss ◊"Too Big to Fail" legislation. In July 2012, we announced a number of measures to accelerate the strengthening of our capital position in light of the current regulatory and market environment.

- ▶ Refer to "July 2012 capital measures" below for a detailed description of our capital measures announced in July 2012.

Regulatory capital framework

Overview

There continue to be substantial changes to the regulatory environment under which Credit Suisse operates, bringing ever more conservative standards of measurement and increases in mandatory capital ratios.

Since 2008, we operated under the international capital adequacy standards known as ◊Basel II set forth by the ◊BCBS as implemented by ◊FINMA, with some additional requirements for large Swiss banks known as "Swiss Finish". Basel II provides the framework for measuring capital adequacy and the minimum standards to be applied by local regulators, affecting the measurement of both ◊RWA and total eligible capital. Beginning in January 2011, as required by FINMA, Credit Suisse implemented BCBS's "Revisions to the Basel II market risk framework" (◊Basel II.5) for FINMA regulatory capital purposes, with some additional requirements for large Swiss banks known as "Swiss Finish", which was applicable until December 31, 2012.

The Basel framework is based on three pillars, which are viewed as mutually reinforcing:

- Pillar 1: Minimum Capital Requirements – requires an institution to hold sufficient capital to cover its credit, market and operational risks.
- Pillar 2: Supervisory Review Process – discusses the role of supervisors in ensuring that institutions have in place a proper process for assessing and maintaining their capital ratios above the minimum requirements.
- Pillar 3: Market Discipline – sets out disclosure requirements, especially for those institutions seeking approval to use their own internal models to calculate their capital requirements. Information required under Pillar 3 relating to capital adequacy is available at www.credit-suisse.com/pillar3.

The Basel framework describes a range of options for determining capital requirements in order to provide banks and supervisors the ability to select approaches that are most appropriate for their operations and their financial market infrastructure. In general, Credit Suisse has adopted the most advanced approaches, which align with the way that risk is internally managed and provide the greatest risk sensitivity.

For measuring credit risk, we received approval from FINMA to use the ◊advanced internal ratings-based approach (A-IRB). Under the A-IRB for measuring credit risk, risk weights are determined by using internal risk parameters for ◊probability of default (PD), ◊loss given default (LGD) and transactional maturity. The exposure at default is either derived from balance sheet values or by using models.

For calculating the capital requirements for market risk, the ◊internal models approach, the standardized measurement method and the standardized approach are used.

Non-counterparty risk arises from holdings of premises and equipment, real estate and investments in real estate entities.

Under the Basel framework, operational risk is included in RWA and we received approval from FINMA to use the ◊advanced measurement approach (AMA). Under the AMA for measuring operational risk, we identified key scenarios that describe our major operational risks using an event model.

Effective January 1, 2013, the Basel II.5 framework under which we operated in 2012 was replaced by the ◊Basel III framework. In 2010, the BCBS issued the Basel III framework, with higher minimum capital requirements and conservation and countercyclical buffers, revised risk-based capital measures, a leverage ratio and liquidity standards.

As of January 1, 2013, the Basel III framework was implemented in Switzerland along with the Swiss ◊“Too Big to Fail” legislation and regulations thereunder. Our related disclosures are in accordance with our current interpretation of such requirements, including relevant assumptions. Changes in the final implementation of these requirements in Switzerland or in any of our assumptions or estimates could result in different numbers from those shown in this report. Our ratio calculations below use estimated RWA as of December 31, 2012, as if the Basel III framework had been implemented in Switzerland as of such date.

- ▶ Refer to “New capital framework in 2013” and “Regulation and supervision” in I – Information on the company for further information on the Basel III framework and the Swiss “Too Big to Fail” legislation.

Risk measurement models

Within the Basel II.5 framework for FINMA regulatory capital purposes, we implemented new risk measurement models, including an ◊incremental risk charge and ◊stressed Value-at-Risk (VaR). The incremental risk charge is a regulatory capital charge for default and migration risk on positions in the trading books and is intended to complement additional standards being applied to the ◊VaR modeling framework, including stressed VaR. Stressed VaR replicates a VaR calculation on the Group’s current portfolio taking into account a one-year observation period relating to significant financial stress and helps reduce the pro-cyclicality of the minimum capital requirements for market risk.

FINMA, in line with Bank for International Settlements (BIS) requirements, uses a multiplier to impose an increase in market risk capital for every ◊regulatory VaR ◊backtesting exception over four in the prior rolling 12-month period. For the purposes of this measurement, backtesting exceptions are calculated using a subset of actual daily trading revenues that includes only the impact of daily movements in financial market variables such as interest rates, equity prices and foreign exchange rates on the previous night’s positions. In 2012, our market risk capital multiplier remained at FINMA and BIS minimum levels and we did not experience an increase in market risk capital.

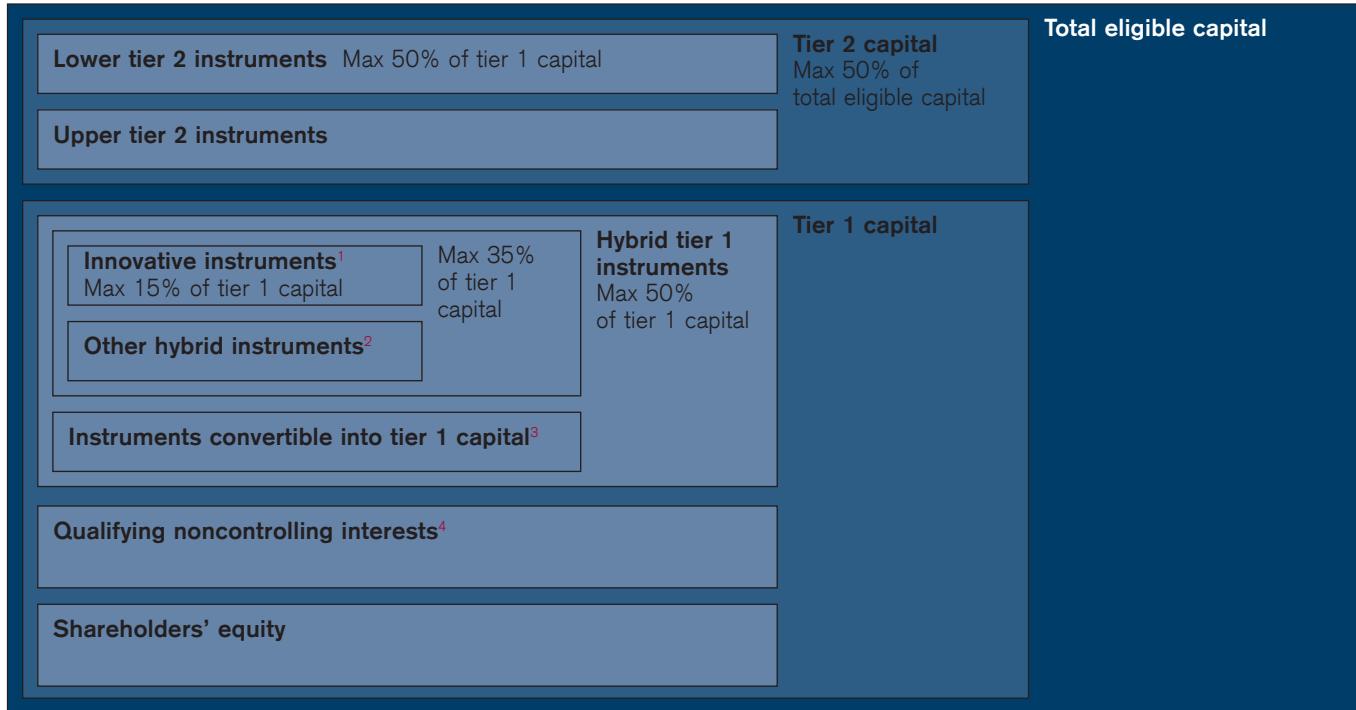
With FINMA approval, we have implemented a Comprehensive Risk Measure framework to calculate a capital charge covering all price risks (default, spread and correlation risk) within the credit correlation products within our trading book portfolio.

- ▶ Refer to “Market risk” in Risk management for further information on Credit Suisse’s risk measurement models and backtesting exceptions.

Capital structure

Total eligible capital as defined under Basel II.5 as implemented by FINMA is outlined in the following table and text.

Capital structure – Basel II.5 “Swiss Finish”



Percentages refer to tier 1 and total eligible capital before capital deductions.

¹ Hybrid instruments in the form of non-cumulative perpetual preferred securities and capital notes that either have a fixed maturity or an incentive to repay, such as a step-up in the coupon if the instrument is not redeemed when callable. ² Hybrid instruments in the form of non-cumulative perpetual preferred securities and capital notes that have no fixed maturity and no incentive for repayment. ³ Hybrid instruments with a pre-defined mechanism that converts them into tier 1 capital, such as mandatory convertible bonds convertible into common shares. ⁴ Qualifying noncontrolling interests including common shares in majority owned and consolidated banking and finance subsidiaries and tier 1 capital securities securing deeply subordinated notes issued by special purpose entities.

Tier 1 capital

BIS tier 1 capital consists of total shareholders' equity, qualifying noncontrolling interests and hybrid tier 1 capital instruments.

Qualifying noncontrolling interests include common shares in majority-owned and consolidated banking and finance subsidiaries held by third parties as well as participation securities of the Bank issued to a third-party SPE (tier 1 capital securities). The third-party SPE issued perpetual, non-cumulative notes secured by the tier 1 capital securities of the Bank and preferred securities issued by a subsidiary of the Group that are guaranteed on a subordinated basis by the Bank. Payments of dividends on the tier 1 capital securities and preferred securities are subject to adequacy of distributable profits, no regulatory prohibition on payments on the tier 1 capital securities or the preferred securities and compliance with capital adequacy and liquidity requirements. The redemption of the tier 1 capital securities or the preferred securities is subject to capital adequacy, solvency requirements and prior approval of FINMA.

Hybrid tier 1 capital instruments include preferred securities, which are issued by SPEs, and capital notes issued directly by the Bank. These hybrid tier 1 instruments are unsecured, perpetual, non-cumulative, deeply subordinated instruments senior only to common shares and qualifying noncontrolling interests. We are obligated to pay interest or dividends on hybrid tier 1 instruments only if we pay dividends on common shares and qualifying noncontrolling interests. These hybrid tier 1 instruments are risk-bearing on a comparable basis with common shares and qualifying noncontrolling interests and can, up to a 15% limit, have step-ups in the coupon in conjunction with call options only after a minimum of five years from the issue date. Payment of interest or dividends on these instruments is subject to adequacy of distributable profits, compliance with capital adequacy requirements and solvency. The redemption of these instruments is subject to capital adequacy, solvency requirements and prior approval of FINMA.

Hybrid tier 1 instruments are subject to a limit of 50% of tier 1 capital. The following categories and maximum values

determine the extent to which these hybrid tier 1 instruments can be attributed to tier 1 capital:

- A maximum of 15% of tier 1 capital can be in the form of “innovative instruments” that either have a fixed maturity or an incentive to repay, such as a step-up in the coupon if the instrument is not redeemed when callable.
- A maximum of 35% of tier 1 capital, less the instruments subject to the 15% limit, can be in the form of other hybrid tier 1 instruments that have no fixed maturity and no incentive for repayment.
- A maximum of 50% of tier 1 capital, less the instruments subject to the 15% and 35% limits, can be in the form of instruments that include a predefined mechanism that converts them into tier 1 capital, such as mandatory convertible bonds convertible into common shares.

To derive tier 1 capital, certain deductions are made from total shareholders' equity as follows:

- goodwill and other intangible assets;
- participations in insurance entities, investments in certain bank and finance entities, and certain securitization exposures (equally deducted from tier 1 and tier 2 capital); and
- other adjustments, including cumulative fair value adjustments on Credit Suisse debt, net of tax, anticipated but not yet declared dividends, the net long position in own treasury shares in the trading book and an adjustment for the accounting treatment of pension plans.

Tier 2 capital

Tier 2 capital consists of upper and lower tier 2 instruments. Upper tier 2 instruments are unsecured, perpetual, subordinated instruments that are senior only to tier 1 instruments. Interest payments are deferrable, but we are obligated to pay interest (including deferred interest) on these upper tier 2 instruments if we pay dividends on tier 1 capital or on redemption. These upper tier 2 instruments can have moderate step-ups in conjunction with call options only after a minimum of five years from the issue date. The redemption of these instruments is subject to solvency. Upper tier 2 capital also includes any excess in eligible provisions over expected losses (up to a maximum amount of 0.6% of the risk-weighted positions) for exposures subject to the credit risk A-IRB.

Lower tier 2 instruments are unsecured, subordinated instruments that are senior only to tier 1 instruments and upper tier 2 instruments and have a maturity on issuance of at least five years. Lower tier 2 capital eligibility is subject to regulatory amortization over the five years prior to redemption.

Capital issuances and redemptions

In February 2011, we entered into definitive agreements with entities affiliated with Qatar Investment Authority (QIA) and The Olayan Group (the Investors) to issue tier 1 buffer capital notes (Tier 1 BCN). Under the agreements, the Investors agreed to purchase USD 3.45 billion Tier 1 BCN and CHF 2.5 billion Tier 1 BCN in exchange for their holdings of USD 3.45 billion 11% tier 1 capital notes and CHF 2.5 billion 10% tier 1 capital notes issued in 2008 (Tier 1 Capital Notes) or, in the event that the Tier 1 Capital Notes have been redeemed in full, for cash. The purchase or exchange was originally expected to occur by October 23, 2013, the first call date of the Tier 1 Capital Notes. As part of the July 2012 capital measures, we entered into an agreement to accelerate the exchange of USD 1.725 billion of the Tier 1 Capital Notes for Tier 1 BCN. The remainder of the Tier 1 Capital Notes is expected to be purchased or exchanged in October 2013.

In March 2012, pursuant to a tender offer, we repurchased for CHF 4.7 billion outstanding hybrid tier 1 instruments and tier 2 instruments, which will no longer qualify for regulatory capital treatment under the Basel III framework. In July 2012, in connection with a second tender offer and additional repurchase transactions, we repurchased tier 1 securities of CHF 0.5 billion and tier 2 securities of CHF 2.2 billion.

In March 2012, we completed an issuance of CHF 750 million 7.125% tier 2 buffer capital notes (Tier 2 BCN) due in 2022. The Tier 2 BCN were convertible into ordinary Group shares if, prior to Basel III, our core tier 1 ratio fell below 7% or under Basel III will be converted into ordinary Group shares if our CET1 ratio falls below 7%. The Tier 2 BCN may be redeemed by the issuer in March 2017.

As part of the July 2012 capital measures, we issued CHF 3.8 billion of mandatory and contingent convertible securities (MACCS) that are mandatorily convertible into 233.5 million shares at a conversion price of CHF 16.29 per share on March 29, 2013 (subject to early conversion upon certain contingency and viability events), with settlement and delivery of shares in early April 2013.

In January 2013, we redeemed perpetual bonds of EUR 77 million of lower tier 2 notes with a maturity date of January 23, 2018. In February 2013, we announced the redemption of our outstanding USD 1.525 billion 7.9% Tier 1 Capital Notes on March 28, 2013.

- ▶ Refer to “July 2012 capital measures” for further information.
- ▶ Refer to “Related party transactions” in IV – Corporate Governance and Compensation – Corporate Governance – Banking relationships with members of the Board and Executive Board and related party transactions for further information on Tier 1 BCN and MACCS.

Capital metrics under Basel II.5

Regulatory capital – Group

Our tier 1 ratio was 19.4% as of the end of 2012, compared to 15.2% as of the end of 2011, reflecting higher tier 1 capital and lower □RWA. Our core tier 1 ratio was 15.5% as of the end of 2012, compared to 10.7% as of the end of 2011, reflecting higher core tier 1 capital and lower RWA. Our total capital ratio was 22.3% as of the end of 2012 compared to 20.1% as of the end of 2011.

Tier 1 capital was CHF 43.5 billion as of the end of 2012 compared to CHF 36.8 billion as of the end of 2011. The increase was primarily driven by net income (excluding the impact of □fair value gains/(losses) on Credit Suisse debt, net of tax), the issuance of MACCS and the effect of share-based compensation including the Adjustable Performance Plan awards conversion. These increases were partially offset by the buyback of hybrid tier 1 instruments in connection with two debt tender offers in combination with certain other repurchase transactions and an adverse foreign exchange translation impact.

Tier 2 capital was CHF 6.4 billion as of the end of 2012 compared to CHF 11.8 billion as of the end of 2011. The decrease was primarily driven by the buyback of tier 2 capital instruments in connection with the tender offers and an adverse foreign exchange translation impact, partially offset by the issuance of Tier 2 BCN in March 2012. Total eligible capital as of the end of 2012 was CHF 49.9 billion compared to CHF 48.7 billion as of the end of 2011.

RWA decreased CHF 17.5 billion to CHF 224.3 billion as of the end of 2012, reflecting a material decrease in credit risk and market risk, together with a beneficial impact from foreign exchange translation and a decrease in non-counterparty risk, partially offset by an increase in operational risk.

Excluding the foreign exchange translation impact, credit risk in Investment Banking decreased due to reductions in

counterparty-related derivative risk resulting from the 2011 Partner Asset Facility transaction, other reductions in derivative and lending exposures and parameter updates primarily related to LGD. Within Private Banking & Wealth Management, credit risk decreased resulting from enhancements to the processing of LGD data, a net decrease in fund investments and parameter updates on residential mortgages, partially offset by increased credit exposures.

Market risk decreased over the period driven by a number of factors including lower exposures across Investment Banking that reduced □incremental risk charges, VaR and stressed VaR. There were reductions in the incremental risk charge resulting from incorporating sovereign risk that was previously a fixed regulatory add on into the risk model. Increases resulting from the inclusion of risks not covered by our VaR model were partially offset by a corresponding reduction in the regulatory multipliers. In addition, there were minor decreases following our implementation of a Comprehensive Risk Measure framework covering the credit correlation products within our trading book portfolio.

The decrease in non-counterparty risk was driven by real estate sales.

Operational risk increased to reflect anticipated changes to our model. The increase has been agreed with □FINMA for capital purposes and represents a 20% regulatory uplift on operational risk RWA. In addition, there were marginal increases in operational risk due to minor updates to loss parameters and maturity haircuts applied to insurance policies.

- ▶ Refer to the table “BIS statistics – Basel II.5” for further information regarding market risk and the VaR methodology.
- ▶ Refer to https://www.credit-suisse.com/investment_banking/financial_regulatory/en/_subsidiaries_pillar_3.jsp for further information on capital ratios of certain significant subsidiaries.
- ▶ Refer to “Market risk”, “Credit risk” and “Operational risk” in Risk management for further information.
- ▶ Refer to “Risk-weighted assets” for further information.

BIS statistics – Basel II.5

	Group			Bank		
	2012	2011	% change	2012	2011	% change
end of						
Eligible capital (CHF million)						
Total shareholders' equity	35,498	33,674	5	34,767	29,403	18
Goodwill and intangible assets	(8,634)	(8,876)	(3)	(7,756)	(7,979)	(3)
Qualifying noncontrolling interests	3,227	3,365	(4)	4,204	4,476	(6)
Capital deductions 50% from tier 1	(1,462)	(2,274)	(36)	(1,413)	(2,242)	(37)
Other adjustments	6,137 ¹	67	–	1,077	552	95
Core tier 1 capital	34,766	25,956	34	30,879	24,210	28
Hybrid tier 1 capital instruments ²	8,781 ³	10,888	(19)	8,781 ³	10,888	(19)
Tier 1 capital	43,547	36,844	18	39,660	35,098	13
Upper tier 2	352	1,841	(81)	377	1,925	(80)
Lower tier 2	7,499	12,243	(39)	9,128	13,609	(33)
Capital deductions 50% from tier 2	(1,462)	(2,274)	(36)	(1,413)	(2,242)	(37)
Tier 2 capital	6,389	11,810	(46)	8,092	13,292	(39)
Total eligible capital	49,936	48,654	3	47,752	48,390	(1)
Risk-weighted assets (CHF million)						
Credit risk	143,679	157,237	(9)	134,760	148,378	(9)
Market risk	29,366	40,609	(28)	29,338	40,571	(28)
Non-counterparty risk	6,126	7,819	(22)	5,873	7,564	(22)
Operational risk	45,125	36,088	25	45,125	36,088	25
Risk-weighted assets	224,296	241,753	(7)	215,096	232,601	(8)
Capital ratios (%)						
Core tier 1 ratio	15.5	10.7	–	14.4	10.4	–
Tier 1 ratio	19.4	15.2	–	18.4	15.1	–
Total capital ratio	22.3	20.1	–	22.2	20.8	–

¹ Includes mandatory and contingent convertible securities net of fees and interest of CHF 3.6 billion, an adjustment of CHF 2.7 billion for the accounting treatment of pension plans, cumulative fair value adjustments of CHF (0.1) billion on own vanilla debt and structured notes, net of tax and the 2012 dividend accrual on Group shares of CHF (0.2) billion (representing a distribution of CHF 0.10 per share in cash out of reserves from capital contributions and a distribution of new shares by way of allocation of non-tradable rights with a theoretical value of approximately CHF 0.65 per right). ² Non-cumulative perpetual preferred securities and capital notes. FINMA has advised that the Group and the Bank may continue to include as tier 1 capital CHF 33 million and CHF 1.6 billion, respectively, in 2012 (2011: CHF 0.6 billion and CHF 3.2 billion, respectively) of equity from special purpose entities that are deconsolidated under US GAAP. ³ FINMA has advised that a maximum of 35% of tier 1 capital can be in the form of hybrid capital instruments, which will be phased out under Basel III. Hybrid tier 1 capital represented 19.5% and 21.4% of the Group's and the Bank's adjusted tier 1 capital, respectively, as of the end of 2012.

As of the end of 2012, we had CHF 3.2 billion of qualifying noncontrolling interests, all of which were core tier 1 capital securities secured by participation securities issued by the Bank. In addition, we had CHF 8.8 billion of hybrid tier 1 instruments, of which CHF 0.3 billion were innovative instruments. The hybrid tier 1 instruments currently include USD 1.7 billion 11% Tier 1 Capital Notes and CHF 2.5 billion

10% Tier 1 Capital Notes that are expected to be exchanged for Tier 1 BCN on October 23, 2013, the first call date of the Tier 1 Capital Notes. USD 1.725 billion 11% Tier 1 Capital Notes were exchanged for Tier 1 BCN in July 2012.

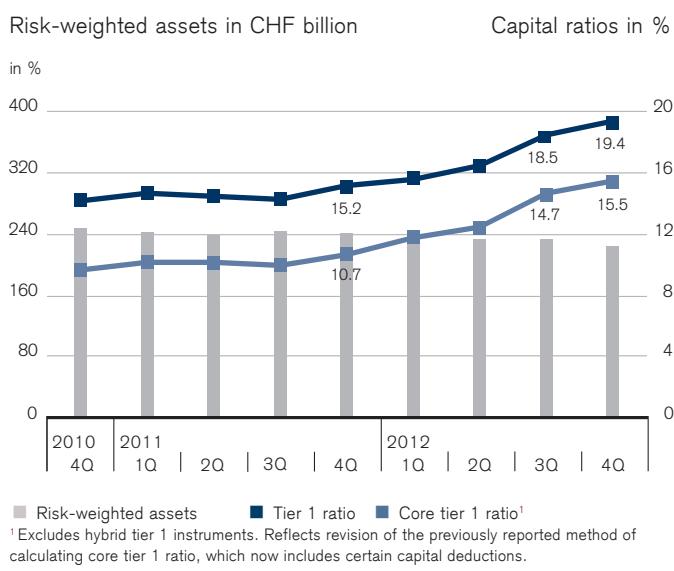
- Refer to "Capital issuances and redemptions" for further information.

Tier 1 capital movement – Basel II.5

end of	2012	2011	% change
Tier 1 capital (CHF million)			
Balance at beginning of period	36,844	35,225	5
Net income	1,349	1,953	(31)
Adjustments for fair value gains/(losses) reversed for regulatory purposes, net of tax	2,626	(1,415)	–
Foreign exchange impact on tier 1 capital	(861)	(368)	134
Other	3,589 ¹	1,449	148
Balance at end of period	43,547	36,844	18

¹ Reflects the issuance and redemption of tier 1 capital, including the issuance of the mandatory and contingent convertible securities, the effect of share-based compensation and the change in regulatory deductions.

Risk-weighted assets and capital ratios – Basel II.5



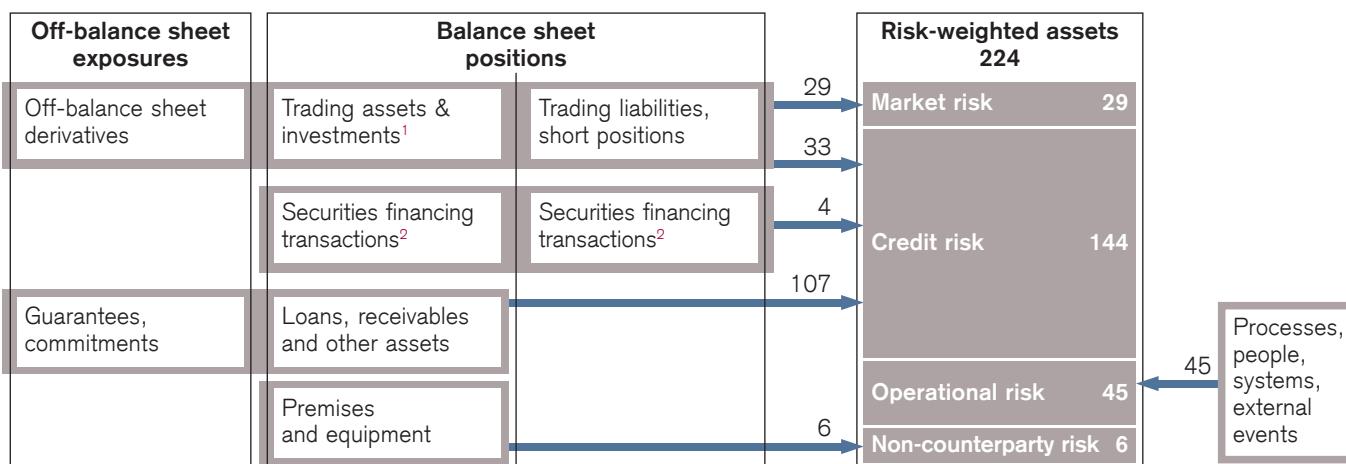
Risk-weighted assets by division – Basel II.5

	end of	2012	2011	% change
Risk-weighted assets by division (CHF million)				
Private Banking & Wealth Management		87,190	90,743	(4)
Investment Banking		124,378	138,694	(10)
Corporate Center		12,728	12,316	3
Risk-weighted assets		224,296	241,753	(7)

For management purposes, the Group allocates to the divisions risk-weighted asset equivalents related to regulatory capital and certain intangible asset deductions from Group tier 1 capital.

Risk-weighted assets – Basel II.5

as of December 31, 2012 (CHF billion)



¹ Includes primarily trading assets, investment securities and other investments. ² Includes central bank funds sold, securities purchased under resale agreements and central bank funds purchased, securities sold under repurchase agreements and securities lending transactions.

Risk-weighted assets

Our balance sheet positions and off-balance sheet exposures translate into RWA that are categorized as market, credit, operational and non-counterparty-risk RWA. Market risk RWA reflect the capital requirements of potential changes in the fair values of financial instruments in response to market movements inherent in both the balance sheet and the off-balance sheet items. Credit risk RWA reflect the capital requirements for the possibility of a loss being incurred as the result of a borrower or counterparty failing to meet its financial obligations or as a result of a deterioration in the credit quality of the borrower or counterparty. Operational risk RWA reflect the capital requirements for the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Non-counterparty-risk RWA primarily reflect the capital requirements for our premises and equipment. It is

not the nominal size, but the nature (including risk mitigation such as collateral or hedges) of the balance sheet positions or off-balance sheet exposures that determines the RWA.

Regulatory capital – Bank

The Bank's tier 1 ratio was 18.4% as of the end of 2012, an increase from 15.1% as of the end of 2011. The increase in the tier 1 ratio reflected an increase in tier 1 capital and a decrease in RWA. The Bank's core tier 1 ratio was 14.4% as of the end of 2012, compared to 10.4% as of the end of 2011. The Bank's total capital ratio was 22.2% as of the end of 2012, compared to 20.8% as of the end of 2011, reflecting the increase in tier 1 capital and the decrease in RWA.

The Bank's total eligible capital decreased to CHF 47.8 billion as of the end of 2012 from CHF 48.4 billion as of the end of 2011.

RWA decreased CHF 17.5 billion to CHF 215.1 billion as of the end of 2012 and the Bank's tier 1 capital increased to CHF 39.7 billion as of the end of 2012 from CHF 35.1 billion as of the end of 2011.

The business of the Bank is substantially the same as the business of the Group. The trends for the Bank are consistent with those for the Group.

Leverage ratios

The capital levels of the Group and the Bank are subject to qualitative judgments by regulators, including FINMA, about the components of capital, risk weightings and other factors. In November 2008, FINMA issued a decree that defined capital adequacy and leverage ratio requirements, with compliance phased in by 2013. The capital adequacy target included in

this decree is a range between 50% and 100% above the Pillar 1 requirements under the Basel framework. In addition, the decree includes leverage limits that require us to maintain a minimum leverage ratio of tier 1 capital to total adjusted average assets (on a non-risk-weighted basis) of 3% at the Group and Bank consolidated level and 4% at the Bank on an unconsolidated basis by 2013.

Total assets are adjusted for purposes of calculating this leverage ratio. The adjustments include assets from Swiss lending activities (excluding Swiss interbank lending), cash and balances with central banks, certain Swiss franc reverse repurchase agreements and certain other assets, such as goodwill and intangible assets that are excluded in determining regulatory tier 1 capital.

Leverage ratios – Basel II.5

	Group			Bank		
	2012	2011	% change	2012	2011	% change
end of						
Tier 1 capital (CHF billion)						
Tier 1 capital	43.5	36.8	18	39.7	35.1	13
Adjusted average assets (CHF billion)¹						
Average assets	973	1,038	(6)	957	1,024	(7)
Adjustments:						
Assets from Swiss lending activities ²	(150)	(145)	3	(128)	(123)	4
Cash and balances with central banks	(59)	(81)	(27)	(58)	(81)	(28)
Other	(13)	(15)	(13)	(12)	(14)	(14)
Adjusted average assets	751	797	(6)	759	806	(6)
Leverage ratio (%)						
Leverage ratio	5.8	4.6	–	5.2	4.4	–

¹ Calculated as the average of the month-end values for the previous three calendar months.

² Excludes Swiss interbank lending.

The leverage ratios for the Group and Bank as of the end of 2012 were 5.8% and 5.2%, respectively, compared to 4.6% and 4.4% as of the end of 2011, calculated using Basel II.5 tier 1 capital. The increase in the Basel II.5 leverage ratios reflected substantially higher tier 1 capital and lower adjusted average assets. The 6% lower adjusted average assets reflected measures taken in connection with our balance sheet

reduction initiative announced in October 2012, particularly relating to Investment Banking assets, and the foreign exchange translational impact.

- Refer to "FINMA Basel III Leverage Ratio" in Ratios based on new capital frameworks and Regulation and Supervision in I – Information on the company for further information.

Total shareholders' equity**Group**

Our total shareholders' equity was CHF 35.5 billion as of the end of 2012 compared to CHF 33.7 billion as of the end of 2011. Total shareholders' equity was impacted by the issuance of common shares primarily used to settle share-based compensation and the share component of the scrip dividend distributed in 2012, net income in 2012, the effect of share-based compensation, including the Adjustable Performance Plan awards conversion described below, and the effect of pension adjustments, partially offset by the dividend payment in cash and shares, the impact of foreign exchange-related movements on cumulative translation adjustments and treasury share purchases and sales.

- ▶ Refer to the "Consolidated statements of changes in equity" in V – Consolidated financial statements – Credit Suisse Group for further information on the Group's total shareholders' equity.

Bank

The Bank's total shareholder's equity was CHF 34.8 billion as of the end of 2012 compared to CHF 29.4 billion as of the end of 2011. Total shareholder's equity was impacted by a capital contribution from the Group following the issuance of MACCS, net income in 2012, the effect of share-based compensation, including the Adjustable Performance Plan awards conversion, and the purchase of subsidiary shares from non-controlling interests, partially offset by the impact of foreign exchange-related movements on cumulative translation adjustments and cash dividends paid in 2012.

- ▶ Refer to the "Consolidated statements of changes in equity" in VII – Consolidated financial statements – Credit Suisse (Bank) for further information on the Bank's total shareholder's equity.

Capital

	Group			Bank		
	2012	2011	% change	2012	2011	% change
end of						
Shareholders' equity (CHF million)						
Common shares	53	49	8	4,400	4,400	0
Additional paid-in capital	23,636	21,796	8	28,686	24,134	19
Retained earnings	28,171	27,053	4	13,637	11,824	15
Treasury shares, at cost	(459)	(90)	410	0	0	–
Accumulated other comprehensive income/(loss)	(15,903)	(15,134)	5	(11,956)	(10,955)	9
Total shareholders' equity	35,498	33,674	5	34,767	29,403	18
Goodwill	(8,389)	(8,591)	(2)	(7,510)	(7,700)	(2)
Other intangible assets	(243)	(288)	(16)	(243)	(280)	(13)
Tangible shareholders' equity¹	26,866	24,795	8	27,014	21,423	26
Shares outstanding (million)						
Common shares issued	1,320.8	1,224.3	8	44.0	44.0	0
Treasury shares	(27.0)	(4.0)	–	0.0	0.0	–
Shares outstanding	1,293.8	1,220.3	6	44.0	44.0	0
Par value (CHF)						
Par value	0.04	0.04	0	100.00	100.00	0
Book value per share (CHF)						
Total book value per share	27.44	27.59	(1)	790.16	668.25	18
Goodwill per share	(6.48)	(7.04)	(8)	(170.68)	(175.00)	(2)
Other intangible assets per share	(0.19)	(0.23)	(17)	(5.53)	(6.36)	(13)
Tangible book value per share¹	20.77	20.32	2	613.95	486.89	26

¹ Management believes that tangible shareholders' equity and tangible book value per share, both non-GAAP financial measures, are meaningful as they are measures used and relied upon by industry analysts and investors to assess valuations and capital adequacy.

July 2012 capital measures

In July 2012, we announced a number of measures, described below, designed to accelerate the strengthening of our capital position in light of the current regulatory and market environment, including the implementation of the ◊Basel III framework and the Swiss ◊“Too Big to Fail” legislation.

During the second half of 2012, we substantially completed the July 2012 capital measures, the effects of which were influenced by an adverse foreign exchange translation impact and the decrease in Basel III ◊RWA. We have reached a Look-through Swiss Core Capital ratio of 9.0% as of the end of 2012 by adding CHF 11.5 billion of Swiss Core Capital and decreasing our Basel III RWA by CHF 20 billion over the last two quarters. We expect to add CHF 0.8 billion of capital in the near term through the completion of the remaining capital measures announced in July 2012, primarily related to strategic divestments and other measures, which would result in a pro forma Look-through Swiss Core Capital ratio of 9.3%.

As discussed below, the majority of the measures have a capital benefit for common equity tier 1 (CET1) capital. Certain measures only impact Swiss Core Capital. In aggregate, all of the measures impact Swiss Total Capital. Capital benefits consist of changes in equity, gains on sales, reduced deductions and RWA relief. The definitions of regulatory capital and capital ratios mentioned below refer to the Swiss “Too Big to Fail” legislation as determined by FINMA.

- ▶ Refer to “New capital framework in 2013” for further information.

We also believe that these actions, together with the comprehensive periodic disclosures we have made regarding these capital measures and our regulatory capital metrics beginning with our 2Q12 Financial Report, have fully addressed the two key recommendations raised in the SNB’s June 2012 Financial Stability Report. In that report, the SNB recommended that we expand our loss-absorbing capital base beginning in 2012 so that, when evaluated under the new Basel III regulatory framework as implemented in Switzerland, we would rank among the best capitalized banks in the world. Their second recommendation was that the large banks in Switzerland (including us) increase transparency by making regular disclosures of key metrics under the new regulatory capital framework, in particular loss-absorbing capital and risk-weighted assets under Basel III once fully implemented.

Mandatory and contingent convertible securities

In July 2012, we issued CHF 3.8 billion MACCS that are mandatorily convertible into 233.5 million shares at a conversion price of CHF 16.29 per share on March 29, 2013 (subject to early conversion upon certain contingency and viability events), with settlement and delivery of shares in early April 2013. Among the shares to be delivered upon conversion are 33.5 million treasury shares in respect of our 2012 purchase of the residual minority stake in Credit Suisse Hedging-Griffo Investimentos S.A.

Strategic and institutional investors purchased CHF 2.0 billion of MACCS and shareholders exercised preferential subscription rights for CHF 1.8 billion of MACCS, resulting in a CET1 capital benefit of CHF 3.6 billion, net of fees and interest.

Adjustable Performance Plan awards exchange

In the third quarter of 2012, we completed a voluntary exchange offer under which certain employees elected to convert any future cash payments from deferred compensation awards under the Adjustable Performance Plan awards for shares at the same price as the conversion price under the MACCS. Delivery of the shares will be consistent with the Adjustable Performance Plan awards deferred payment schedule, which provides for payments from 2013 to 2015. The Adjustable Performance Plan was initially a cash-based deferred compensation plan awarded in respect of 2009 and 2010, where the award value was linked to the financial performance of the employees’ business areas and the Group’s return on equity. The exchange resulted in a CET1 capital benefit of CHF 0.5 billion. This represented a conversion rate of approximately 50%.

Tender offer

In the third quarter of 2012, we completed a tender offer to repurchase certain outstanding public capital and senior funding instruments. The offer targeted 11 capital instruments denominated in US dollars, euros and British pounds and five additional senior bonds denominated in US dollars. The offers allowed the Group’s bond investors to sell holdings in capital and senior funding securities. Through the tender offer, in combination with certain additional repurchase transactions, we repurchased for CHF 4.8 billion outstanding tier 1 and tier 2 instruments and senior debt, resulting in a CET1 capital benefit of CHF 0.4 billion.

Real estate sales

During the second half of 2012, we completed real estate sales, including a significant sale-and-lease-back transaction in the fourth quarter of 2012, that resulted in a CET1 capital benefit of CHF 0.7 billion.

Sale of residual stake in Aberdeen Asset Management

We completed the sale of our residual stake in Aberdeen Asset Management in July 2012 for a CET1 capital benefit of CHF 0.2 billion.

Strategic divestments

In line with the accelerated implementation of our strategy toward a more liquid alternatives business in the Asset Management business and given the remaining uncertainty regarding the implementation of the "Volcker Rule", we intend to sell certain private equity businesses and investments and, as announced in January 2013, our ETF business, the sale of which is expected to close by the end of 2Q13. We made progress on these measures in 2012, adding a CET1 capital benefit of CHF 0.6 billion, primarily related to our redemptions of investments in funds and the sale of Wincasa.

Earnings-related effects/lower capital deductions

Positive earnings during the second half of 2012 and lower capital deductions also during the second half of 2012 including decreased deductions from lower deferred tax assets on net operating losses, together with the capital effect of share-based compensation awards, added a CET1 capital benefit of CHF 3.0 billion.

- ▶ Refer to "Note 26 – Tax" in – V – Consolidated financial statements – Credit Suisse Group for further information on deferred tax assets.

Tier 1 participation securities recognition

In 2008 and 2010, the Bank issued tier 1 participation securities to "Claudius", a third-party SPE which, in turn, issued perpetual, non-cumulative, secured notes to investors of which USD 1.5 billion bear interest at 8.25% and the other USD 1.5 billion bear interest at 7.875%. FINMA has ruled that, under the Swiss "Too Big to Fail" legislation, the existing USD 3.0 billion in tier 1 participation securities (with a haircut of 20%) will qualify as part of the Swiss equity requirement in excess of the 8.5% Basel III Global Systemically Important Bank (G-SIB) CET1 ratio. This resulted in a Swiss Core Capital benefit of CHF 2.5 billion until the earlier of redemption or 2018 on a non-reducing basis.

Accelerated exchange of Tier 1 Capital Notes

In July 2012, we entered into an agreement to accelerate the exchange of USD 1.725 billion of our existing Tier 1 Capital Notes into high trigger Tier 1 BCN, which was initially scheduled for October 2013. The conversion floor price of the BCN delivered in the exchange (as well as the remaining BCN scheduled to be delivered in 2013) has been adjusted to the conversion price of the MACCS described above. The BCN qualify for a Swiss Total Capital benefit of CHF 1.5 billion, based on the US dollar exchange rate as of the end of 2012, net of fees.

New capital framework in 2013

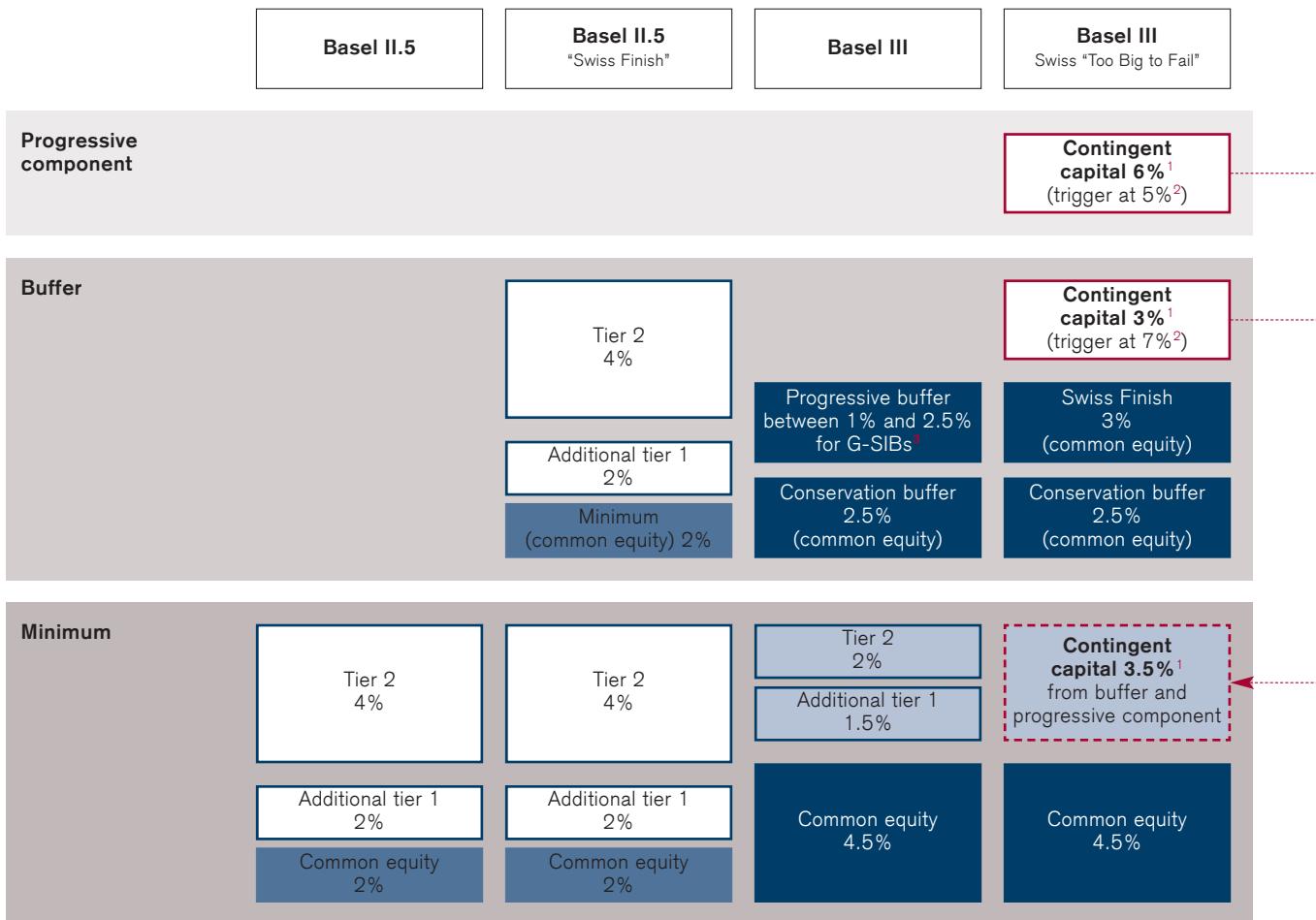
Basel III

The BCBS issued the Basel III framework, with higher minimum capital requirements and conservation and counter-cyclical buffers, revised risk-based capital measures, a leverage ratio and liquidity standards. The framework was designed to strengthen the resilience of the banking sector. The new capital standards and capital buffers will require banks to hold more capital, mainly in the form of common equity. The new capital standards will be phased in from January 1, 2013 through year-end 2018 for those countries that have adopted Basel III.

Under Basel III, the minimum CET1 ratio will increase from 2% to 4.5% and will be phased in from January 1, 2013 through January 1, 2015. This CET1 ratio will have certain regulatory deductions and other adjustments to common equity that will be phased in from January 1, 2014 through January 1, 2018, including deduction of deferred tax assets for tax-loss carry-forwards, goodwill and intangibles and investments in banking and finance entities. In addition, increases in the tier 1 capital ratio from 4% to 6% will be phased in from January 1, 2013 through January 1, 2015.

Basel III also introduces an additional 2.5% CET1 requirement, known as a capital conservation buffer, to absorb losses in periods of financial and economic stress. Banks that do not maintain this buffer will be limited in their ability to pay dividends or make discretionary bonus payments or other earnings distributions. The capital conservation buffer will be phased in from January 1, 2016 through year-end 2018.

Comparison of capital requirement frameworks



¹ Counts towards Basel III minimum requirements as tier 1 or tier 2 depending on the underlying instruments. The size of the progressive component is dependent on the company's size and market share of domestic systemically relevant business. ² Trigger at 5% or 7% of common equity tier 1 under Basel III. ³ The Group has assumed that its progressive buffer is 1.5%.

Basel III further provides for a countercyclical buffer that could require banks to hold up to an additional 2.5% of common equity or other capital that would be available to fully absorb losses. This requirement is expected to be imposed by national regulators where credit growth is deemed to be excessive and leading to the build-up of system-wide risk. This countercyclical buffer will be phased in from January 1, 2016 through year-end 2018.

Most capital instruments that do not meet the strict criteria for inclusion in the Basel III CET1 will be excluded beginning January 1, 2013. Capital instruments that would no longer qualify as tier 1 or tier 2 capital will be phased out over a 10-year period beginning January 1, 2013. In addition, instru-

ments with an incentive to redeem prior to their stated maturity, if any, will be phased out at their effective maturity date, generally the date of the first step-up coupon.

In November 2011, the BCBS issued final rules for global systemically important banks (G-SIBs), outlining a methodology for assessing whether a banking institution should be regarded as a G-SIB and determining additional capital requirements between 1% and 2.5% (with a possible additional 1%) of CET1. The additional requirements for G-SIBs will be phased in from January 1, 2016 through year-end 2018. The Financial Stability Board has identified us as a G-SIB.

Swiss regulations relating to Basel III

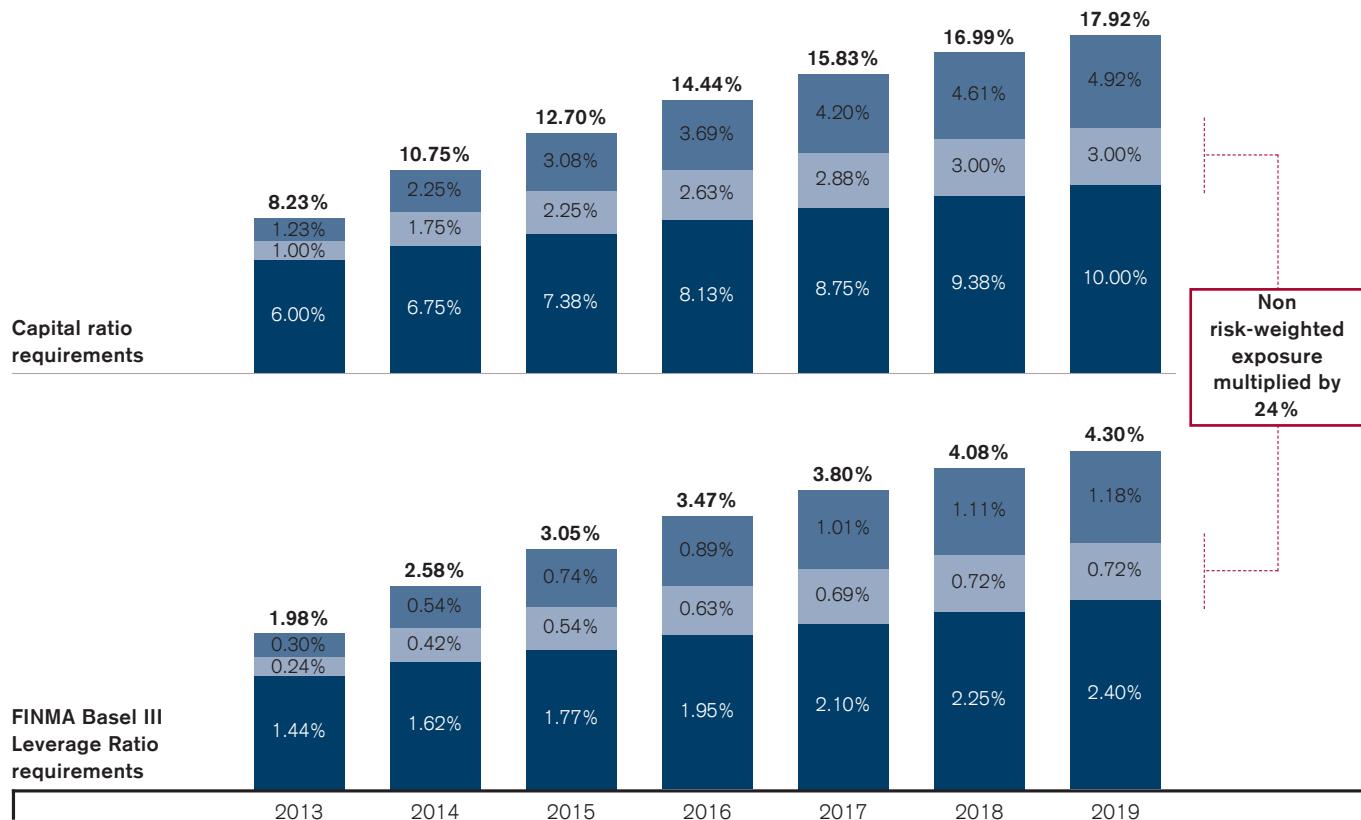
As of January 1, 2013, the Basel III framework was implemented in Switzerland along with the Swiss “Too Big to Fail” legislation and regulations thereunder. Together with the related implementing ordinances, the legislation includes capital, liquidity, leverage and large exposure requirements, and rules for emergency plans designed to maintain systemically relevant functions in the event of threatened insolvency. Certain requirements under the legislation, including those regarding capital, are to be phased in through year-end 2018. The legislation on capital requirements builds on Basel III, but in respect of systemically relevant banks goes beyond its minimum standards, including requiring that we have common equity of at least 10% of RWA and contingent capital or other qualifying capital of up to 9% of RWA by January 1, 2019.

In June 2012, the Swiss Federal Council adopted implementing ordinances under the Swiss “Too Big to Fail” legislation. Certain of the ordinance requirements became effective January 1, 2013, with some phased in through the end of 2018. Already effective upon adoption of the ordinances were increased lending standards for new residential mortgages and a supplemental countercyclical buffer of up to 2.5% of RWA that can be activated during periods of excess credit growth

and subsequently deactivated by the Federal Council upon request of the SNB after consultation with FINMA. On February 13, 2013, the Swiss Federal Council decided to activate the countercyclical capital buffer based on the request of the SNB. This activation of the countercyclical buffer will require banks to hold additional capital in the amount of 1% of their RWA pertaining to mortgage loans that finance residential property in Switzerland beginning in September 30, 2013.

In September 2012, the Swiss Parliament approved the portions of the ordinances related to the Swiss “Too Big to Fail” legislation that are specific to systemically relevant banks, including requirements regarding capital, leverage, large exposure and Recovery and Resolution Plans. These requirements became effective January 1, 2013. Under these ordinances, we must comply with an additional leverage ratio, applicable to Swiss systemically relevant banks (FINMA Basel III Leverage Ratio). This leverage ratio has to be at least 24% of the percentage points of each of the minimum, buffer and progressive capital requirements. Since the ratio is defined by reference to capital requirements subject to transitional arrangements, the new leverage ratio will be phased in from 2013 to 2018.

Transitional Swiss phase-in capital and leverage ratio requirements



■ Swiss Core Capital ■ High-trigger contingent capital ■ Low-trigger contingent capital¹

¹ Credit Suisse's progressive (low-trigger) 2019 capital requirement is 4.92%. The capital requirement, which is applicable for 2013, has been communicated to us by FINMA and is based on our 2011 year-end financial data (total exposure, market share in Switzerland and a potential capital rebate). Using 2012 year-end financial data, we estimate that the 2019 progressive capital requirement will be reduced to 4.56% in 2014.

Ratios based on new capital frameworks

Basel III CET1 ratio

We have updated our Basel III CET1 ratio to reflect recent developments. Our Basel III RWA as of the end of 2012 were CHF 293 billion, which reflect current foreign exchange rates.

Our Basel III CET1 ratio as of the end of 2012 was 14.2%, up from the 12.9% in our 2011 simulation for 2012, primarily reflecting the July 2012 capital measures. The following presentation is consistent with the phase-in/phase-out requirements of Basel III.

Basel III CET1 ratio

	2012
end of	
Capital development (CHF billion)	
Total shareholders' equity	35.5
Mandatory and contingent convertible securities ¹	3.6
Regulatory adjustments ²	2.4
CET1 capital	41.5
Risk-weighted assets development (CHF billion)	
Risk-weighted assets (Basel II.5)	224
Estimated Basel III changes	60
Subtotal (Look-through risk-weighted assets)	284
Transitional adjustments ³	9
Risk-weighted assets (Basel III)	293
Capital ratio (%)	
CET1 ratio	14.2

Rounding differences may occur.

¹ Consists of CHF 3.8 billion of mandatory and contingent convertible securities, net of fees and interest, which are mandatorily convertible into 233.5 million shares on March 29, 2013, with settlement and delivery of shares in early April 2013. ² Includes an adjustment of CHF 2.7 billion for the accounting treatment of pension plans, pursuant to phase-out requirements, and other regulatory adjustments. ³ Represents Basel III adjustments pursuant to phase-out requirements.

Look-through Basel III CET1 ratio

For the years 2014 – 2018, there will be a five-year (20% per annum) phase in of goodwill and intangible assets and other Basel III capital deductions (e.g., deferred tax assets and participations in financial institutions). Assuming a fully phased in CHF 8.6 billion of goodwill and intangible assets and CHF 7.9 billion of other regulatory adjustments, we estimate that our CET1 ratio as of December 31, 2012 would be 8.0%, calculated based on Look-through Basel III RWA of CHF 284 billion.

Swiss Core and Total Capital ratios

Swiss Core Capital consists of the Basel III CET1 capital and existing tier 1 participation securities. Swiss Total Capital also includes high and low-trigger contingent capital, including our BCN. As of the end of 2012, our Swiss Core Capital and Swiss Total Capital ratios were 15.0% and 16.4%, respectively, compared to 6.0% and 8.2%, respectively, required of us by FINMA.

Swiss Core and Total Capital ratios

	2012
Capital development (CHF billion)	
CET1 capital	41.5
Swiss regulatory adjustments ¹	2.5
Swiss Core Capital	44.0
High-trigger Buffer Capital Notes	4.1
Swiss Total Capital	48.1
Risk-weighted assets (CHF billion)	
Risk-weighted assets (Basel III)	293
Swiss regulatory adjustments ²	1
Swiss risk-weighted assets (Basel III)	294
Capital ratios (%)	
Swiss Core Capital ratio	15.0
Swiss Total Capital ratio	16.4

Rounding differences may occur.

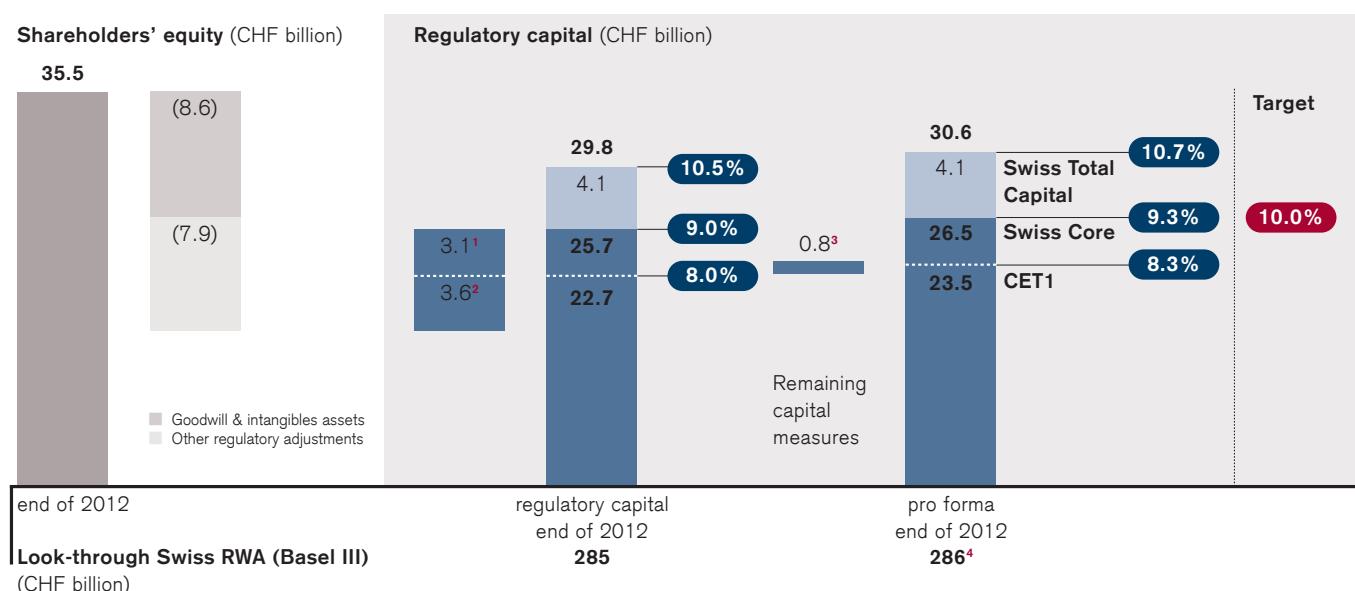
¹ Consists of existing tier 1 participation securities of CHF 2.5 billion and other Swiss regulatory adjustments. ² Reflects increased regulatory thresholds resulting from additional Swiss Core Capital.

Look-through Swiss Core and Total Capital ratios

The Look-through Swiss Core Capital assumes fully phased-in goodwill and intangible assets and other regulatory adjustments. We have calculated the pro forma Look-through Swiss Core Capital assuming the successful completion of the

remaining CHF 0.8 billion of capital measures announced in July 2012. As of the end of 2012, our pro forma Look-through Swiss Core Capital ratio was 9.3% compared to the 10.0% that will be required by FINMA by year-end 2018.

Look-through Swiss Core and Total Capital ratios



Note: Pro forma calculation assumes successful completion of the remaining capital measures announced in July 2012. Actual results may differ. Rounding differences may occur.

¹ Consists of existing tier 1 participation securities of CHF 2.5 billion and other Swiss regulatory adjustments. ² Consists of CHF 3.8 billion of mandatory and contingent convertible securities, net of fees and interest, with settlement and delivery of shares in early April 2013. ³ Consists of CHF 0.7 billion of strategic divestments and CHF 0.1 billion of other measures. ⁴ Reflects increased regulatory thresholds resulting from the remaining capital measures.

FINMA Basel III Leverage Ratio

The FINMA Basel III Leverage Ratio is calculated as Swiss Core Capital plus high and low-trigger contingent capital divided by total exposure. Total exposure consists of balance sheet assets plus exposure add-ons including cash collateral

netting reversals and off-balance sheet derivative exposures, guarantees and commitments. As of the end of 2012, our total exposure for FINMA Basel III Leverage Ratio purposes was CHF 1,276 billion. By the end of 2013, we are targeting a reduction in our total exposure to under CHF 1,170 billion.

Additional information

Share repurchases

The Swiss Code of Obligations limits a corporation's ability to hold or repurchase its own shares. We may only repurchase shares if we have sufficient free reserves to pay the purchase price, and if the aggregate nominal value of the repurchased shares does not exceed 10% of our nominal share capital. Furthermore, we must create a special reserve in our parent company financial statements in the amount of the purchase price of the acquired shares. In our consolidated financial statements, own shares are recorded at cost and reported as treasury shares, resulting in a reduction in total shareholders' equity. Shares repurchased by us do not carry any voting rights at shareholders' meetings.

We purchased 423.7 million treasury shares and sold or re-issued 394.7 million treasury shares in 2012, predominantly for market-making purposes and facilitating customer orders. As of December 31, 2012, the Group held 27.0 million treasury shares.

- ▶ Refer to "Impact of share-based compensation on shareholders' equity" in IV – Corporate Governance and Compensation – Compensation for further information.

Purchases and sales of treasury shares

In million, except where indicated	Number of shares	Average price per share in CHF
2012		
January	22.4	23.10
February	20.4	24.65
March	27.8	25.77
April	45.9	23.59
May	25.8	19.32
June	30.0	18.21
July	75.2	17.15
August	23.0	17.79
September	44.4	20.74
October	25.6	21.27
November	29.1	20.93
December	54.1	22.58
Total purchase of treasury shares	423.7	-
 Total sale of treasury shares		
	394.7	-

Dividends and dividend policy

Under the Swiss Code of Obligations, dividends may be paid out only if and to the extent the corporation has distributable profits from previous business years, or if the free reserves of the corporation are sufficient to allow distribution of a dividend. In addition, at least 5% of the annual net profits must be retained and booked as general legal reserves for so long as these reserves amount to less than 20% of the paid-in share capital. Our reserves currently exceed this 20% threshold. Furthermore, dividends may be paid out only after shareholder approval at the AGM. The Board of Directors may propose that a dividend be paid out, but cannot itself set the dividend. In Switzerland, the auditors have to confirm whether the appropriation of retained earnings is in accordance with Swiss law and articles of incorporation. In practice, the shareholders usually approve the dividend proposal of the Board of Directors. Dividends are usually due and payable after the shareholders' resolution relating to the allocation of profits has been passed. Under the Swiss Code of Obligations, the statute of limitations in respect of claiming the payment of dividends that have been declared is five years.

Our dividend payment policy seeks to provide investors with a stable and efficient form of capital distribution relative to earnings. Dividend payments made in 2012, for 2011, were comprised of a distribution of CHF 0.75 per share payable against reserves from capital contributions in cash or upon shareholder election and subject to legal restrictions, in new Group shares or a combination thereof.

Our Board of Directors will propose for the financial year 2012 a distribution of CHF 0.10 per share in cash out of reserves from capital contributions to the shareholders at the AGM on April 26, 2013. In addition, the Board of Directors will propose the distribution of new shares (stock dividend). The new shares for the stock dividend will be paid in at the par value of CHF 0.04 per share out of reserves from capital contributions. The distribution out of reserves from capital contributions (cash and stock) will be free of Swiss withholding tax and will not be subject to income tax for Swiss resident individuals holding the shares as a private investment. The ex-dividend date has been set to April 30, 2013 (for cash distribution and stock dividend).

The stock dividend will be distributed to all shareholders as follows: for every share that they own, shareholders will receive a non-tradable right to the receipt of a given number of new shares for free. Following distribution, the rights will automatically be exchanged for new shares at the ratio determined by the Board of Directors immediately prior to the Annual General Meeting. The Board of Directors will set the subscription ratio in such a way that the theoretical value of

each right will be approximately CHF 0.65. The distribution is subject to shareholder approval at the AGM.

Reflecting our holding company structure, the Group is not an operating company and holds investments in subsidiaries. It is therefore reliant on the dividends of its subsidiaries to pay shareholder dividends and service its long-term debt. The subsidiaries of the Group are generally subject to legal restrictions on the amount of dividends they can pay. The amount of dividends paid by operating subsidiaries is determined after consideration of the expectations for future results and growth of the operating businesses.

- ▶ Refer to "Proposed distribution against reserves from capital contributions" in VI – Parent company financial statements – Credit Suisse Group – Proposed appropriation of retained earnings and capital distributions for further information on dividends.

Dividend per ordinary share

	USD ¹	CHF
Dividend per ordinary share for the financial year		
2011	0.78	0.75
2010	1.48	1.30
2009	1.78	2.00
2008	0.10	0.10
2007	2.40	2.50

¹ Represents the distribution on each American depositary share. For further information, refer to www.credit-suisse.com/dividend.

Foreign exchange exposure and interest rate management

Foreign exchange risk associated with investments in branches, subsidiaries and affiliates is managed within defined parameters that create a balance between the interests of stability of capital adequacy ratios and the preservation of Swiss franc shareholders' equity. The decisions regarding these parameters are taken by CARMC and are regularly reviewed.

Foreign exchange risk associated with the nonfunctional currency net assets of branches and subsidiaries is managed through a combination of forward and backward looking hedging activity, which is aimed at reducing the foreign exchange rate induced volatility of reported earnings.

Interest rate risk inherent in banking book activities, such as lending and deposit taking, is transferred from the divisions to Treasury, which centrally manages the interest rate exposures. Treasury also develops and maintains the models needed to determine interest rate risks of products that do not have a defined maturity, such as demand and savings accounts. For this purpose, a replicating methodology is applied in close coordination with Risk Management to maximize stability and sustainability of spread revenues at the divisions. Further, Treasury manages the interest exposure of the Bank's equity to targets agreed with senior management.

Risk management

The prudent taking of risk in line with our strategic priorities is fundamental to our business as a leading global bank and remained a critical focus throughout 2012. Over the course of 2012, we took significant steps to adapt our businesses and our organization to the new regulatory requirements, which predominantly impacted the risk profile of Investment Banking. In 2012, overall position risk decreased 1%, utilized economic capital decreased 8%, average risk management VaR in US dollars for our trading books decreased 31% and our impaired loans were stable at CHF 1.7 billion.

Key risk developments in 2012

2012 was a year marked by uncertainty amid continued concerns from the European sovereign debt crisis, global economic slowdown, the threat of the US "fiscal cliff" in late 2012 and new and proposed regulatory requirements affecting the financial services industry.

During 2012, we reduced our Group risk profile and shifted our portfolio toward less capital intense businesses. We continued to invest significantly in our IT infrastructure and further refined our risk appetite framework to ensure an appropriate balance of return and assumed risk, stability of earnings and capital levels we seek to maintain.

- ▶ Refer to "Regulation and supervision" in I – Information on the company for information on other regulatory developments and proposals.
- ▶ Refer to "New capital framework in 2013" in Capital management for further information on our current regulatory framework on capital, leverage and liquidity, including certain expected changes to this framework.

In Investment Banking, we reduced our risk profile during 2012, consistent with our announced strategy. Investment Banking achieved this through a combination of exiting businesses, asset sales and repositioning its portfolio into more capital-efficient inventory in support of client franchises. Investment Banking's shift of capital resources included exiting the ◊commercial mortgage-backed securities (CMBS) origination and ◊collateralized debt obligations (CDOs) businesses. As we continue to execute on our Investment Banking strategy in 2013, efficiency in the use of capital remains a focus.

Private Banking & Wealth Management's risk profile increased slightly in 2012, with key contributing factors continuing to be largely related to stricter rules on investor protection as well as increased transparency for cross-border activities that continued to affect risk. The integration of the Private Banking and Asset Management businesses to form

Private Banking & Wealth Management is not expected to result in changes to the combined division's risk profile.

For the Group, we expect our ongoing adaptation to the changed regulatory environment will result in increased costs and resource requirements related to the risk management function.

Reputational risk continued as a major focus during 2012. We have continued to develop our procedures and awareness of staff as well as to adapt our business approach with respect to certain countries and industries with higher reputational risk and transactions with politically exposed persons.

- ▶ Refer to "Reputational risk" for further information on reputational risk issues.

Risk management oversight

Risk governance

Fundamental to our business is the prudent taking of risk in line with our strategic priorities. The primary objectives of risk management are to protect our financial strength and reputation, while ensuring that capital is well deployed to support business activities and grow shareholder value. Our risk management framework is based on transparency, management accountability and independent oversight. Risk management is an integral part of our business planning process with strong involvement of senior management and the Board of Directors (Board).

To meet the challenges of a volatile market environment and changing regulatory frameworks, we work to continuously strengthen our risk function, which is independent of, but closely interacts with the front office functions to ensure the appropriate flow of information and strong controls. In 2012, we continued to invest significantly in our risk infrastructure and processes with regard to the implementation of ◊Basel III. We have comprehensive risk management processes and sophisticated control systems, and we work to limit the impact of negative developments by carefully managing concentrations of risks.

Risk organization

We manage risk in our internal control environment, however, risks arise in all of our business activities and cannot be eliminated completely. Our risk management organization reflects the specific nature of the various risks to ensure that risks are managed within limits set in a transparent and timely manner. At the level of the Board, including through its committees, this includes the following responsibilities:

- Board: responsible to shareholders for the strategic direction, supervision and control of the Group and for defining our overall tolerance for risk in the form of a risk appetite statement and overall risk limits;
- Risk Committee: responsible for assisting the Board in fulfilling its oversight responsibilities by providing guidance regarding risk governance and the development of the risk profile and capital adequacy, including the regular review of major risk exposures and overall risk limits; and
- Audit Committee: responsible for assisting the Board in fulfilling its oversight responsibilities by monitoring management's approach with respect to financial reporting, internal controls, accounting and legal and regulatory compliance. Additionally, the Audit Committee is responsible for monitoring the independence and the performance of the internal and external auditors.

Overall risk limits are set by the Board in consultation with its Risk Committee. On a monthly basis, senior management through CARMC reviews risk exposures, concentration risks and risk-related activities. CARMC is responsible for supervising and directing our risk profile on a consolidated basis, recommending risk limits to the Risk Committee of the Board and the Board, and for establishing and allocating risk limits among the various businesses. CARMC meetings focus on the following three areas on a rotating basis: asset and liability management/liquidity, market and credit risk and operational risk/legal and compliance.

Committees have been established at a senior management level to further support the risk management function. The Risk Processes & Standards Committee is responsible for establishing and approving standards regarding risk management and risk measurement, including methodology and parameters. The Credit Portfolio & Provisions Review Committee reviews the quality of the credit portfolio with a focus on the development of impaired assets and the assessment of related provisions and valuation allowances. The Reputational Risk & Sustainability Committee sets policies, and reviews processes and significant cases relating to reputational risks and sustainability issues. There are also divisional risk management committees.

Key management bodies and committees

Group / Bank		
Board of Directors		
Audit Committee		Risk Committee
Chief Executive Officer Executive Board		
Capital Allocation & Risk Management Committee (CARMC)		
ALM ¹ / Capital / Funding / Liquidity	Position Risks	OpRisk / LCD ² / BCM ³
Risk Processes & Standards Committee	Credit Portfolio & Provisions Review Committee	Reputational Risk & Sustainability Committee
Divisions		
Private Banking & Wealth Management RMC ⁴ Coverage RMC ⁴		Investment Banking RMC ⁴
Products RMC ⁴		

¹ Asset and Liability Management ² Legal and Compliance Department ³ Business Continuity Management ⁴ Risk Management Committee

The risk committees are further supported by Treasury, which is responsible for the management of our balance sheet, capital management, liquidity and related hedging policies.

The risk management function reports to the CRO, who is independent of the business and is a member of the Executive Board. In 2012, the function covered:

- Strategic Risk Management (SRM);
- Risk Analytics and Reporting (RAR);
- Credit Risk Management (CRM);
- Bank Operational Risk Oversight (BORO);
- Business Continuity Management (BCM);
- Technology Risk Management (TRM); and
- Reputational Risk Management.

The risk management function is responsible for providing risk management oversight and establishing an organizational basis to manage all risk management matters through four primary risk functions: SRM assesses the Group's overall risk profile on a strategic basis, recommending corrective action where necessary, and is also responsible for market risk management including measurement and limits; RAR is responsible for risk analytics, reporting, systems implementation and policies; CRM is responsible for approving credit limits, monitoring and managing individual exposures, and assessing and managing the quality of credit portfolios and allowances; BORO acts as the central hub for the divisional operational risk functions; BCM assesses and manages potential impacts that threaten the organization in case of operational disruption, crisis or disaster; and TRM oversees the information technology-related risk aspects.

Risk types

Within our risk framework, we have defined the following types of risk:

Management risks:

- Strategy risk: outcome of strategic decisions or developments; and
- Reputational risk: damage to our standing in the market.

Chosen risks:

- Market risk: changes in market factors such as prices, volatilities and correlations;
- Credit risk: changes in the creditworthiness of other entities; and
- Expense risk: difference between expenses and revenues in a severe market event.

Consequential risks:

- Operational risk: inadequate or failed internal processes, people and systems (including cyber risk), or external events; and
- Liquidity risk: inability to fund assets or meet obligations at a reasonable price.

Management risks are difficult to quantify. While management of strategy risk is addressed at the Board and Executive Board level, a process has been implemented to globally capture and manage reputational risk. Chosen risks are, in general, highly quantifiable, but are challenging in complexity and scale, especially when aggregated across all positions and types of financial instruments. For operational risk management, we have primarily set up processes on Group, divisional and regional levels. Liquidity management is centralized with Treasury.

Information required under Pillar 3 of the Basel framework related to risk is available on our website at www.credit-suisse.com/pillar3.

Risk appetite and risk limits

We have a risk appetite framework that establishes key principles for managing our risks to ensure an appropriate balance of return and assumed risk, stability of earnings and capital levels we seek to maintain. The key aspect of our risk appetite framework is a sound system of integrated risk limits to control overall risk taking capacity and serve as an essential decision making tool for senior management. Our risk appetite framework is guided by the following general principles:

- Managing the business to a target credit rating;
- Meeting regulatory requirements and expectations;
- Ensuring capital adequacy;
- Maintaining low exposure to stress events;
- Maintaining stability of earnings; and
- Ensuring sound management of liquidity and funding risk.

Risk appetite is annually reviewed and determined by the Board, taking into account strategic and business planning, and enforced by a detailed framework of portfolio and position limits at both Group and business division levels. In 2012, group-wide limits for Basel III risk-weighted assets and balance sheet size, and divisional operational risk tolerance levels were added to the risk appetite framework. These enhancements to the framework were effective beginning 2013. The following chart gives an overview of the Group's risk appetite framework reflecting selected Group-wide and division-specific quantitative limits and qualitative restrictions.

Risk appetite framework

	Group-wide	Division-specific	
		Private Banking & Wealth Management	Investment Banking
Selected quantitative limits	<ul style="list-style-type: none"> - Economic capital limits - Liquidity ratios - Leverage ratios <ul style="list-style-type: none"> - Scenario loss limits - Risk-weighted assets - Balance sheet size 	<ul style="list-style-type: none"> - Economic capital limits - Market risk limits - Credit risk limits - Operational risk tolerance levels 	
Selected qualitative restrictions	<ul style="list-style-type: none"> - Compliance with international and local laws - Reputational risk 	<ul style="list-style-type: none"> - Avoidance of concentration risks - Adherence to suitability & appropriateness requirements - Compliance with industry guidelines and internal policies 	

A sound system of risk limits is fundamental to effective risk management. The limits define our maximum balance sheet and off-balance sheet exposure given the market environment, business strategy and financial resources available to absorb losses.

We use an economic capital limit structure to manage overall risk taking. The overall risk limits for the Group are set by the Board in consultation with its Risk Committee and are binding. Any excess of these limits will result in immediate notification to the Chairman of the Board's Risk Committee and the CEO of the Group, and written notification to the full Board at its next meeting. Following notification, the CRO can approve positions that exceed the Board limits by no more than an approved percentage with any such approval being reported to the full Board. Positions that exceed the Board limits by more than such approved percentage can only be approved by the CRO and the full Board acting jointly. In 2012 and 2011, no Board limits were exceeded.

In the context of the overall risk appetite of the Group, as defined by the limits set by the Board, CARMC is responsible for setting divisional risk limits and more specific limits deemed necessary to control the concentration of risk within individual lines of business. For this purpose, CARMC uses a detailed framework of more than 100 individual risk limits designed to control risk taking at a granular level by individual businesses and in the aggregate. Limit measures used include □VaR, economic capital, risk exposure, risk sensitivity and scenario

analysis. The framework encompasses specific limits on a large number of different product and risk type concentrations. For example, there are consolidated controls over trading exposures, the mismatch of interest-earning assets and interest-bearing liabilities, private equity and seed money and emerging market country exposures. Risk limits allocated to lower organizational levels within the businesses also include a system of individual counterparty credit limits. CARMC limits are binding and generally set at a tight level to ensure that any meaningful increase in risk exposures is promptly escalated. The head of SRM for the relevant division or certain other members of senior management have the authority to temporarily increase the CARMC limits by an approved percentage for a period not to exceed 90 days. Any CARMC limit excess is subject to a formal escalation procedure and must be remediated or expressly approved by senior management. Senior management approval is valid for a standard period of ten days (or fewer than ten days for certain limit types) and approval has to be renewed for additional standard periods if an excess is not remediated within the initial standard period. The majority of these limits are monitored on a daily basis. Limits for which the inherent calculation time is longer are monitored on a weekly basis. A smaller sub-set of limits relating to exposures for which the risk profile changes more infrequently (for example, those relating to illiquid investments) is monitored on a monthly basis. In 2012, all CARMC limit excesses were resolved within the approved standard period.

Economic capital and position risk

Overview

Economic capital is used as a consistent and comprehensive tool for risk management, capital management and performance measurement. It is our core Group-wide risk management tool for measuring and reporting all quantifiable risks. Economic capital measures risks in terms of economic realities rather than regulatory or accounting rules and is the estimated capital needed to remain solvent and in business, even under extreme market, business and operational conditions, given our target financial strength (our long-term credit rating). It also provides a common terminology for risk across the Group, which increases risk transparency and improves knowledge sharing. The development and use of economic capital methodologies and models have evolved over time without a standardized approach within the industry, therefore comparisons across firms may not be meaningful.

Under Pillar 2 of the Basel framework (also referred to as the Supervisory Review Process), banks are required to implement a robust and comprehensive framework for assessing capital adequacy, defining internal capital targets and ensuring that these capital targets are consistent with their overall risk profile and the current operating environment. Our economic capital framework has an important role under Pillar 2, as it represents our internal view of the amount of capital required to support our business activities.

Economic capital is calculated separately for position risk, operational risk and other risks. These three risks are used to determine our utilized economic capital and are defined as follows:

- Position risk: the level of unexpected loss in economic value on our portfolio of positions over a one-year horizon which is exceeded with a given small probability (1% for risk management purposes; 0.03% for capital management purposes). Position risk is used to assess, monitor and report risk exposures throughout the Group;
- Operational risk: the level of loss resulting from inadequate or failed internal processes, people and systems or from external events over a one-year horizon which is exceeded with a given small probability (0.03%). Estimating this type of economic capital is inherently more subjective and reflects quantitative tools and senior management judgment; and
- Other risks: the risks not captured by the above, which primarily includes expense risk, pension risk, foreign exchange risk between economic capital resources and utilized economic capital and risk on real estate held for own use. Expense risk is defined as the difference between expenses and revenues in a severe market event,

exclusive of the elements captured by position risk and operational risk. Pension risk is defined as the potential under-funding of our pension obligations in an extreme event.

We regularly review our economic capital methodology in order to ensure that the model remains relevant as markets and business strategies evolve. In 2012, we made a number of enhancements to the position risk methodology for risk management purposes, including:

- For international lending & counterparty exposures, we enhanced the manner in which we capture ratings for high yield senior secured loans and aligned certain credit risk parameters with an updated ◊FINMA-approved regulatory capital model;
- For equity trading & investments, we recalibrated the modeling of private equity exposures, including refinements to shock calculation and market data;
- For real estate & structured assets, we refined model shocks used for asset finance products;
- For fixed income trading, we removed the impact of the seasonal effects from the historical data used for energy products; and
- For emerging markets country event risk, we refined the allocation methodology to the divisions.

Prior-period balances have been restated for methodology changes in order to show meaningful trends. The total impact of 2012 methodology changes on position risk for the Group as of December 31, 2011 was a decrease of CHF 653 million, or 6%.

For utilized economic capital used for capital management purposes, in addition to adopting the above position risk methodology changes, operational risk capital has been increased to reflect anticipated changes to our model. In 2012, following discussions with FINMA, we initiated a project to enhance our economic capital/◊AMA methodology to reflect recent developments regarding operational risk measurement methodology and associated regulatory guidance. For the duration of this project, which is scheduled to conclude in 2013, operational risk capital required for regulatory and economic capital purposes has been increased by 20% to reflect anticipated changes to our models. Prior period balances have been restated for 2012 methodology changes in order to show meaningful trends. The total impact of methodology changes on utilized economic capital for the Group as of December 31, 2011 was a decrease of CHF 793 million, or 2%.

In response to the 2008 financial crisis, regulators have introduced changes to the regulatory capital framework through the implementation of ◊Basel II.5 and ◊Basel III.

Often, in response to economic realities, we modify our economic capital model in advance of regulatory changes. For example, requirements such as capital charges equivalent to an **©**incremental risk charge (IRC) and **©**credit valuation

adjustments have been an integral part of our economic capital model for several years. We continually review our model so that it reflects risks measured in terms of potential loss of economic value.

Group position risk

			end of	% change	
	2012	2011	2010	12 / 11	11 / 10
Position risk (CHF million)					
Fixed income trading ¹	2,749	2,881	2,656	(5)	8
Equity trading & investments	1,819	2,137	2,248	(15)	(5)
Private banking corporate & retail lending	2,382	2,182	2,072	9	5
International lending & counterparty exposures	4,281	4,009	3,857	7	4
Emerging markets country event risk	1,041	860	632	21	36
Real estate & structured assets ²	1,985	2,157	2,647	(8)	(19)
Simple sum across risk categories	14,257	14,226	14,112	0	1
Diversification benefit ³	(2,880)	(2,689)	(2,597)	7	4
Position risk (99% confidence level for risk management purposes)	11,377	11,537	11,515	(1)	0

Prior-period balances have been restated for methodology changes in order to show meaningful trends.

¹ This category comprises fixed income trading, foreign exchange and commodity exposures. ² This category comprises commercial and residential real estate (including RMBS and CMBS), ABS exposure, real estate acquired at auction and real estate fund investments. ³ Reflects the net difference between the sum of the position risk categories and the position risk on the total portfolio.

Key position risk trends

Compared to the end of 2011, position risk for risk management purposes decreased 1%. Excluding the US dollar translation impact, position risk increased 1%, mainly due to reduced hedges and new loans in Investment Banking in international lending & counterparty exposures, higher emerging markets country event risk primarily due to increased exposures in Asia and Eastern Europe and increased risk in loans collateralized by securities and commercial loans in private banking corporate & retail lending. These increases were par-

tially offset by sales of private equity and illiquid hedge fund exposures in equity trading & investments and lower **©**CMBS and **©**RMBS exposures in real estate & structured assets.

As part of our overall risk management, we hold a portfolio of hedges. Hedges are impacted by market movements, similar to other trading securities, and may result in gains or losses which offset losses or gains on the portfolios they were designated to hedge. Due to the varying nature and structure of hedges, these gains or losses may not wholly offset the losses or gains on the portfolios.

Economic capital

	Group			Bank ¹		
	2012	2011	% change	2012	2011	% change
end of						
Economic capital resources (CHF million)						
Tier 1 capital	43,547	36,844	18	39,660	35,098	13
Economic adjustments ²	2,117	2,417	(12)	2,888	2,179	33
Economic capital resources	45,664	39,261	16	42,548	37,277	14
Utilized economic capital (CHF million)						
Position risk (99.97% confidence level)	20,088	20,591	(2)	19,532	19,830	(2)
Operational risk	3,924	3,754	5	3,924	3,754	5
Other risks ³	6,184	8,302	(26)	3,965	5,835	(32)
Utilized economic capital	30,196	32,647	(8)	27,421	29,419	(7)

Prior-period balances have been restated for methodology changes in order to show meaningful trends.

¹ The major difference between economic capital of the Group and the Bank relates to the risks within Neue Aargauer Bank AG, BANK-now AG and Corporate Center. These risks include position and other risks. ² Includes primarily securitization adjustments, unrealized gains on owned real estate and anticipated cash dividends. Economic adjustments are made to tier 1 capital to enable comparison between capital utilization and resources under the Basel framework. ³ Includes owned real estate risk, expense risk, pension risk, foreign exchange risk between economic capital resources and utilized economic capital, interest rate risk on treasury positions, diversification benefits and an estimate for the impacts of certain methodology changes planned for 2013.

Economic capital by segment

in / end of	2012	2011	% change
Utilized economic capital by segment (CHF million)			
Private Banking & Wealth Management	9,818	10,254	(4)
Investment Banking	17,998	19,789	(9)
Corporate Center ¹	2,397	2,625	(9)
Utilized economic capital – Group ²	30,196	32,647	(8)
Utilized economic capital – Bank ³	27,421	29,419	(7)
Average utilized economic capital by segment (CHF million)			
Private Banking & Wealth Management	9,981	10,115	(1)
Investment Banking	18,729	18,882	(1)
Corporate Center ¹	2,530	1,798	41
Average utilized economic capital – Group ⁴	31,218	30,782	1
Average utilized economic capital – Bank ³	28,214	28,417	(1)

Prior-period balances have been restated for methodology changes in order to show meaningful trends.

¹ Includes primarily expense risk, diversification benefits from the divisions and foreign exchange risk between economic capital resources and utilized economic capital. ² Includes a diversification benefit of CHF 17 million and CHF 21 million as of December 31, 2012 and 2011, respectively. ³ The major difference between economic capital of the Group and the Bank relates to the risks within Neue Aargauer Bank AG, BANK-now AG and Corporate Center. These risks include position and other risks. ⁴ Includes a diversification benefit of CHF 22 million and CHF 13 million as of December 31, 2012 and 2011, respectively.

Utilized economic capital trends

Over the course of 2012, our utilized economic capital decreased 8%. Excluding the US dollar translation impact, utilized economic capital decreased 6%, mainly due to decreased expense risk within other risks and lower position risk primarily in equity trading & investments and fixed income trading, partially offset by increased position risk in international lending & counterparty exposure and emerging markets country event risks.

For Private Banking & Wealth Management, utilized economic capital decreased 4%, mainly due to lower position risk in equity trading & investments and decreased deferred shared-based compensation awards in other risks, partially offset by higher position risk in private banking corporate & retail lending.

For Investment Banking, utilized economic capital decreased 9%. Excluding the US dollar translation impact, utilized economic capital decreased 6%, largely due to decreased expense risk within other risks and lower position

risk in fixed income trading. The decreases were partially offset by higher position risk in international lending & counter-party exposures and emerging markets country event risk.

Corporate Center utilized economic capital decreased 9% due to lower expense risk within other risks.

Market risk

Market risk is the risk of loss arising from adverse changes in interest rates, foreign exchange rates, equity prices, commodity prices and other relevant parameters, such as market volatility. We define our market risk as potential changes in the fair value of financial instruments in response to market movements. A typical transaction may be exposed to a number of different market risks.

We devote considerable resources to ensure that market risk is comprehensively captured, accurately modeled and reported, and effectively managed. Trading and non-trading portfolios are managed at various organizational levels, from the overall risk positions at the Group level down to specific portfolios. We use market risk measurement and management methods designed to meet or exceed industry standards. These include general tools capable of calculating comparable exposures across our many activities and focused tools that can specifically model unique characteristics of certain instruments or portfolios. The tools are used for internal market risk management, internal market risk reporting and external disclosure purposes. Our principal market risk measurement methodologies are ◊VaR and scenario analysis. Additionally, our market risk exposures are reflected in our economic capital calculations. The risk management techniques and policies are regularly reviewed to ensure they remain appropriate.

To meet the requirements of the ◊Basel II.5 market risk framework for ◊FINMA regulatory capital purposes, effective January 1, 2011 we implemented additional risk measurement models, including ◊IRC and ◊stressed VaR. IRC is a regulatory capital charge for default and migration risk on positions in the trading books and intended to complement additional standards being applied to the VaR modeling framework, including stressed VaR. Stressed VaR replicates a VaR calculation on the Group's current portfolio taking into account a one-year observation period relating to significant financial stress and helps reduce the pro-cyclicality of the minimum capital requirements for market risk.

VaR

VaR measures the potential loss in fair value of financial instruments due to adverse market movements over a defined time horizon at a specified confidence level. VaR as a concept is applicable for all financial risk types with valid regular price histories. Positions are aggregated by risk type rather than by product. For example, interest rate risk includes risk arising from interest rate, foreign exchange, equity and commodity options, money market and swap transactions and bonds. The use of VaR allows the comparison of risk in different businesses, such as fixed income and equity, and also provides a means of aggregating and netting a variety of positions within a portfolio to reflect actual correlations and offsets between different assets.

Historical financial market rates, prices and volatilities serve as the basis for the statistical VaR model underlying the potential loss estimation. We use a one-day holding period and a confidence level of 98% to model the risk in our trading portfolios for internal risk management purposes and a ten-day holding period and a confidence level of 99% for regulatory capital purposes. These assumptions are compliant with the standards published by the BCBS and other related international standards for market risk management. For some purposes, such as ◊backtesting, disclosure and benchmarking with competitors, the resulting VaR figures are calculated based on a one-day holding period level or scaled down from a longer holding period.

We use a historical simulation model for the majority of risk types and businesses within our trading portfolios. The model is based on the profit and loss distribution resulting from historical changes in market rates, prices and volatilities applied to evaluate the portfolio.

We use the same VaR model for risk management and regulatory capital purposes, except for the confidence level and holding period used. We regularly review our VaR model to ensure that it remains appropriate given evolving market conditions and the composition of our trading portfolio. As part of the ongoing review to improve risk management approaches and methodologies, we implemented a significantly revised VaR methodology for both ◊risk management VaR and ◊regulatory VaR in the second quarter of 2011. We believe these changes made VaR a more useful risk management tool and improved the responsiveness of the model to market volatility. We received approval from FINMA to use this revised VaR methodology for both risk management and regulatory capital purposes. We have restated risk management VaR for periods prior to implementation to show meaningful trends. The methodology changes were implemented in June 2011 and fully reflected in risk management VaR. For regulatory VaR,

these methodology changes have been reflected from implementation only.

- ▶ Refer to "VaR" in III – Treasury, Risk, Balance sheet and Off-balance sheet – Risk management – Market risk in the Credit Suisse Annual Report 2011 for information on VaR methodology changes implemented in June 2011.

In the second quarter of 2012 we made asset-class methodology changes to better capture complex risks for exotic rate products.

We have approval from FINMA, as well as from certain other regulators of our subsidiaries, to use our regulatory VaR model in the calculation of trading book market risk capital requirements. We continue to receive regulatory approval for ongoing enhancements to the methodology, and the model is subject to regular reviews by regulators.

For risk management VaR, we use a one-day holding period and a 98% confidence level. This means there is a 1-in-50 chance of incurring a daily mark-to-market trading loss at least as large as the reported VaR. For regulatory VaR, we present one-day, 99% VaR, which is a ten-day VaR adjusted to a one-day holding period. In order to show the aggregate market risk in our trading books, the chart entitled "Daily risk management VaR" shows the trading-related market risk on a consolidated basis.

The VaR model uses assumptions and estimates that we believe are reasonable, but VaR only quantifies the potential loss on a portfolio under normal market conditions. Other risk measures, such as scenario analysis, are used to estimate losses associated with unusually severe market movements.

The main assumptions and limitations of VaR as a risk measure are:

- VaR relies on historical data to estimate future changes in market conditions, which may not capture all potential future outcomes, particularly where there are significant changes in market conditions, such as increases in volatilities;
- Although VaR captures the relationships between risk factors, these relationships may be affected by stressed market conditions;
- VaR provides an estimate of losses at a 98% confidence level for internal risk management and 99% confidence level for regulatory capital purposes, which means that it does not provide any information on the size of losses that could occur beyond that confidence level;
- VaR is based on either a one-day (for internal risk management, backtesting and disclosure purposes) or a ten-day (for regulatory capital purposes) holding period. This assumes that risks can be either sold or hedged over the holding period, which may not be possible for all types of

exposure, particularly during periods of market illiquidity or turbulence; and

- VaR is calculated using positions held at the end of each business day and does not include intra-day exposures.

Scenario analysis

Stress testing complements other risk measures by capturing the Group's exposure to unlikely but plausible events, which can be expressed through a range of significant moves across multiple financial markets. Key scenarios include significant movements in credit spreads, interest rates, equity and commodity prices and foreign exchange rates, as well as adverse changes in counterparty default and recovery rates. The majority of scenario analysis calculations performed are specifically tailored toward the risk profile within particular businesses, and limits are established if they are considered the most appropriate control. In addition, to identify areas of risk concentration and potential vulnerability to stress events at Group level, we use a set of scenarios, which are consistently applied across all businesses and assess the impact of significant, simultaneous movements across a broad range of markets and asset classes.

Stress testing is a fundamental element of the Group risk control framework. Stress testing results are monitored against limits, used in risk appetite discussions and strategic business planning, and support our internal capital adequacy assessment. Stress test scenarios are conducted on a regular basis and the results, trend information and supporting analysis are reported on to the Board, senior management and the business divisions.

The Group's stress testing framework is comprehensive and governed through a dedicated steering committee. Scenarios can be defined with reference to historic events or based on forward looking, hypothetical events that could impact the Group's positions, capital, or profitability. The scenarios are reviewed and updated regularly as markets and business strategies evolve, and new scenarios are designed by the risk management function in collaboration with our business divisions.

Trading portfolios

Risk measurement and management

We assume market risk in our trading portfolios primarily through the trading activities of the Investment Banking division. Our other divisions also engage in trading activities, but to a much lesser extent.

For the purposes of this disclosure, VaR is used to quantify market risk in the trading portfolio, which includes those financial instruments treated as part of the trading book for regulatory capital purposes. This classification of assets as trading

is done for purposes of analyzing our market risk exposure, not for financial statement purposes.

We are active in most of the principal trading markets of the world, using the majority of common trading and hedging products, including derivatives such as swaps, futures, options and structured products (some of which are customized transactions using combinations of derivatives and executed to meet specific client or proprietary needs). As a

result of our broad participation in products and markets, our trading strategies are correspondingly diverse and exposures are generally spread across a range of risks and locations.

Risks associated with the embedded derivative elements of our structured products are actively monitored and managed on a portfolio basis as part of our overall trading portfolio and are reflected in our VaR measures.

One-day, 98% risk management VaR and one-day, 99% regulatory VaR (CHF)

in / end of	Interest rate & credit spread				Diversi- fication benefit	Risk management VaR (98%)	Regulatory VaR (99%)
		Foreign exchange	Commodity	Equity		Total	Total
2012 (CHF million)							
Average	57	13	3	22	(28)	67	57
Minimum	36	3	1	14	– ¹	34	34
Maximum	82	34	7	35	– ¹	104	89
End of period	44	12	2	17	(35)	40	52
2011 (CHF million)							
Average	73	13	10	23	(44)	75	94
Minimum	54	5	2	14	– ¹	54	49
Maximum	99	25	26	47	– ¹	107	161
End of period	73	12	4	25	(40)	74	79
2010 (CHF million)							
Average	102	18	22	27	(67)	102	142
Minimum	78	6	10	15	– ¹	68	103
Maximum	127	43	32	50	– ¹	142	205
End of period	90	21	18	25	(63)	91	124

Excludes risks associated with counterparty and own credit exposures. In June 2011, we made significant changes to our VaR methodology. Risk management VaR for periods prior to implementation has been restated in order to show meaningful trends. For regulatory VaR, these methodology changes have been reflected from implementation only.

¹ As the maximum and minimum occur on different days for different risk types, it is not meaningful to calculate a portfolio diversification benefit.

One-day, 98% risk management VaR and one-day, 99% regulatory VaR (USD)

in / end of						Risk management VaR (98%)	Regulatory VaR (99%)
	Interest rate & credit spread	Foreign exchange	Commodity	Equity	Diversi- fication benefit	Total	Total
2012 (USD million)							
Average	61	14	3	23	(42)	59	61
Minimum	38	3	1	15	– ¹	36	37
Maximum	90	38	38	37	– ¹	88	97
End of period	49	13	2	18	(38)	44	57
2011 (USD million)							
Average	82	14	11	26	(48)	85	105
Minimum	64	6	2	15	– ¹	65	55
Maximum	107	29	29	51	– ¹	117	177
End of period	77	13	4	27	(42)	79	84
2010 (USD million)							
Average	91	16	20	24	(60)	91	136
Minimum	68	6	9	14	– ¹	64	95
Maximum	111	38	28	44	– ¹	124	210
End of period	78	18	16	22	(54)	80	132

Excludes risks associated with counterparty and own credit exposures. In June 2011, we made significant changes to our VaR methodology. Risk management VaR for periods prior to implementation has been restated in order to show meaningful trends. For regulatory VaR, these methodology changes have been reflected from implementation only.

¹ As the maximum and minimum occur on different days for different risk types, it is not meaningful to calculate a portfolio diversification benefit.

Development of trading portfolio risks

The tables entitled “One-day, 98% risk management VaR and one-day, 99% regulatory VaR” show our trading-related market risk exposure, as measured by one-day, 98% risk management VaR and 99% regulatory VaR. VaR has been calculated using a two-year historical dataset. As we measure trading book VaR for internal risk management purposes using the US dollar as the base currency, the VaR figures were translated into Swiss francs using daily foreign exchange translation rates. VaR estimates are computed separately for each risk type and for the whole portfolio using the historical simulation methodology. The diversification benefit reflects the net difference between the sum of the 98th percentile loss for risk management VaR and the 99th percentile loss for regulatory VaR, respectively, for each individual risk type and for the total portfolio.

We manage VaR in US dollars, as substantially all market risk relates to Investment Banking.

Average risk management VaR in 2012 decreased 31% from 2011 to USD 59 million. The decrease reflected risk reductions across fixed income, particularly from sales of client inventory across global credit and securitized products, reduced interest rate exposures, mainly in US and European rates products, and lower market volatility.

Period-end risk management VaR as of December 31, 2012 decreased 44% to USD 44 million compared to December 31, 2011. The decrease mainly reflected lower market volatility and reduced interest rate, credit spread and equity exposures.

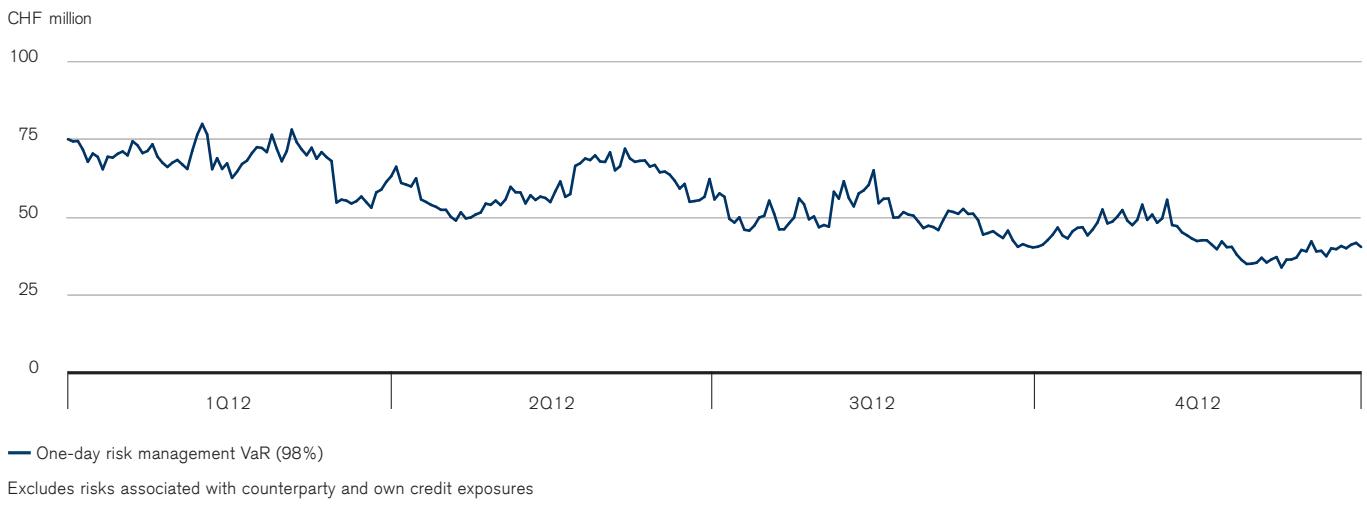
Various techniques are used to assess the accuracy of the regulatory VaR model used for trading portfolios, including back-testing. We conduct such backtesting using actual daily trading revenues. Actual daily trading revenues are compared with a regulatory 99% VaR calculated using a one-day holding period. A backtesting exception occurs when a trading loss exceeds the daily VaR estimate. We had no such backtesting exceptions in the 12-month periods ending December 31, 2012, 2011 and 2010. Since there were fewer than five backtesting exceptions in the rolling 12-month periods ending December 31, 2012, 2011 and 2010, in line with BIS industry guidelines, the VaR model is deemed to be statistically valid.

For capital purposes, FINMA, in line with BIS requirements, uses a multiplier to impose an increase in market risk capital for every regulatory VaR exception over four in the prior rolling 12-month period calculated using a subset of actual daily trading revenues.

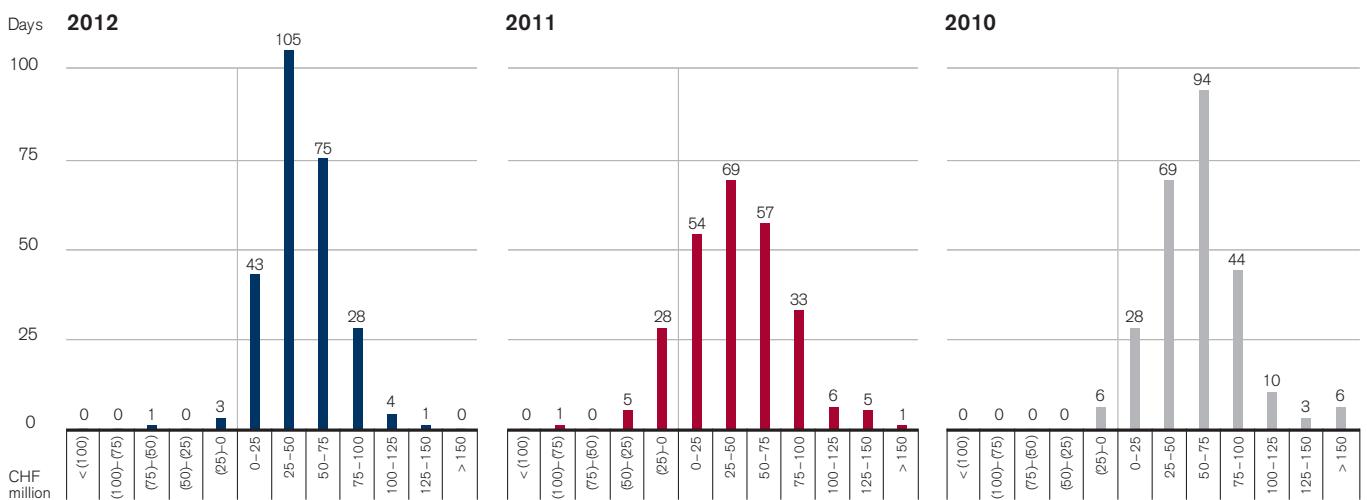
- Refer to “Regulatory capital framework” in Capital management for further information on the use of our regulatory VaR model in the calculation of trading book market risk capital requirements.

The histogram entitled “Actual daily trading revenues” compares the actual daily trading revenues for 2012 with those for 2011 and 2010. The dispersion of trading revenues indicates the day-to-day volatility in our trading activities. In 2012, we had four days of trading losses with one trading loss exceeding CHF 25 million, compared to 34 days of trading losses in 2011 with six trading losses exceeding CHF 25 million.

Daily risk management VaR



Actual daily trading revenues



Excludes Neue Aargauer Bank. Periods prior to the integration of Clariden Leu in the second quarter of 2012 also exclude Clariden Leu.

Trading revenues do not include valuation adjustments associated with counterparty and own credit exposures.

Banking portfolios

Risk measurement and management

The market risks associated with our non-trading portfolios primarily relate to asset and liability mismatch exposures, equity instrument participations and investments in bonds and money market instruments. All of our businesses and the Corporate Center have non-trading portfolios that carry some market risks.

The market risks associated with the non-trading portfolios are measured, monitored and limited using several tools, including economic capital, scenario analysis, sensitivity analysis and VaR. For the purpose of this disclosure, the aggregated market risks associated with our non-trading portfolios are measured using sensitivity analysis. The sensitivity analysis for the non-trading activities measures the amount of potential change in economic value resulting from specified hypothetical shocks to market factors. It is not a measure for the potential impact on reported earnings in the current period, since the non-trading activities generally are not marked to market through earnings.

Development of non-trading portfolio risks

We assume non-trading interest rate risks through interest rate-sensitive positions originated by Private Banking & Wealth

Management and risk-transferred to Treasury, money market and funding activities by Treasury, and the deployment of our consolidated equity as well as other activities, including market making and trading activities involving banking book positions at the divisions, primarily Investment Banking. Savings accounts and many other retail banking products have no contractual maturity date or direct market-linked interest rate and are risk-transferred from Private Banking & Wealth Management to Treasury on a pooled basis using replicating portfolios (approximating the re-pricing behavior of the underlying product). Treasury and certain other areas of the Group running interest rate risk positions actively manage the positions within approved limits. This risk is monitored on a daily basis.

The impact of a one basis point parallel increase in yield curves on the fair value of interest rate-sensitive non-trading book positions would have been an increase of CHF 9.4 million as of December 31, 2012, compared to an increase of CHF 6.6 million as of December 31, 2011. The increase from 2011 was mainly due to the issuance of new tier 2 buffer capital notes in the first quarter of 2012, market movements in the value of capital instruments and an increase in shareholders' equity. Additional increases were related to the banking books of Treasury and Private Banking & Wealth Management.

One basis point parallel increase in yield curves by currency – non-trading positions

end of	CHF	USD	EUR	GBP	Other	Total
2012 (CHF million)						
Fair value impact of a one basis point parallel increase in yield curves	(1.9)	9.0	1.8	0.0	0.5	9.4
2011 (CHF million)						
Fair value impact of a one basis point parallel increase in yield curves	0.4	4.8	1.1	0.1	0.2	6.6

Non-trading interest rate risk is also assessed using other measures including the potential value change resulting from a significant change in yield curves. The following table shows the impact of immediate 100 basis point and 200 basis point

moves in the yield curves (as interest rates are currently very low, the downward changes are capped to ensure that the resulting interest rates remain non-negative).

Interest rate sensitivity – non-trading positions

end of	CHF	USD	EUR	GBP	Other	Total
2012 (CHF million)						
Increase(+) / decrease(–) in interest rates						
+200 basis points	(308)	1,718	591	(119)	78	1,960
+100 basis points	(172)	884	238	(29)	38	959
-100 basis points	285	(854)	(78)	(24)	(33)	(704)
-200 basis points	347	(1,013)	1	(111)	(61)	(837)
2011 (CHF million)						
Increase(+) / decrease(–) in interest rates						
+200 basis points	98	948	194	15	47	1,302
+100 basis points	44	477	101	7	25	654
-100 basis points	(1)	(487)	(110)	(6)	(23)	(627)
-200 basis points	31	(813)	(137)	(3)	(45)	(967)

As of December 31, 2012, the fair value impact of an adverse 200 basis point move in yield curves was a loss of CHF 0.8 billion compared to a loss of CHF 1.0 billion as of December 31, 2011. The monthly analysis of the potential impact resulting from a significant change in yield curves indicated that as of the end of 2012 and 2011, the fair value impact of an adverse 200 basis point move in yield curves and adverse interest rate moves, calibrated to a one-year holding period with a 99% confidence level in relation to the total eligible regulatory capital, was significantly below the 20% threshold used by regulators to identify banks that potentially run excessive levels of non-trading interest rate risk.

Our non-trading equity portfolio includes positions in private equity, hedge funds, strategic investments and other instruments managed by Investment Banking. These positions may not be strongly correlated with general equity markets. Equity risk on non-trading positions is measured using sensitivity analysis that estimates the potential change in value resulting from a 10% decline in the equity markets of developed nations and a 20% decline in the equity markets of emerging market nations. The estimated impact of this scenario would be a decrease of CHF 681 million in the value of

the non-trading portfolio as of December 31, 2012, compared to a decrease of CHF 626 million in the value of the non-trading portfolio as of December 31, 2011.

Commodity risk on non-trading positions is measured using sensitivity analysis that estimates the potential change in value resulting from a 20% weakening in commodity prices. The estimated impact of this scenario would be a decrease of CHF 1 million in the value of the non-trading portfolio as of December 31, 2012, compared to a decrease of CHF 4 million as of December 31, 2011.

Credit and debit valuation adjustments

VaR excludes the impact of changes in both counterparty and our own credit spreads on derivative products. As of December 31, 2012, the estimated sensitivity implies that a one basis point increase in credit spreads, both counterparty and our own, would result in a CHF 3.7 million gain on the overall derivatives position (including hedges) in Investment Banking. In addition, a one basis point increase in our own credit spread on our fair valued structured notes portfolio (including the impact of hedges) would result in a CHF 8.1 million gain as of December 31, 2012.

Credit risk

Credit risk is the possibility of a loss being incurred by us as the result of a borrower or counterparty failing to meet its financial obligations or as a result of deterioration in the credit quality of the borrower or counterparty. In the event of a customer default, a bank generally incurs a loss equal to the amount owed by the debtor, less any recoveries from foreclosure, liquidation of collateral, or the restructuring of the debtor company. A change in the credit quality of a counterparty has an impact on the valuation of assets eligible for fair value measurement, with valuation changes recorded in the consolidated statements of operations.

Selected European credit risk exposures

The scope of our disclosure of European credit risk exposure includes all countries of the EU which are rated below AA or its equivalent by at least one of the three major rating agencies and where our gross exposure exceeds our quantitative threshold of EUR 0.5 billion. We believe this external rating is a useful measure in determining the financial ability of countries to meet their financial obligations, including giving an indication of vulnerability to adverse business, financial and economic conditions.

Monitoring of selected European credit risk exposures

Our credit risk exposure to these European countries is managed as part of our risk management process. The Group makes use of country limits and performs scenario analyses on a regular basis, which include analyses on our indirect sovereign credit risk exposures from our exposures to selected European financial institutions. This assessment of indirect sovereign credit risk exposures includes analysis of publicly available disclosures of counterparties' exposures to the European countries within the defined scope of our disclosure. We monitor the concentration of collateral underpinning our OTC derivative and reverse repurchase agreement exposures through monthly reporting. We also monitor the impact of sovereign rating downgrades on collateral eligibility. Strict limits

on sovereign collateral from G-7 and non-G-7 countries are monitored monthly. Similar disclosure is part of our regular risk reporting to regulators.

As part of our global scenario framework, the counterparty credit risk stress testing framework measures counterparty exposure under scenarios calibrated to the 99th percentile for the worst one month and one year moves observed in the available history. The scenario results are aggregated at the counterparty level for all our counterparties, including all European countries to which we have exposure. Furthermore, counterparty default scenarios are run where specific entities are set to default. In one of these scenarios, a European sovereign default is investigated. This scenario determines the maximum exposure we have against this country in case of its default and serves to identify those counterparties where exposure will rise substantially as a result of the modeled country defaulting.

The scenario framework also considers a range of other severe scenarios, including a specific eurozone crisis scenario which assumes the default of selected European countries, currently modeled to include Greece, Ireland, Italy, Portugal and Spain. It is assumed that the sovereigns, financial institutions and corporates within these countries default, with a 100% loss of sovereign and financial institutions exposures and a 0% to 100% loss of corporates depending on their credit ratings. As part of this scenario, we additionally assume a severe market sell-off involving an equity market crash, widening credit spreads, a rally in the price of gold and a devaluation of the euro as a currency. In addition, the eurozone crisis scenario assumes the default of a small number of our market counterparties that we believe would be severely affected by a default across the selected European countries. These counterparties are assumed to default as we believe that they would be the most affected institutions because of their direct presence in the relevant countries and their direct exposures. Through these processes, revaluation and redenomination risks on our exposures are considered on a regular basis by our risk management function.

Presentation of selected European credit risk exposures

The basis for the presentation of the country exposure is our internal risk domicile view. The risk domicile view is based on the domicile of the legal counterparty, i.e., it may include exposure to a legal entity domiciled in the reported country where its parent is located outside of the country.

The credit risk exposure in the table is presented on a risk-based view. We present our credit risk exposure and related risk mitigation for the following distinct categories:

- *Gross credit risk exposure* includes the principal amount of loans drawn, letters of credit issued and undrawn portions of committed facilities, the positive replacement value (PRV) of derivative instruments after consideration of legally enforceable netting agreements, the notional value of investments in money market funds and the market values of securities financing transactions and the debt cash trading portfolio (short-term securities) netted at issuer level.
- *Risk mitigation* includes credit default swaps (CDS) and other hedges, at their net notional amount, guarantees, insurance and collateral (primarily cash, securities and, to a lesser extent, real estate, mainly for Private Banking & Wealth Management exposure to corporates & other). Collateral values applied for the calculation of the net exposure are determined in accordance with our risk management policies and reflect applicable margining considerations.
- *Net credit risk exposure* represents gross credit risk exposure net of risk mitigation.
- *Inventory* represents the long inventory positions in trading and non-trading physical debt and synthetic positions,

each at market value, all netted at issuer level. Physical debt is non-derivative debt positions (e.g., bonds), and synthetic positions are created through OTC contracts (e.g., CDS purchased and/or sold and total return swaps).

CDS presented in the risk mitigation column are purchased as a direct hedge to our OTC exposure and the risk mitigation impact is considered to be the notional amount of the contract for risk purposes, with the mark-to-market fair value of CDS risk-managed against the protection provider. Net notional amounts of CDS reflect the notional amount of CDS protection purchased less the notional amount of CDS protection sold and are based on the origin of the CDS reference credit, rather than that of the CDS counterparty. CDS included in the inventory column represent contracts recorded in our trading books that are hedging the credit risk of the instruments included in the inventory column and are disclosed on the same basis as the value of the fixed income instrument they are hedging.

We do not have any tranches CDS positions on these European countries and only an insignificant amount of indexed credit derivatives is included in inventory.

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

Selected European credit risk exposures

	Gross credit risk exposure	Risk mitigation	Net credit risk exposure	Inventory ²	Total credit risk exposure	
December 31, 2012	CDS	Other ¹		Net synthetic inventory ³	Gross	Net
Greece (EUR billion)						
Sovereigns	0.2	0.0	0.2	0.0	0.0	0.2
Financial institutions	0.1	0.0	0.1	0.0	0.0	0.1
Corporates & other	0.5	0.0	0.5	0.0	0.0	0.5
Total	0.8	0.0	0.8	0.0	0.0	0.8
Ireland (EUR billion)						
Sovereigns	0.1	0.1	0.0	0.0	0.0	0.1
Financial institutions	0.7	0.0	0.6	0.1	0.0	0.7
Corporates & other	1.5	0.0	0.5	1.0	0.1	1.6
Total	2.3	0.1	1.1	1.1	0.1	2.4
Italy (EUR billion)						
Sovereigns	3.9	2.9	0.4	0.6	0.0	3.9
Financial institutions	2.2	0.0	1.5	0.7	0.4	2.6
Corporates & other	2.3	0.2	1.3	0.8	0.3	2.6
Total	8.4	3.1	3.2	2.1	0.7	9.1
Portugal (EUR billion)						
Sovereigns	0.1	0.1	0.0	0.0	0.0	0.1
Financial institutions	0.2	0.0	0.2	0.0	0.1	0.3
Corporates & other	0.1	0.0	0.1	0.0	0.0	0.2
Total	0.4	0.1	0.3	0.0	0.2	0.6
Spain (EUR billion)						
Sovereigns	0.0	0.0	0.0	0.0	0.0	0.0
Financial institutions	1.4	0.0	1.2	0.2	0.5	0.1
Corporates & other	1.9	0.2	0.8	0.9	0.2	(0.1)
Total	3.3	0.2	2.0	1.1	0.7	4.0
Total (EUR billion)						
Sovereigns	4.3	3.1	0.6	0.6	0.0	(0.1)
Financial institutions	4.6	0.0	3.6	1.0	1.0	0.2
Corporates & other	6.3	0.4	3.2	2.7	0.7	0.0
Total	15.2	3.5	7.4	4.3	1.7	0.1
						16.9
						6.0

¹ Includes other hedges (derivative instruments), guarantees, insurance and collateral. ² Represents long inventory positions netted at issuer level. ³ Substantially all of which results from CDS; represents long positions net of short positions.

On a gross basis, before taking into account risk mitigation, our risk-based sovereign credit risk exposure to Greece, Ireland, Italy, Portugal and Spain as of December 31, 2012 was EUR 4.3 billion, up from EUR 3.8 billion as of December 31, 2011. Our net exposure to these sovereigns was stable at EUR 0.6 billion, compared to December 31, 2011. Our non-sovereign risk-based credit risk exposure in these countries as of December 31, 2012 included net exposure to financial insti-

tutions of EUR 2.0 billion and to corporates and other counterparties of EUR 3.4 billion, compared to EUR 2.3 billion and EUR 2.5 billion, respectively, as of December 31, 2011. A significant majority of the purchased credit protection is transacted with banks outside of the disclosed countries. For credit protection purchased from banks in the disclosed countries, such credit risk is reflected in the gross and net exposure to each relevant country.

Sovereign debt rating developments

During 2012 and the first two months of 2013, the sovereign debt rating of the countries listed in the table were affected as follows: Standard & Poor's lowered the long-term rating for Italy to BBB+ from A, for Portugal to BB from BBB- and for Spain to BBB- from AA-, and increased Greece's rating to B- from C in February 2012 after several changes, including downgrades to RD (restricted default) in March 2012 and SD (selective default) at the beginning of December 2012. Fitch lowered Italy's rating to A- from A+, Spain's rating to BBB from AA-, and Greece's rating to CCC from B-. Moody's downgraded Italy to Baa2 from A2, Portugal to Ba3 from Ba2, Spain to Baa3 from A1 and Greece to C from Ca. The rating changes did not have a significant impact on the Group's financial position, result of operations, liquidity or capital resources.

Sources of credit risk

The majority of our credit risk is concentrated in the Wealth Management Clients and Corporate & Institutional Clients businesses within the Private Banking & Wealth Management division and in the Investment Banking division. Credit risk exists within lending products, commitments and letters of credit, and results from counterparty exposure arising from derivatives, foreign exchange and other transactions.

Credit risk management approach

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

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

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

We employ a set of credit ratings for the purpose of internally rating counterparties to whom we are exposed to credit risk as the contractual party, including with respect to loans, loan

commitments, securities financings or OTC derivative contracts. Credit ratings are intended to reflect the risk of default of each counterparty. Ratings are assigned based on internally developed rating models and processes, which are subject to governance and internally independent validation procedures.

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

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

Credit limits are used to manage individual counterparty credit risk. A system of limits is also established to address concentration risk in the portfolio, including a comprehensive set of country limits and limits for certain products. In addition, credit risk concentration is regularly supervised by credit and risk management committees, taking current market conditions and trend analysis into consideration. A rigorous credit quality review process provides an early identification of possible changes in the creditworthiness of clients and includes regular asset and collateral quality reviews, business and financial statement analysis, and relevant economic and industry studies. Regularly updated watch lists and review meetings are used for the identification of counterparties that could be subject to adverse changes in creditworthiness.

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

Risk mitigation

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

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

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

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

Credit risk overview

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

Credit risk

end of	2012	2011	% change
Credit risk (CHF million)			
Balance sheet			
Gross loans	243,204	234,357	4
of which reported at fair value	20,000	20,694	(3)
Loans held-for-sale	19,894	20,457	(3)
Traded loans	4,282	3,581	20
Derivative instruments ¹	37,138	56,254	(34)
Total balance sheet	304,518	314,649	(3)
Off-balance sheet			
Loan commitments ²	237,110	220,560	8
Credit guarantees and similar instruments	12,833	7,348	75
Irrevocable commitments under documentary credits	6,258	5,687	10
Total off-balance sheet	256,201	233,595	10
Total credit risk	560,719	548,244	2

Before risk mitigation, for example, collateral, credit hedges.

¹ Positive replacement value after netting agreements. ² Includes CHF 139,709 million and CHF 138,051 million of unused credit limits as of December 31, 2012 and 2011, respectively, which were revocable at our sole discretion upon notice to the client.

As of December 31, 2012 and 2011, loans held-for-sale included CHF 554 million and CHF 830 million, respectively, of US subprime residential mortgages from consolidated variable interest entities. Traded loans included US subprime residential mortgages of CHF 383 million and CHF 330 million as of December 31, 2012 and 2011, respectively.

Loans and loan commitments

Loans which we have the intention and ability to hold to maturity are valued at amortized cost less any allowance for loan losses. Loan commitments include irrevocable credit facilities for both divisions and, in Private Banking & Wealth Management, unused credit limits that can be revoked at our sole discretion upon notice to the client. Loans and loan commitments for which the fair value option is elected are reported at fair value with changes in fair value reported in trading revenues.

Loans and loan commitments

end of	2012	2011	% change
Loans and loan commitments (CHF million)			
Gross loans	243,204	234,357	4
of which Private Banking & Wealth Management	208,526	197,017	6
of which Investment Banking	34,658	37,329	(7)
Loan commitments	237,110	220,560	8
Total loans and loan commitments	480,314	454,917	6
of which Private Banking & Wealth Management	354,595	343,721	3
of which Investment Banking	125,701	111,069	13

The Private Banking & Wealth Management portfolio consists primarily of mortgages and loans collateralized by marketable securities that can be readily liquidated. In Investment Banking, we manage credit exposures primarily with credit hedges and monetizable collateral. Credit hedges represent the notional exposure

that has been transferred to other market counterparties, generally through the use of CDS and credit insurance contracts.

The following tables illustrate the effects of risk mitigation through cash collateral, marketable securities and credit hedges on a combined exposure of loans and loan commitments.

Loans and loan commitments – Private Banking & Wealth Management

end of	2012			2011		
	Cash collateral and			Cash collateral and		
	Gross exposure	marketable securities	Net exposure	Gross exposure	marketable securities	Net exposure
Internal ratings						
AAA	2,324	(60)	2,264	2,515	(79)	2,436
AA	7,538	(1,014)	6,524	7,465	(521)	6,944
A	24,987	(2,923)	22,064	21,279	(1,022)	20,257
BBB	240,855	(129,900)	110,955	234,578	(133,475)	101,103
BB	71,776	(9,179)	62,597	71,345	(7,716)	63,629
B	5,241	(567)	4,674	4,833	(460)	4,373
CCC	319	(6)	313	429	(2)	427
CC	48	(1)	47	0	0	0
D	1,507	(170)	1,337	1,277	(162)	1,115
Total loans and loan commitments	354,595	(143,820)	210,775 ¹	343,721	(143,437)	200,284 ¹

Includes irrevocable credit facilities and unused credit limits which can be revoked at our sole discretion upon notice to the client.

¹ In addition, we have a synthetic collateralized loan portfolio, the Clock Finance transaction, which effectively transfers the first loss credit risk on a portfolio of originated loans of CHF 4.8 billion at closing within Corporate & Institutional Clients to capital market investors.

Loans and loan commitments – Investment Banking

Internal ratings	end of		2012				2011		
	Gross exposure	Credit hedges	Cash collateral and marketable securities		Net exposure	Gross exposure	Credit hedges	Cash collateral and marketable securities	
			Net	exposure				Net	exposure
Risk mitigation (CHF million)									
AAA	6,529	0	(72)	6,457	8,758	(90)	(869)	7,799	
AA	16,774	(1,649)	(23)	15,102	12,331	(3,228)	(4)	9,099	
A	29,348	(5,085)	(24)	24,239	22,560	(6,773)	(779)	15,008	
BBB	31,092	(8,980)	(1,702)	20,410	31,289	(9,586)	(673)	21,030	
BB	18,044	(2,103)	(213)	15,728	15,156	(2,452)	(474)	12,230	
B	21,682	(2,663)	(458)	18,561	17,289	(1,738)	(890)	14,661	
CCC	1,100	(184)	(65)	851	1,869	(359)	(1)	1,509	
CC	18	0	(18)	0	64	0	(21)	43	
C	188	(19)	0	169	241	(113)	(62)	66	
D	926	(320)	(70)	536	1,512	(190)	(19)	1,303	
Total loans and loan commitments	125,701	(21,003)	(2,645)	102,053	111,069	(24,529)	(3,792)	82,748	

Includes undrawn irrevocable credit facilities.

Loss given default

The Private Banking & Wealth Management LGD measurement takes into account collateral pledged against the exposure and guarantees received, with the exposure adjusted for risk mitigation. The concentration in BBB and BB rated counterparties with low LGD exposure largely reflects the Private Banking & Wealth Management residential mortgage business, which is highly collateralized. In Investment Banking, the LGD measurement is primarily determined by the seniority

ranking of the exposure, with the exposure adjusted for risk mitigation and guarantees received. The LGD measurement system is validated by an internally independent function on a regular basis and has been approved by the regulatory authorities for application in the A-IRB approach under the Basel framework. The tables below present our loans, net of risk mitigation, across LGD buckets for Private Banking & Wealth Management and Investment Banking.

Loans – Private Banking & Wealth Management

Internal ratings	end of 2012		Loss given default buckets						
	Funded gross exposure	Funded net exposure	0–10%	11–20%	21–40%	41–60%	61–80%	81–100%	
Loss given default (CHF million)									
AAA	1,107	1,103	117	492	335	157	2	0	
AA	2,184	2,144	113	747	1,119	132	8	25	
A	18,539	17,746	2,525	10,056	4,497	506	110	52	
BBB	124,290	87,688	9,949	48,034	24,115	4,293	885	412	
BB	56,200	51,076	5,452	18,306	20,230	4,375	1,102	1,611	
B	4,585	4,117	771	871	1,869	496	105	5	
CCC	224	217	32	9	176	0	0	0	
CC	48	48	1	9	0	38	0	0	
D	1,349	1,231	75	246	465	267	118	60	
Total loans	208,526	165,370	19,035	78,770	52,806	10,264	2,330	2,165	

As of December 31, 2012, 96% of the aggregate Swiss residential mortgage loan portfolio of CHF 93.2 billion had an LTV ratio below 80%. As of December 31, 2011, 95% of the corresponding loan portfolio of CHF 89.1 billion had an LTV ratio

below 80%. For the Swiss residential mortgage loans originated in 2012 and 2011, the average LTV ratio was below 80% at origination. Our LTV ratios are based on the most recent appraised value of the collateral.

Loans – Investment Banking

Internal ratings			Loss given default buckets					
	Funded gross exposure	Funded net exposure	0–10%	11–20%	21–40%	41–60%	61–80%	81–100%
Loss given default (CHF million)								
AAA	2,284	2,211	79	0	1,910	222	0	0
AA	1,820	1,810	269	0	1,444	97	0	0
A	4,425	3,965	605	0	2,282	1,078	0	0
BBB	8,192	3,930	492	0	1,987	1,167	257	27
BB	9,340	7,875	4,064	15	3,078	708	0	10
B	7,136	5,030	2,569	76	1,778	466	141	0
CCC	462	306	47	0	244	15	0	0
CC	18	0	0	0	0	0	0	0
C	160	141	1	0	129	11	0	0
D	821	455	267	11	177	0	0	0
Total loans	34,658	25,723	8,393	102	13,029	3,764	398	37

Loans

Compared to the end of 2011, gross loans increased 4% to CHF 243.2 billion. In Private Banking & Wealth Management, gross loans increased 6% to CHF 208.5 billion, primarily due to higher commercial and industrial loans, an increase in residential mortgages and higher loans to the real estate sector, partially offset by the US dollar translation impact. In Investment Banking, gross loans decreased 7% to CHF 34.7 billion, primarily due to lower commercial and industrial loans, decreased loans to financial institutions and the US dollar translation impact.

- Refer to "Note 18 – Loans, allowance for loan losses and credit quality" in V – Consolidated financial statements – Credit Suisse Group.

Impaired loans

Gross impaired loans were stable at CHF 1.7 billion in 2012, as increases in non-performing loans in Investment Banking of CHF 99 million and higher non-interest-earning loans in

Private Banking & Wealth Management of CHF 79 million were substantially offset by a decrease of CHF 153 million in potential problem loans across the Group.

- Refer to "Impaired loans" in V – Consolidated financial statements – Credit Suisse Group – Note 18 – Loans, allowance for loan losses and credit quality for information on categories of impaired loans.

Allowance for loan losses

We maintain valuation allowances on loans valued at amortized cost, which we consider a reasonable estimate of losses inherent in the existing credit portfolio. We provide for loan losses based on a regular and detailed analysis of all counterparties, taking collateral value into consideration. If uncertainty exists as to the repayment of either principal or interest, a valuation allowance is either created or adjusted accordingly. The allowance for loan losses is revalued by Group credit risk management at least annually or more frequently depending on the risk profile of the borrower or credit relevant events.

Loans

	Private Banking & Wealth Management		Investment Banking		Credit Suisse ¹	
end of	2012	2011	2012	2011	2012	2011
Loans (CHF million)						
Mortgages	91,872	88,255	0	0	91,872	88,255
Loans collateralized by securities	27,363	26,461	0	0	27,363	26,461
Consumer finance	6,290	6,031	611	664	6,901	6,695
Consumer	125,525	120,747	611	664	126,136	121,411
Real estate	25,253	23,287	1,472	1,898	26,725	25,185
Commercial and industrial loans	48,860	44,620	13,829	15,367	62,709	59,998
Financial institutions	7,616	7,085	17,289	18,288	24,905	25,373
Governments and public institutions	1,272	1,278	1,457	1,112	2,729	2,390
Corporate & institutional	83,001 ²	76,270 ²	34,047	36,665	117,068	112,946
Gross loans	208,526	197,017	34,658	37,329	243,204	234,357
of which reported at fair value	257	402	19,743	20,292	20,000	20,694
Net (unearned income) / deferred expenses	(39)	(6)	(20)	(28)	(59)	(34)
Allowance for loan losses ³	(785)	(743)	(137)	(167)	(922)	(910)
Net loans	207,702	196,268	34,501	37,134	242,223	233,413
Impaired loans (CHF million)						
Non-performing loans	604	602	255	156	859	758
Non-interest-earning loans	309	230	4	32	313	262
Total non-performing and non-interest-earning loans	913	832	259	188	1,172	1,020
Restructured loans	0	5	30	13	30	18
Potential problem loans	513	603	14	77	527	680
Total other impaired loans	513	608	44	90	557	698
Gross impaired loans ³	1,426	1,440	303	278	1,729	1,718
of which loans with a specific allowance	1,307	1,286	204	261	1,511	1,547
of which loans without a specific allowance	119	154	99	17	218	171
Allowance for loan losses (CHF million)						
Balance at beginning of period ³	743	782	167	235	910	1,017
Change in scope of consolidation	0	0	(18)	0	(18)	0
Net movements recognized in statements of operations	171	113	(12)	28	159	141
Gross write-offs	(180)	(194)	(21)	(105)	(201)	(299)
Recoveries	34	36	10	5	44	41
Net write-offs	(146)	(158)	(11)	(100)	(157)	(258)
Provisions for interest	13	5	16	9	29	14
Foreign currency translation impact and other adjustments, net	4	1	(5)	(5)	(1)	(4)
Balance at end of period ³	785	743	137	167	922	910
of which individually evaluated for impairment	598	544	98	106	696	650
of which collectively evaluated for impairment	187	199	39	61	226	260
Loan metrics (%)						
Total non-performing and non-interest-earning loans / Gross loans ⁴	0.4	0.4	1.7	1.1	0.5	0.5
Gross impaired loans / Gross loans ⁴	0.7	0.7	2.0	1.6	0.8	0.8
Allowance for loan losses / Total non-performing and non-interest-earning loans ³	86.0	89.3	52.9	88.8	78.7	89.2
Allowance for loan losses / Gross impaired loans ³	55.0	51.6	45.2	60.1	53.3	53.0

¹ Includes Corporate Center, in addition to Private Banking & Wealth Management and Investment Banking. ² Includes loans secured by financial collateral and mortgages. The value of financial collateral and mortgages, considered up to the amount of the related loans, was CHF 64,536 million and CHF 62,036 million as of December 31, 2012 and 2011, respectively. ³ Impaired loans and allowance for loan losses are only based on loans which are not carried at fair value. ⁴ Excludes loans carried at fair value.

Allowance for inherent loan losses

In accordance with accounting principles generally accepted in the US (US GAAP), an inherent loss allowance is estimated for all loans not specifically identified as impaired and that, on a portfolio basis, are considered to contain inherent losses. Inherent losses in the Private Banking & Wealth Management lending portfolio are determined based on current internal risk ratings, collateral and exposure structure, applying historical default and loss experience in the ratings and loss parameters. In Investment Banking, loans are segregated by risk, industry or country rating in order to estimate inherent losses. Inherent losses on loans are estimated based on historical loss and recovery experience and recorded in allowance for loan losses. A provision for inherent losses on off-balance sheet lending-related exposure, such as contingent liabilities and irrevocable commitments, is also determined, using a methodology similar to that used for the loan portfolio.

Provision for credit losses

Net provision for credit losses charged to the consolidated statements of operations in 2012 was CHF 170 million, compared to a net provision of CHF 187 million in 2011. In Private Banking & Wealth Management, the net provision for credit losses in 2012 was CHF 182 million, compared to CHF 111 million in 2011, reflecting higher new provisions and lower releases of provisions. In Investment Banking, the net release of provision for credit losses in 2012 was CHF 12 million, compared to a net new provision of CHF 76 million in 2011. In Investment Banking the change reflected significantly higher provisions in 2011 from a guarantee provided to a third-party bank, and higher releases and recoveries in 2012.

Derivative instruments

We enter into derivative contracts in the normal course of business for market making, positioning and arbitrage purposes, as well as for our own risk management needs, including mitigation of interest rate, foreign exchange and credit risk.

Derivatives are either privately negotiated OTC contracts or standard contracts transacted through regulated exchanges. The most frequently used derivative products include interest rate, cross-currency swaps and CDS, interest rate and foreign exchange options, foreign exchange forward contracts, and foreign exchange and interest rate futures.

The replacement values of derivative instruments correspond to their fair values at the dates of the consolidated balance sheets and arise from transactions for the account of customers and for our own account. PRV constitute an asset, while negative replacement values (NRV) constitute a liability. Fair value does not indicate future gains or losses, but rather premiums paid or received for a derivative instrument at

inception, if applicable, and unrealized gains and losses from marking to market all derivatives at a particular point in time. The fair values of derivatives are determined using various methodologies, primarily observable market prices where available and, in their absence, observable market parameters for instruments with similar characteristics and maturities, net present value analysis or other pricing models as appropriate.

Forwards and futures

We enter into forward purchase and sale contracts for mortgage-backed securities, foreign currencies and commitments to buy or sell commercial and residential mortgages. In addition, we enter into futures contracts on equity-based indices and other financial instruments, as well as options on futures contracts. These contracts are typically entered into to meet the needs of customers, for trading and for hedging purposes.

On forward contracts, we are exposed to counterparty credit risk. To mitigate this credit risk, we limit transactions by counterparty, regularly review credit limits and adhere to internally established credit extension policies.

For futures contracts and options on futures contracts, the change in the market value is settled with a clearing broker in cash each day. As a result, our credit risk with the clearing broker is limited to the net positive change in the market value for a single day.

Swaps

Our swap agreements consist primarily of interest rate swaps, CDS, currency and equity swaps. We enter into swap agreements for trading and risk management purposes. Interest rate swaps are contractual agreements to exchange interest rate payments based on agreed upon notional amounts and maturities. CDS are contractual agreements in which the buyer of the swap pays a periodic fee in return for a contingent payment by the seller of the swap following a credit event of a reference entity. A credit event is commonly defined as bankruptcy, insolvency, receivership, material adverse restructuring of debt, or failure to meet payment obligations when due. Currency swaps are contractual agreements to exchange payments in different currencies based on agreed notional amounts and currency pairs. Equity swaps are contractual agreements to receive the appreciation or depreciation in value based on a specific strike price on an equity instrument in exchange for paying another rate, which is usually based on an index or interest rate movements.

Options

We write options specifically designed to meet the needs of customers and for trading purposes. These written options do not expose us to the credit risk of the customer because, if

exercised, we and not our counterparty are obligated to perform. At the beginning of the contract period, we receive a cash premium. During the contract period, we bear the risk of unfavorable changes in the value of the financial instruments underlying the options. To manage this market risk, we purchase or sell cash or derivative financial instruments. Such purchases and sales may include debt and equity securities, forward and futures contracts, swaps and options.

We also purchase options to meet customer needs, for trading purposes and for hedging purposes. For purchased options, we obtain the right to buy or sell the underlying instrument at a fixed price on or before a specified date. During the contract period, our risk is limited to the premium paid. The underlying instruments for these options typically include fixed income and equity securities, foreign currencies and interest

rate instruments or indices. Counterparties to these option contracts are regularly reviewed in order to assess creditworthiness.

The table below illustrates how credit risk on derivatives receivables is reduced by the use of legally enforceable netting agreements and collateral agreements. Netting agreements allow us to net balances from derivative assets and liabilities transacted with the same counterparty when the netting agreements are legally enforceable. Replacement values are disclosed net of such agreements in the consolidated balance sheets. Collateral agreements are entered into with certain counterparties based upon the nature of the counterparty and/or the transaction and require the placement of cash or securities with us.

Derivative instruments by maturity

end of / due within	2012				2011			
	Less than 1 year	1 to 5 years	More than 5 years	Positive replace- ment value	Less than 1 year	1 to 5 years	More than 5 years	Positive replace- ment value
Derivative instruments (CHF billion)								
Interest rate products	41.4	226.5	436.6	704.5	40.6	208.6	483.0	732.2
Foreign exchange products	32.1	17.8	13.8	63.7	40.6	20.7	14.9	76.2
Precious metals products	0.9	0.6	0.0	1.5	1.5	0.8	0.0	2.3
Equity/index-related products	5.8	7.4	3.4	16.6	9.2	7.2	4.8	21.2
Credit derivatives	2.5	20.0	8.1	30.6	4.5	34.9	23.9	63.3
Other products	1.6	1.8	1.4	4.8	4.9	3.9	2.6	11.4
OTC derivative instruments	84.3	274.1	463.3	821.7	101.3	276.1	529.2	906.6
Exchange-traded derivative instruments					15.6			22.5
Netting agreements ¹					(800.2)			(872.9)
Total derivative instruments					37.1			56.2
of which recorded in trading assets					33.2			52.5
of which recorded in other assets					3.9			3.7

¹ Taking into account legally enforceable netting agreements.

Derivative transactions exposed to credit risk are subject to a credit request and approval process, ongoing credit and counterparty monitoring and a credit quality review process. The

following table represents the rating split of our credit exposure from derivative instruments.

Derivative instruments by counterparty credit rating

end of	2012	2011
Derivative instruments (CHF billion)		
AAA	1.9	6.0
AA	9.6	9.6
A	10.9	18.3
BBB	8.1	11.8
BB or lower	5.3	8.0
OTC derivative instruments	35.8	53.7
Exchange-traded derivative instruments ¹	1.3	2.5
Total derivative instruments ¹	37.1	56.2

¹ Taking into account legally enforceable netting agreements.

Derivative instruments by maturity and by counterparty credit rating for the Bank are not materially different, neither in absolute amounts nor in terms of movements, from the information for the Group presented above.

Derivative instruments are categorized as exposures from trading activities (trading) and those qualifying for hedge accounting (hedging). Trading includes activities relating to market making, positioning and arbitrage. It also includes economic hedges where the Group enters into derivative contracts for its own risk management purposes, but where the contracts do not qualify for hedge accounting under US GAAP. Hedging includes contracts that qualify for hedge accounting under US GAAP, such as fair value hedges, cash flow hedges and net investment hedges.

- ▶ Refer to "Note 30 – Derivatives and hedging activities" in V – Consolidated financial statements – Credit Suisse Group for further information on derivatives, including an overview of derivatives by products categorized for trading and hedging purposes.

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people or systems or from external events. Our primary aim is the early identification, recording, assessment, monitoring, prevention and mitigation of operational risks, as well as timely and meaningful management reporting. Where appropriate, we transfer operational risks to third-party insurance companies.

Operational risk is inherent in most aspects of our activities and is comprised of a large number of disparate risks. While

market and credit risk are often chosen for the prospect of gain, operational risk is normally accepted as a necessary consequence of doing business. In comparison to market or credit risk, the sources of operational risk are difficult to identify comprehensively and the amount of risk is also inherently difficult to measure. We believe that effective management of operational risk requires a common firm-wide framework with ownership of these risks residing with the management responsible for the relevant business process.

Operational risk management

The central BORO team within the risk management function is responsible for the overall operational risk management framework design and methodology. It ensures cohesiveness of policies, tools and practices throughout the firm for operational risk management, specifically with regard to identification, evaluation, mitigation, monitoring and reporting of relevant operational risks.

Each individual business area takes responsibility for its operational risks and the provision of adequate resources and procedures for the management of those risks. Businesses are supported by designated operational risk teams at the divisional and Group levels who are responsible for the implementation of the operational risk management framework, methodologies, tools and reporting within their areas as well as working with management on any operational risk issues that arise.

Operational risk issues, metrics and exposures are discussed at the quarterly CARMC meetings covering operational risk and at divisional risk management committees, which have senior staff representatives from all the relevant functions. We

utilize a number of firm-wide tools for the management and reporting of operational risk. These include risk and control self-assessments, scenario analysis, key risk indicator reporting and the collection, reporting and analysis of internal and external loss data. Knowledge and experience are shared throughout the Group to maintain a coordinated approach.

We are continuously enhancing our operational risk management practices. In 2012, qualitative and quantitative operational risk tolerance levels were added in all divisions as a new element of the operational risk framework. These tolerance levels are monitored and reported to the divisional risk management committees and CARMC which in turn monitor management adherence and oversee remediation and resolution of breaches. Effective in 2013, operational risk tolerance levels were added to the overall risk appetite framework.

Operational risk measurement

The RAR operational risk modeling team is responsible for the operational risk measurement methodology and associated capital calculations. We have approval from ◊FINMA to use an internal model for the calculation of operational risk capital, which is aligned with the requirements of the ◊AMA methodology under the Basel framework. We use a similar methodology to measure operational risk for economic capital purposes. The economic capital/AMA methodology is based upon the identification of a number of key risk scenarios that describe the major operational risks that we face. Groups of senior staff review each scenario and discuss the likelihood of occurrence and the potential severity of loss. Internal and external loss data, along with certain business environment and internal control factors, such as self-assessment results and key risk indicators, are considered as part of this process. Based on the output from these meetings, we enter the scenario parameters into an operational risk model that generates a loss distribution from which the level of capital required to cover operational risk is determined. Insurance mitigation is included in the capital assessment where appropriate, by considering the level of insurance coverage for each scenario and incorporating ◊haircuts as appropriate.

In 2012, following discussions with FINMA, we initiated a project to enhance our economic capital/AMA methodology to reflect recent developments regarding operational risk mea-

urement methodology and associated regulatory guidance. For the duration of this project, which is scheduled to conclude in 2013, operational risk capital for regulatory and economic capital purposes has been increased to reflect anticipated changes to our models. The increase has been agreed with FINMA for capital purposes and represents a 20% regulatory uplift on operational risk ◊risk-weighted assets.

Reputational risk

Our policy is to avoid any transaction or service that brings with it the risk of a potentially unacceptable level of damage to our reputation.

Reputational risk may arise from a variety of sources, including the nature or purpose of a proposed transaction or service, the identity or activity of a controversial potential client, the regulatory or political climate in which the business will be transacted, and the potentially controversial environmental or social impacts of a transaction or significant public attention surrounding the transaction itself. Where the presence of these or other factors gives rise to potential reputational risk, the relevant business proposal or service is required to be submitted through the globally standardized reputational risk review process. This involves a submission by an originator (any employee), endorsement by a business area head or designee, and its subsequent referral to one of the regional reputational risk approvers, each of whom is an experienced and high-ranked senior manager, independent of the business segments, who has authority to approve, reject, or impose conditions on our participation on the transaction or service. In order to inform our stakeholders about how we manage some of the environmental and social risks inherent to the banking business, we publish our Corporate Responsibility Report, in which we also describe our efforts to conduct our operations in a manner that is environmentally and socially responsible and broadly contributes to society. The governing bodies responsible for the oversight and active discussion of reputational risk and sustainability issues are the Reputational Risk & Sustainability Committee of the Executive Board on a global level and the regional reputational risk councils on a regional level.

**Disclosure pursuant to Section 13(r) of the
Securities Exchange Act of 1934**

In 2005 and earlier, Credit Suisse AG, through a business line operating in Switzerland, entered into export finance credit facilities involving Iranian parties, through bilateral contracts and as a member of lending syndicates. Credit Suisse AG loaned funds under these facilities for project finance activities in Iran that did not support or facilitate Iran's nuclear weapons proliferation efforts, its acquisition of other military items, or its support of terrorism. Our participation in these credit facilities was legal under applicable law. The Iranian parties involved in certain credit facilities entered into between 2001 and 2005 subsequently were designated Specially Designated Nationals or Blocked Persons pursuant to an Executive Order of the President of the United States, or fall within the US government's definition of the government of Iran (which includes government-controlled entities). Default on these facilities is subject to export financing insurance provided by European governmental export credit agencies. Credit Suisse AG does not generally calculate gross revenues or net profits from individual export finance credit facilities of this type; however, Credit Suisse AG estimates that it recognized approximately CHF 1.3 million in interest income in 2012 on these facilities, and believes that it has not earned any related net profit in 2012 and over the life of these facilities. While Credit Suisse AG ceased providing funds to any Iranian parties pursuant to any of these credit facilities several years ago, it has

continued, where possible, to receive repayment of funds owed to it by such parties, including during the reporting period. As of December 31, 2012, approximately CHF 5.4 million was owed to Credit Suisse AG under these credit facilities which is not covered by the European governmental export credit agency guarantees, out of a total amount of approximately CHF 117.2 million outstanding. Credit Suisse AG will continue to seek repayment of funds it is owed under these facilities pursuant to its contractual rights and applicable law, and is cooperating with the European governmental export credit agencies.

During 2012, Credit Suisse AG processed a small number of de minimis payments related to the operation of Iranian diplomatic missions in Switzerland and to fees for ministerial government functions such as issuing passports and visas. Processing these payments is permitted under Swiss law and is performed with the consent of Swiss authorities, and Credit Suisse AG intends to continue processing such payments. Revenues and profits from these activities are not calculated but would be negligible.

Credit Suisse AG also holds funds from two wire transfers to non-Iranian customers which were blocked pursuant to Swiss sanctions because Iranian government-owned entities have an interest in such transfers. Such funds are maintained in blocked accounts opened in accordance with Swiss sanctions requirements. Credit Suisse AG derives no revenues or profits from maintenance of these blocked accounts.

Balance sheet, off-balance sheet and other contractual obligations

During 2012, we decreased our balance sheet by 12%, reflecting measures taken in connection with our balance sheet reduction initiative announced in October 2012 and the foreign exchange translation impact. As of the end of 2012, total assets were CHF 924.3 billion, total liabilities were CHF 882.0 billion and total equity was CHF 42.3 billion.

Balance sheet summary

	end of			% change	
	2012	2011	2010	12 / 11	11 / 10
Assets (CHF million)					
Cash and due from banks	61,763	110,573	65,467	(44)	69
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	183,455	236,963	220,443	(23)	7
Trading assets	256,399	279,553	324,704	(8)	(14)
Net loans	242,223	233,413	218,842	4	7
Brokerage receivables	45,768	43,446	38,769	5	12
All other assets	134,672	145,217	163,780	(7)	(11)
Total assets	924,280	1,049,165	1,032,005	(12)	2
Liabilities and equity (CHF million)					
Due to banks	31,014	40,147	37,493	(23)	7
Customer deposits	308,312	313,401	287,564	(2)	9
Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions	132,721	176,559	168,394	(25)	5
Trading liabilities	90,816	127,760	133,997	(29)	(5)
Long-term debt	148,134	162,655	173,752	(9)	(6)
Brokerage payables	64,676	68,034	61,746	(5)	10
All other liabilities	106,323	119,524	126,044	(11)	(5)
Total liabilities	881,996	1,008,080	988,990	(13)	2
Total shareholders' equity	35,498	33,674	33,282	5	1
Noncontrolling interests	6,786	7,411	9,733	(8)	(24)
Total equity	42,284	41,085	43,015	3	(4)
Total liabilities and equity	924,280	1,049,165	1,032,005	(12)	2

The majority of our transactions are recorded on our balance sheet, however, we also enter into transactions that give rise to both on and off-balance sheet exposure.

Balance sheet

Total assets were CHF 924.3 billion as of the end of 2012, down CHF 124.9 billion, or 12%, from the end of 2011. Excluding the foreign exchange translation impact, total assets decreased CHF 101.0 billion.

In Swiss francs, a decrease of CHF 53.5 billion, or 23%, in central bank funds sold, securities purchased under resale agreements and securities borrowing transactions, reflected a decrease in reverse repurchase transactions. Cash and due from banks decreased CHF 48.8 billion, or 44%, driven by decreases in central bank holdings. Trading assets decreased CHF 23.2 billion, or 8%, due to decreases in derivative instruments, primarily reflecting decreases in interest rate products and credit products, and debt securities, partly offset by an increase in equity securities. Net loans increased CHF 8.8 billion, or 4%, primarily due to higher commercial and industrial loans, an increase in residential mortgages and higher loans to the real estate sector in Private Banking & Wealth Management, partially offset by decreases in commercial and industrial loans and loans to financial institutions in Investment Banking, and the US dollar translation impact. Brokerage receivables increased CHF 2.3 billion, or 5%, reflecting client-flow business. All other assets decreased CHF 10.5 billion, or 7%, including decreases of CHF 5.4 billion, or 7%, in other assets, CHF 1.7 billion, or 32%, in investment securities, CHF 1.6 billion, or 22%, in premises and equipment and CHF 1.2 billion, or 9%, in other investments.

Total liabilities were CHF 882.0 billion as of the end of 2012, down CHF 126.1 billion, or 13%, from the end of 2011. Excluding the foreign exchange translation impact, total liabilities decreased CHF 103.6 billion.

In Swiss francs, a decrease of CHF 43.8 billion, or 25%, in Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions mainly reflected decreases in **repurchase agreements** in the US and Europe. Trading liabilities decreased CHF 36.9 billion, or 29%, reflecting decreases in derivative instruments and short trading positions. Long-term debt decreased CHF 14.5 billion, or 9%, primarily reflecting the maturing of senior and subordinated debt, offset by issuances of senior and subordinated debt. Due to banks decreased CHF 9.1 billion, or 23%, primarily due to decreases in demand and time deposits from commercial banks. Customer deposits decreased CHF 5.1 billion, or 2%, primarily due to the foreign exchange translation impact and a decrease in certificates of deposit. Brokerage payables decreased CHF 3.4 bil-

lion, or 5%, mainly reflecting the foreign exchange translation impact and a decrease in prime brokerage. All other liabilities decreased CHF 13.2 billion, or 11%, including a decrease of CHF 7.5 billion, or 29%, in short-term borrowings and CHF 5.6 billion, or 9% in other liabilities.

- ▶ Refer to "Liquidity and funding management" and "Capital management" for more information, including our funding of the balance sheet and the leverage ratio.

Off-balance sheet

We enter into off-balance sheet arrangements in the normal course of business. Off-balance sheet arrangements are transactions or other contractual arrangements with, or for the benefit of, an entity that is not consolidated. These transactions include derivative instruments, guarantees and similar arrangements, retained or contingent interests in assets transferred to an unconsolidated entity in connection with our involvement with SPEs, and obligations and liabilities (including contingent obligations and liabilities) under variable interests in unconsolidated entities that provide financing, liquidity, credit and other support.

Derivative instruments

We enter into derivative contracts in the normal course of business for market making, positioning and arbitrage purposes, as well as for our own risk management needs, including mitigation of interest rate, foreign exchange and credit risk.

Derivatives are either privately negotiated OTC contracts or standard contracts transacted through regulated exchanges. The most frequently used derivative products include interest rate, cross-currency swaps and CDS, interest rate and foreign exchange options, foreign exchange forward contracts, and foreign exchange and interest rate futures.

The replacement values of derivative instruments correspond to their fair values at the dates of the consolidated balance sheets and arise from transactions for the account of customers and for our own account. PRV constitute an asset, while NRV constitute a liability. Fair value does not indicate future gains or losses, but rather premiums paid or received for a derivative instrument at inception, if applicable, and unrealized gains and losses from marking to market all derivatives at a particular point in time. The fair values of derivatives are determined using various methodologies, primarily observable market prices where available and, in their absence, observable market parameters for instruments with similar characteristics and maturities, net present value analysis or other pricing models as appropriate.

- ▶ Refer to "Derivative instruments" in Risk management – Credit risk for further information.
- ▶ Refer to "Note 30 – Derivatives and hedging activities" in V – Consolidated financial statements – Credit Suisse Group for further information.

Guarantees and similar arrangements

In the ordinary course of business, guarantees and indemnifications are provided that contingently obligate us to make payments to a guaranteed or indemnified party based on changes in an asset, liability or equity security of the guaranteed or indemnified party. We may be contingently obligated to make payments to a guaranteed party based on another entity's failure to perform, or we may have an indirect guarantee of the indebtedness of others. Guarantees provided include, but are not limited to, customary indemnifications to purchasers in connection with the sale of assets or businesses; to investors in private equity funds sponsored by us regarding potential obligations of their employees to return amounts previously paid as carried interest; to investors in our securities and other arrangements to provide gross-up payments if there is a withholding or deduction because of a tax assessment or other governmental charge; and to counterparties in connection with securities lending arrangements.

In connection with the sale of assets or businesses, we sometimes provide the acquirer with certain indemnification provisions. These indemnification provisions vary by counterparty in scope and duration and depend upon the type of assets or businesses sold. They are designed to transfer the potential risk of certain unquantifiable and unknowable loss contingencies, such as litigation, tax and intellectual property matters, from the acquirer to the seller. We closely monitor all such contractual agreements in order to ensure that indemnification provisions are adequately provided for in our consolidated financial statements.

US GAAP requires disclosure of our maximum potential payment obligations under certain guarantees to the extent that it is possible to estimate them and requires recognition of a liability for the fair value of obligations undertaken for guarantees issued or amended after December 31, 2002.

- ▶ Refer to "Note 31 – Guarantees and commitments" in V – Consolidated financial statements – Credit Suisse Group for disclosure of our estimated maximum payment obligations under certain guarantees and related information.

Representations and warranties on residential mortgage loans sold

In connection with Investment Banking's sale of US residential mortgage loans, we have provided certain representations and warranties relating to the loans sold. We have provided these

representations and warranties relating to sales of loans to: the US government-sponsored enterprises Fannie Mae and Freddie Mac; institutional investors, primarily banks; and non-agency, or private label, securitizations. The loans sold are primarily loans that we have purchased from other parties. The scope of representations and warranties, if any, depends on the transaction, but can include: ownership of the mortgage loans and legal capacity to sell the loans; loan-to-value ratios and other characteristics of the property, the borrower and the loan; validity of the liens securing the loans and absence of delinquent taxes or related liens; conformity to underwriting standards and completeness of documentation; and origination in compliance with law. If it is determined that representations and warranties were breached, we may be required to repurchase the related loans or indemnify the investors to make them whole for losses. Whether we will incur a loss in connection with repurchases and make whole payments depends on: the extent to which claims are made; the validity of such claims (including the likelihood and ability to enforce claims); whether we can successfully claim against parties that sold loans to us and made representations and warranties to us; the residential real estate market, including the number of defaults; and whether the obligations of the securitization vehicles were guaranteed or insured by third parties.

- ▶ Refer to "Representations and warranties on residential mortgage loans sold" in Note 31 – Guarantees and commitments in V – Consolidated financial statements – Credit Suisse Group for further information.

Involvement with special purpose entities

In the normal course of business, we enter into transactions with, and make use of, SPEs. An SPE is an entity in the form of a trust or other legal structure designed to fulfill a specific limited need of the company that organized it and is generally structured to isolate the SPE's assets from creditors of other entities, including the Group. The principal uses of SPEs are to assist us and our clients in securitizing financial assets and creating investment products. We also use SPEs for other client-driven activity, such as to facilitate financings, and Group tax or regulatory purposes.

As a normal part of our business, we engage in various transactions that include entities that are considered VIEs and are grouped into three primary categories: □CDO, □CP conduits and financial intermediation. VIEs are SPEs that typically either lack sufficient equity to finance their activities without additional subordinated financial support or are structured such that the holders of the voting rights do not substantively participate in the gains and losses of the entity. Such entities are required to be assessed for consolidation under US GAAP, compelling the primary beneficiary to consolidate the VIE. The

primary beneficiary is the party that has the power to direct the activities that most significantly affect the economics of the VIE and potentially has significant benefits or losses in the VIE. We consolidate all VIEs where we are the primary beneficiary. VIEs may be sponsored by us, unrelated third parties or clients. Application of the accounting requirements for consolidation of VIEs, including ongoing reassessment of VIEs for possible consolidation, may require the exercise of significant management judgment.

Transactions with VIEs are generally executed to facilitate securitization activities or to meet specific client needs, such as providing liquidity or investing opportunities, and, as part of these activities, we may hold interests in the VIEs.

- ▶ Refer to "Note 32 – Transfers of financial assets and variable interest entities" in V – Consolidated financial statements – Credit Suisse Group for further information.

We issue subordinated and senior securities through SPEs that lend the proceeds to the Group.

Contractual obligations and other commercial commitments

In connection with our operating activities, we enter into certain contractual obligations and commitments to fund certain assets. Our contractual obligations and commitments include short and long-term on-balance sheet obligations as well as future contractual interest payments and off-balance sheet obligations. Total obligations decreased CHF 67.7 billion in 2012 to CHF 676.0 billion, primarily reflecting the decrease in trading liabilities of CHF 36.9 billion to CHF 90.8 billion, the decrease in long-term debt of CHF 14.5 billion to CHF 148.1 billion and the decrease in due to banks of CHF 9.1 billion to CHF 31.0 billion.

- ▶ Refer to "Note 24 – Long-term debt" in V – Consolidated financial statements – Credit Suisse Group for further information on long-term debt and the related interest commitments.
- ▶ Refer to "Note 31 – Guarantees and commitments" in V – Consolidated financial statements – Credit Suisse Group for further information on commitments.

Contractual obligations and other commercial commitments

				2012	2011	
	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years	Total	Total
Payments due within						
On- and off-balance sheet obligations (CHF million)						
Due to banks	29,730	461	237	586	31,014	40,147
Customer deposits	303,886	3,152	386	888	308,312	313,401
Short-term borrowings	18,641	0	0	0	18,641	26,116
Long-term debt ¹	30,458	42,458	25,786	49,432	148,134 ²	162,655 ²
Contractual interest payments ³	1,430	2,119	1,828	2,219	7,596 ⁴	–
Trading liabilities	90,816	0	0	0	90,816	127,760
Brokerage payables	64,676	0	0	0	64,676	68,034
Operating lease obligations	677	1,108	875	3,503	6,163	4,559
Purchase obligations	374	191	120	5	690	1,095
Total obligations⁵	540,688	49,489	29,232	56,633	676,042	743,767

¹ Refer to "Debt issuances and redemptions" in Liquidity and funding management and "Note 24 – Long-term debt" in V – Consolidated financial statements – Credit Suisse Group for further information on long-term debt. ² Includes non-recourse liabilities from consolidated VIEs of CHF 14,532 million and CHF 14,858 million as of December 31, 2012 and 2011, respectively. ³ Includes interest payments on fixed rate long-term debt, fixed rate interest-bearing deposits (excluding demand deposits) and fixed rate short-term borrowings, which have not been effectively converted to variable rate on an individual instrument level through the use of swaps. ⁴ Due to the non-determinable nature of interest payments, the following notional amounts have been excluded from the table: variable rate long-term debt of CHF 60,064 million, variable rate short-term borrowings of CHF 3,490 million, variable rate interest-bearing deposits and demand deposits of CHF 230,384 million, fixed rate long-term debt and fixed rate interest-bearing deposits converted to variable rate on an individual instrument level through the use of swaps of CHF 62,529 million and CHF 3,287 million, respectively. ⁵ Excludes total accrued benefit liability for pension and other post-retirement benefit plans of CHF 756 million and CHF 1,101 million as of December 31, 2012 and 2011, respectively, recorded in other liabilities in the consolidated balance sheets, as the accrued liability does not represent expected liquidity needs. Refer to "Note 29 – Pension and other post-retirement benefits" in V – Consolidated financial statements – Credit Suisse Group for further information on pension and other post-retirement benefits.

IV

Corporate Governance and Compensation

154 Corporate Governance

186 Compensation

Corporate Governance

Overview

Complying with rules and regulations

The Group's corporate governance complies with internationally accepted standards. We are committed to safeguarding the interests of our stakeholders and recognize the importance of good corporate governance. We know that transparent disclosure of our governance helps stakeholders assess the quality of the Group and our management and assists investors in their investment decisions.

We fully adhere to the principles set out in the Swiss Code of Best Practice for Corporate Governance, including its appendix stipulating recommendations on the process for setting compensation for the Board of Directors (Board) and the Executive Board. On March 3, 2013, Swiss citizens approved the so-called "Minder Initiative" intended to strengthen shareholder rights. The initiative requires legislation be passed to impose board and executive compensation-related requirements on Swiss public companies, including requiring a binding (rather than advisory) shareholder vote on total board and total executive management compensation and prohibiting severance payments, salary prepayments and payments related to the acquisition or disposal of companies. The initiative also provides that the board members, the board chairperson and the compensation committee members be directly elected by shareholders annually. Further, the initiative calls for criminal sanctions in case of noncompliance. The Federal Council will have one year to issue a transitional ordinance which will be applicable until the Swiss Parliament passes the new law. Timing for the final implementation of the initiative is currently undetermined. We also continuously monitor and adapt our practices to reflect developments in corporate governance principles and practices in jurisdictions outside Switzerland. As in the past few years, regulators focused their attention on compensation practices at financial institutions in 2012.

- Refer to "Compensation" for further information.

In connection with our primary listing on the SIX Swiss Exchange (SIX), we are subject to the SIX Directive on Information Relating to Corporate Governance. Our shares are also listed on the New York Stock Exchange (NYSE) in the form of American Depository Shares (ADS). Since January 2013, the Group has listed certain exchange traded notes on the Nasdaq Stock Market (Nasdaq). As a result, we are subject to certain US rules and regulations. We adhere to the NYSE's and the Nasdaq's corporate governance listing standards

(NYSE and Nasdaq standards), with a few exceptions where the rules are not applicable to foreign private issuers.

The following are the significant differences between our corporate governance standards and the corporate governance standards applicable to US domestic issuers listed on the NYSE and Nasdaq:

- Approval of employee benefit plans: the NYSE and Nasdaq standards require shareholder approval of the establishment of, and material revisions to, certain equity compensation plans. We comply with Swiss law, which requires that shareholders approve the creation of conditional capital used to set aside shares for employee benefit plans and other equity compensation plans, but does not require shareholders to approve the terms of those plans.
- Risk assessment and risk management: the NYSE standards allocate to the Audit Committee responsibility for the discussion of guidelines and policies governing the process by which risk assessment and risk management is undertaken, while at the Group these duties are assumed by the Risk Committee. Whereas our Audit Committee members satisfy the NYSE as well as Nasdaq independence requirements, our Risk Committee may include non-independent members.
- Independence of nominating and corporate governance committee: the NYSE and Nasdaq standards require that all members of the nominating and corporate governance committee be independent. The Group's Chairman's and Governance Committee is currently comprised entirely of independent members, but according to its charter, may include non-independent members.
- Reporting: the NYSE and Nasdaq standards require that certain board committees report specified information directly to shareholders, while under Swiss law only the Board reports directly to the shareholders and the committees submit their reports to the full Board.
- Appointment of the external auditor: the NYSE and Nasdaq standards require the Audit Committee to be directly responsible for the appointment, compensation, retention and oversight of the external auditor unless there is a conflicting requirement under home country law. Under Swiss law, the appointment of the external auditor must be approved by the shareholders at the Annual General Meeting (AGM) based on the proposal of the Board, which receives the advice and recommendation of the Audit Committee.
- Audit Committee charter: the Nasdaq standards require the Audit Committee to review and assess the adequacy of

its charter on an annual basis, while our Audit Committee's charter only requires review and assessment from time to time.

- Executive sessions: the NYSE and Nasdaq standards require that the board of directors meet regularly in executive sessions comprised solely of independent directors. Our Board meets regularly in executive sessions comprised of all directors, including any directors determined to be not independent. If any item is being discussed at the meeting that raises a conflict of interest for any of our directors, however, such director does not participate in the related decision making.
- Quorums: the Nasdaq standards require that the company's by-laws provide for a quorum of at least 33½ percent of the outstanding shares of the company's common stock for any meeting of the holders of common stock. The Group's Articles of Association call for a quorum in certain instances, but do not require a quorum of 33½ percent or greater of the holders of the outstanding shares of common stock for any meeting of shareholders.

Corporate governance framework

The Board has adopted corporate governance policies and procedures, which are defined in a series of documents and form the basis of a sound corporate governance framework. Our corporate governance documents, all of which are available on our website at www.credit-suisse.com/governance, include:

- Articles of Association (AoA): define the purpose of the business, the capital structure and the basic organizational framework. The AoA of the Group is dated February 6, 2013, and the AoA of the Bank is dated May 2, 2011.
- Code of Conduct: defines the Group's ethical values and professional standards that the Board and all employees are required to follow, including adherence to all relevant laws, regulations, and policies in order to maintain and strengthen our reputation for integrity, fair dealing and measured risk taking. The Code of Conduct also implements requirements stipulated under the US Sarbanes-Oxley Act of 2002 (SOX) by including provisions on ethics for our Chief Executive Officer (CEO) and our principal financial and accounting officers and other persons performing similar functions. No waivers or exceptions are permissible under our Code of Conduct. Our Code of Conduct is available on our website at www.credit-suisse.com/code in nine languages.
- Organizational Guidelines and Regulations (OGR): define the responsibilities and sphere of authority of the Board, its committees and the various senior management bodies

within the Group, as well as the relevant reporting procedures.

- Corporate Governance Guidelines: summarize corporate governance principles promoting the function of the Board and its committees and the effective governance of the Group.
- Board of Directors charter: outlines the organization and responsibilities of the Board.
- Board committee charters: define the organization and responsibilities of the committees.
- Compensation policy: provides a foundation for the development of sound compensation plans and practices.

Company

Credit Suisse Group AG (Group) and Credit Suisse AG (Bank) are registered as Swiss corporations in the Commercial Register of the Canton of Zurich under the registration numbers CH-020.3.906.075-9 (as of March 3, 1982) and CH-020.3.923.549-1 (as of April 27, 1883), respectively, and have their registered and main offices at Paradeplatz 8, 8001 Zurich, Switzerland. The Group and the Bank were incorporated on March 3, 1982 and July 5, 1856, respectively, with unlimited duration. The authorized representative in the US for the Group and the Bank is Credit Suisse (USA), Inc., 11 Madison Avenue, New York, New York, 10010. The business purpose of the Group, as set forth in Article 2 of its AoA, is to hold direct or indirect interests in all types of businesses in Switzerland and abroad, in particular in the areas of banking, finance, asset management and insurance. The business purpose of the Bank, as set forth in Article 2 of its AoA, is to operate as a bank, with all related banking, finance, consultancy, service and trading activities in Switzerland and abroad. The AoA of the Group and the Bank set forth their powers to establish new businesses, acquire a majority or minority interest in existing businesses and provide related financing and to acquire, mortgage and sell real estate properties both in Switzerland and abroad.

Our business consists of two operating divisions: Private Banking & Wealth Management and Investment Banking. The two divisions are complemented by Shared Services and a regional management structure.

- ▶ Refer to "I – Information on the company" for further information on our structure.
- ▶ Refer to "II – Operating and financial review" for a detailed review of our operating results.
- ▶ Refer to "Note 38 – Significant subsidiaries and equity method investments" in V – Consolidated financial statements – Credit Suisse Group for a list of significant subsidiaries and associated entities.

The Group is listed on the SIX (Swiss Security Number 1213853), with a market capitalization of CHF 29,402 million as of December 31, 2012. No Group subsidiaries have shares listed on the SIX or any other stock exchange.

The Swiss Code of Obligations requires directors and members of senior management to safeguard the interests of the corporation and, in connection with this requirement, imposes the duties of care and loyalty on directors and members of senior management. While Swiss law does not have a general provision on conflicts of interest, the duties of care and loyalty are generally understood to disqualify directors and members of senior management from participating in decisions that could directly affect them. Directors and members of senior management are personally liable to the corporation for any breach of these provisions.

Neither Swiss law nor our AoA restrict our power to borrow and raise funds in any way. The decision to borrow funds is passed by or under the direction of our Board, with no shareholders' resolution required.

Number of employees

end of	2012	2011	% change
Number of employees (full-time equivalents)			
Private Banking & Wealth Management	27,300	28,100	(3)
Investment Banking	19,800	20,700	(4)
Corporate Center	300	900	(67)
Number of employees	47,400	49,700	(5)
of which Switzerland	19,400	21,200	(8)
of which EMEA	9,300	9,200	1
of which Americas	11,300	11,700	(3)
of which Asia Pacific	7,400	7,600	(3)

Employees

As of December 31, 2012, we had 47,400 employees worldwide, of which 19,400 were in Switzerland and 28,000 were abroad.

The number of employees decreased by 2,300, or 5%, compared to the end of 2011. This reflected reductions in headcount of 3,200 employees in connection with our cost-efficiency initiatives in Investment Banking and Private Banking & Wealth Management and the sale of Wincasa AG, a provider of real estate services, offset by graduate hiring and contractor employee conversion. Our corporate titles include managing director, director, vice president, assistant vice president and non-officer staff. The majority of our employees do not belong to unions. We have not experienced any significant strikes, work stoppages or labor disputes in recent years. We consider our relations with our employees to be good.

Information policy

We are committed to an open and fair information policy with our shareholders and other stakeholders. Our Investor Relations and Corporate Communications departments are responsible for inquiries.

All Credit Suisse Group AG shareholders registered in our share register receive an invitation to our AGM including an order form to receive the annual report and other reports. Each registered shareholder also receives a quarterly shareholders' letter and may elect to receive the quarterly reports on our financial performance.

All of these reports and other information can be accessed on our website at www.credit-suisse.com/investors.

Articles of Association

The summaries below of the material provisions of our AoA and the Swiss Code of Obligations do not purport to be complete and are qualified in their entirety by reference to the Swiss Code of Obligations and the AoA. The Group's and Bank's AoA are available on our website at www.credit-suisse.com/articles.

- ▶ Refer to "Shareholders" and "Additional information" for a summary of the material provisions of our AoA and the Swiss Code of Obligations as they relate to our shares.

Indemnification

Neither our AoA nor Swiss statutory law contains provisions regarding the indemnification of directors and officers. According to general principles of Swiss employment law, an employer may, under certain circumstances, be required to indemnify an employee against losses and expenses incurred by such person in the execution of such person's duties under an employment agreement, unless the losses and expenses arise from the employee's gross negligence or willful misconduct. It is our policy to indemnify current and former directors and/or employees against certain losses and expenses in respect of service as a director or employee of the Group, one of the Group's affiliates or another entity that we have approved, subject to specific conditions or exclusions. We maintain directors' and officers' insurance for our directors and officers.

Shareholders

Capital structure

Our total issued share capital as of December 31, 2012 was CHF 52,833,197 divided into 1,320,829,922 registered shares, with a nominal value of CHF 0.04 per share. Our shares are listed on the SIX and in the form of ADS on the NYSE.

- Refer to "Note 7 – Share capital, conditional, conversion and authorized capital of Credit Suisse Group" in VI – Parent company financial statements – Credit Suisse Group and our AoA (Articles 26, 26b-c and 27) for information on changes to our capital structure during the year.

Shareholder base

We have a broad shareholder base, with the majority of shares owned directly or indirectly by institutional investors outside Switzerland. Through the use of an external global market intelligence firm, we regularly gather additional information on

the composition of our shareholder base including information on shares that are not registered in the share register. According to this data, our shareholder base as of December 31, 2012 was comprised of 10% private investors, 76% institutional investors and 14% other investors. The geographical break down of our institutional investors is as follows: 18% Switzerland, 9% other continental Europe, 14% the UK and Ireland, 44% the US and 15% the rest of the world.

As of December 31, 2012, 138,649 shareholders were listed in our share register. To the best of our knowledge, there are no agreements in place that could lead to a change in control of the Group. As of December 31, 2012, 50.5 million, or 3.8%, of the issued shares were in the form of ADS. Another 12 million, or 0.9%, of the issued shares were registered in the name of US domiciled shareholders (excluding nominees) as of December 31, 2012.

The information provided in the following tables reflects the distribution of Group shares as registered in our share register.

Distribution of Group shares in the share register

end of	2012				2011			
	Number of shareholders	%	Number of shares	%	Number of shareholders	%	Number of shares	%
Distribution of Group shares								
Swiss	122,564	89	112,106,298	9	128,470	88	113,717,974	10
Foreign	11,427	8	13,464,237	1	12,057	8	12,442,468	1
Private investors	133,991	97	125,570,535	10	140,527	96	126,160,442	11
Swiss	4,030	3	123,232,578	9	4,426	3	143,700,242	12
Foreign	628	0	620,098,199	47	703	1	544,466,906	44
Institutional investors	4,658	3	743,330,777	56	5,129	4	688,167,148	56
Shares registered in share register	138,649	100	868,901,312	66	145,656	100	814,327,590	67
of which Switzerland	126,594	91	235,338,876	18	132,896	91	257,418,216	21
of which Europe	10,791	8	420,808,155	32	11,380	8	301,566,718	25
of which US	191	0	189,766,059	14	225	0	161,319,018	13
of which Other	1,073	1	22,988,222	2	1,155	1	94,023,638	8
Shares not registered in share register	-	-	451,928,610	34	-	-	410,005,472	33
Total shares issued	-	-	1,320,829,922	100	-	-	1,224,333,062	100

Distribution of institutional investors in share register by industry

end of	2012				2011			
	Number of shareholders	%	Number of shares	%	Number of shareholders	%	Number of shares	%
Institutional investors by industry								
Banks	36	0	2,042,785	0	43	0	17,406,303	1
Insurance companies	94	0	4,352,379	0	94	0	12,216,227	1
Pension funds	805	1	40,068,367	3	912	1	34,877,001	3
Investment trusts	342	0	60,480,195	5	339	0	72,892,153	6
Other trusts	762	1	7,631,919	1	847	1	7,306,944	1
Governmental institutions	32	0	6,474,774	0	32	0	3,968,027	0
Other ¹	2,409	2	96,910,802	7	2,645	2	168,443,544	14
Direct entries	4,480	3	217,961,221	17	4,912	4	317,110,199	26
Fiduciary holdings	178	0	525,369,556	40	217	0	371,056,949	30
Total institutional investors	4,658	3	743,330,777	56	5,129	4	688,167,148	56

¹ Includes various other institutional investors for which a breakdown by industry type was not available.

Significant shareholders

Under the Swiss Federal Act of Stock Exchanges and Securities Trading (SESTA), anyone holding shares in a company listed on the SIX is required to notify the company and the SIX if their holding reaches, falls below or exceeds the following thresholds: 3%, 5%, 10%, 15%, 20%, 25%, 33½%, 50% or 66¾% of the voting rights entered into the commercial register, whether or not the voting rights can be exercised (that is, notifications must also include certain derivative holdings such as options or similar instruments). Following receipt of such notification, the company has the obligation to inform the public. In addition, pursuant to the Swiss Code of Obligations, a company must disclose in the notes to their annual consolidated financial statements the identity of any shareholders who own in excess of 5% of their shares. The following provides an overview of the holdings of shares of our significant shareholders, including any rights to purchase or dispose of shares, based on the most recent disclosure notifications. In line with the SESTA requirements, the percentages indicated below were calculated in relation to the share capital reflected in the AoA at the time of the disclosure notification. The full

text of all notifications can be found on our website at www.credit-suisse.com/shareholders. Each share entitles the holder to one vote.

- Refer to "Note 3 – Business developments and subsequent events" in V – Consolidated financial statements – Credit Suisse Group for further information on significant shareholders.

The Group also holds positions in its own shares, which are subject to the same disclosure requirements as significant external shareholders. These positions fluctuate and primarily reflect market making, facilitating customer orders and satisfying the obligations under our employee compensation plans. Shares held by the Group have no voting rights. As of December 31, 2012, our holdings amounted to 7.0% purchase positions (2.9% registered shares and 4.1% share acquisition rights) and 41.9% were sales positions (disposal rights).

Cross shareholdings

The Group has no cross shareholdings in excess of 5% of capital or voting rights with any other company.

Significant shareholders

	Group publication of notification	Number of shares (million)	Approximate shareholding %	Purchase rights %
December 31, 2012 or the most recent notification date				
Qatar Investment Authority (registered entity – Qatar Holding LLC)	April 30, 2011	76.1	6.2	–
The Olayan Group (registered entity – Crescent Holding GmbH)	July 24, 2012	78.4	6.1	10.9 ¹
Dodge & Cox	December 19, 2012	63.5	5.0	–
Franklin Resources, Inc.	September 14, 2012	57.3	4.5	–
Capital Group Companies, Inc.	January 21, 2013	39.4	3.1	1.0 ²
Black Rock Inc.	January 25, 2013	38.6	3.0	–
Harris Associates L.P.	May 17, 2012	36.9	3.0	–
Norges Bank	August 3, 2012	28.0	2.2	1.7 ³
December 31, 2011				
The Olayan Group (registered entity – Crescent Holding GmbH)	February 2, 2010	77.8	6.6	–
Qatar Investment Authority (registered entity – Qatar Holding LLC)	April 30, 2011	73.2	6.2	–
Dodge & Cox	December 15, 2011	35.9	3.0	–
Franklin Resources, Inc.	December 15, 2011	35.7	3.0	–
December 31, 2010				
The Olayan Group (registered entity – Crescent Holding GmbH)	February 2, 2010	78.4	6.6	–
Qatar Investment Authority (registered entity – Qatar Holding Netherlands B.V.)	August 27, 2010	73.2	6.2 ⁴	–
Black Rock Inc.	December 1, 2009	44.4	3.8	–
Koor Industries Ltd.	February 9, 2010	37.0	3.1	–
Capital Group Companies, Inc.	February 25, 2010	35.5	3.1	–

¹ Consists of 8.1% purchase rights relating to The Olayan Group's holdings of 8,625 tier 1 buffer capital notes, which will be converted into shares only in situations where the Group no longer meets specific regulatory capital requirements, and 2.7% purchase rights relating to the holdings of CHF 569 million mandatory and contingent convertible securities (MACCS), of which CHF 419 million were underwritten by The Olayan Group. The MACCS will convert to 35 million Group shares on March 29, 2013 at the conversion price of CHF 16.29, with settlement and delivery of shares in early April 2013. The remaining 0.1% purchase rights relate to The Olayan Group's holdings of options. ² Relates to the Capital Group Companies, Inc.'s holdings of CHF 201 million MACCS, which will convert to 12.3 million shares on March 29, 2013 at the conversion price of CHF 16.29, with settlement and delivery in early April 2013. ³ Relates to Norges Bank's holdings of CHF 353 million MACCS, which will convert to 21.6 million shares on March 29, 2013 at the conversion price of CHF 16.29, with settlement and delivery in early April 2013. ⁴ In the same notification, Qatar Holding Netherlands B.V. notified of their holdings of 1.25% sales positions (disposal rights) related to a variable forward agreement in respect of 14.8 million Group shares.

Shareholder rights

We are fully committed to the principle of equal treatment of all shareholders and encourage shareholders to participate at our AGM. The following is a summary of shareholder rights at the Group. Refer to our AoA, which is available on our website at www.credit-suisse.com/articles.

Voting rights and transfer of shares

There is no limitation under Swiss law or the AoA on the right to own Group shares.

In principle, each share represents one vote at the AGM. Shares held by the Group have no voting rights. Shares for which a single shareholder or shareholder group can exercise voting rights may not exceed 2% of the total outstanding share capital, unless one of the exemptions discussed below applies. The restrictions on voting rights do not apply to:

- the exercise of voting rights by the Group proxy or by the independent proxy as designated by the Group or by persons acting as proxies for deposited shares;

- shares in respect of which the shareholder confirms to us that the shareholder has acquired the shares in the shareholder's name for the shareholder's own account and in respect of which the disclosure requirements in accordance with the SESTA and the relevant ordinances and regulations have been fulfilled; or
- shares that are registered in the name of a nominee, provided that this nominee is willing to furnish us on request the name, address and shareholding of the person(s) for whose account the nominee holds 0.5% or more of the total share capital and confirms to us that any applicable disclosure requirements under the SESTA have been fulfilled.

In order to execute voting rights, shares need to be registered in the share register directly or in the name of a nominee. In order to be registered in the share register, the purchaser must file a share registration form. The registration of shares in the share register may be requested at any time. Failing

such registration, the purchaser may not vote or participate in shareholders' meetings. However, each shareholder, whether registered in the share register or not, receives dividends or other distributions approved at the AGM. The transfer of shares is executed by a corresponding entry in the custody records of a bank or depositary institution following an assignment in writing by the selling shareholder and notification of such assignment to us by the transferor, the bank or the depositary institution.

Annual General Meeting

Under Swiss law, the AGM must be held within six months of the end of the fiscal year. Notice of an AGM, including agenda items and proposals submitted by the Board and by shareholders, must be published in the Swiss Official Commercial Gazette at least 20 days prior to the AGM.

Shares only qualify for voting at an AGM if they are entered into the share register with voting rights no later than three days prior to the AGM.

Convocation of shareholder meetings

The AGM is convened by the Board or, if necessary, by the statutory auditors, with 20 days' prior notice. The Board is further required to convene an extraordinary shareholders' meeting (EGM) if so resolved at a shareholders' meeting or if so requested by shareholders holding in aggregate at least 10% of the nominal share capital. The request to call an EGM must be submitted in writing to the Board, and, at the same time, Group shares representing at least 10% of the nominal share capital must be deposited for safekeeping. The shares remain in safekeeping until the day after the EGM.

Request to place an item on the agenda

Shareholders holding shares with an aggregate nominal value of at least CHF 40,000 have the right to request that a specific item be placed on the agenda and voted upon at the AGM. The request to include a particular item on the agenda, together with a relevant proposal, must be submitted in writing to the Board no later than 45 days before the meeting and, at the same time, Group shares with an aggregate nominal value of at least CHF 40,000 must be deposited for safekeeping. The shares remain in safekeeping until the day after the AGM.

Statutory quorums

The AGM may, in principle, pass resolutions without regard to the number of shareholders present at the meeting or represented by proxy. Resolutions and elections generally require the approval of a majority of the votes represented at the meeting, except as otherwise provided by mandatory provisions of law or by the AoA.

Shareholders' resolutions that require a vote by a majority of the votes represented include:

- amendments to the AoA, unless a supermajority is required;
- election of directors and statutory auditors;
- approval of the annual report and the statutory and consolidated accounts;
- discharging of the acts of the members of the Board and Executive Board; and
- determination of the appropriation of retained earnings.

A quorum of at least two thirds of the votes represented is required for resolutions on:

- change of the purpose of the company;
- creation of shares with increased voting powers;
- implementation of transfer restrictions on shares;
- increase in conditional and authorized capital;
- increase of capital by way of conversion of capital surplus or by contribution in kind;
- restriction or suspension of pre-emptive rights;
- change of location of the principal office; and
- dissolution of the company without liquidation.

A quorum of at least half of the total share capital and approval by at least three quarters of the votes represented is required for resolutions on:

- the conversion of registered shares into bearer shares;
- amendments to the AoA relating to registration and voting rights of nominee holders; and
- the dissolution of the company.

A quorum of at least half of the total share capital and the approval of at least seven eighths of the votes cast is required for amendments to provisions of the AoA relating to voting rights.

Say on pay

In accordance with the Swiss Code of Best Practice for Corporate Governance, the Group submits its remuneration report (contained in the Corporate Governance and Compensation section of the annual report) for a consultative vote by shareholders at the AGM.

Pre-emptive rights

Under Swiss law, any share issue, whether for cash or non-cash consideration or no consideration, is subject to the prior approval of the shareholders. Shareholders of a Swiss corporation have certain pre-emptive rights to subscribe for new issues of shares in proportion to the nominal amount of shares held. A resolution adopted at a shareholders' meeting with a supermajority may, however, limit or suspend pre-emptive rights in certain limited circumstances.

Notices

Notices to shareholders are made by publication in the Swiss Official Commercial Gazette. The Board may designate further means of communication for publishing notices to shareholders. Notices required under the listing rules of the SIX will either be published in two Swiss newspapers in German and French and sent to the SIX or otherwise communicated to the SIX in accordance with applicable listing rules. The SIX may disseminate the relevant information.

Board of Directors

Membership and qualifications

The AoA provide that the Board shall consist of a minimum of seven members. The Board currently consists of 15 members. We believe that the size of the Board must be such that the committees can be staffed with qualified members. At the same time, the Board must be small enough to ensure an

effective and rapid decision-making process. The members are elected individually for a period of three years and are eligible for re-election. There is no requirement in the AoA for a staggered board. One year of office is understood to be the period of time from one AGM to the close of the next AGM. Our OGR specify that the members of the Board shall generally retire at the ordinary AGM in the year in which they reach the age of 70 or after having served on the Board for 15 years. The Board may in certain circumstances propose to the shareholders to elect a particular Board member for a further term of a maximum of three years despite the respective Board member having reached the age or term limitation.

The Board has four committees: the Chairman's and Governance Committee, the Audit Committee, the Compensation Committee and the Risk Committee. The committee members are appointed by the Board for a term of one year. An overview of the Board and committee membership is shown in the following table. The composition of the Boards of the Group and the Bank is identical.

Members of Board and Board committees

	Board member since	Current term end	Independence	Chairman's and Governance Committee	Audit Committee	Compensation Committee	Risk Committee
December 31, 2012							
Urs Rohner, Chairman	2009	2015	Independent	Chairman	–	–	–
Peter Brabeck-Letmathe, Vice-Chairman	1997	2014	Independent	Member	–	–	–
Jassim Bin Hamad J.J. Al Thani	2010	2013	Not independent	–	–	–	–
Robert H. Benmosche	2010	2013	Independent	–	–	Member	–
Iris Bohnet	2012	2015	Independent	–	–	Member	–
Noreen Doyle	2004	2013	Independent	–	–	–	Member
Jean-Daniel Gerber	2012	2015	Independent	–	Member	–	–
Walter B. Kielholz	1999	2014	Independent	Member	–	Member	–
Andreas N. Koopmann	2009	2015	Independent	–	–	–	Member
Jean Lanier	2005	2014	Independent	–	Member	Member	–
Anton van Rossum	2005	2014	Independent	–	–	–	Member
Aziz R.D. Syriani	1998	2013	Independent	Member	–	Chairman	–
David W. Syz	2004	2013	Independent	–	Member	–	–
Richard E. Thornburgh	2006	2015	Independent	Member	Member	–	Chairman
John Tiner	2009	2015	Independent	Member	Chairman	–	Member

The Board proposes the following candidate to be elected to the Board at the AGM on April 26, 2013: Kai S. Nargolwala, the Lead Independent Director of Singapore Telecommunications Ltd. and a former Credit Suisse Executive Board member and CEO of the Asia Pacific Region. The Board also proposes

the re-election of Jassim Bin Hamad J.J. Al Thani and Noreen Doyle to the Board. In view of the age limit under our OGR, Robert H. Benmosche, Aziz R.D. Syriani and David W. Syz will retire from the Board at the AGM in April 2013.

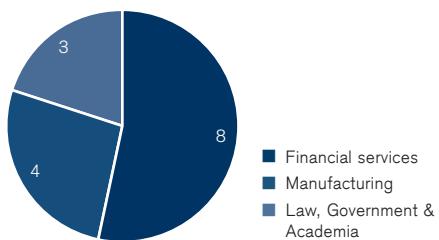
Board composition

The Chairman's and Governance Committee regularly considers the composition of the Board as a whole and in light of staffing requirements for the committees. The Chairman's and Governance Committee recruits and evaluates candidates for Board membership based on criteria it establishes. The Chairman's and Governance Committee may also retain outside consultants with respect to the identification and recruitment of potential new Board members. In assessing candidates, the Chairman's and Governance Committee considers the requisite skills and characteristics of Board members as well as the composition of the Board as a whole. Among other considerations, the Chairman's and Governance Committee takes into

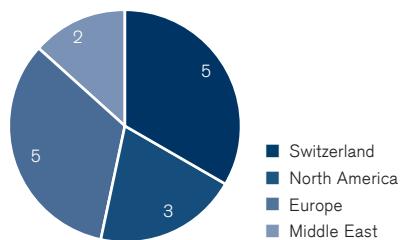
account independence, diversity, age, skills and management experience in the context of the needs of the Board to fulfill its responsibilities. The Chairman's and Governance Committee also considers other activities and commitments of an individual in order to be satisfied that a proposed member of the Board can devote enough time to a Board position at the Group. The background, skills and experience of our Board members are diverse and broad and include holding top management positions at financial services and industrial companies in Switzerland and abroad or having held leading positions in government, academia and international organizations. The Board is composed of individuals with diverse experience, geographical origin and tenure.

Board composition

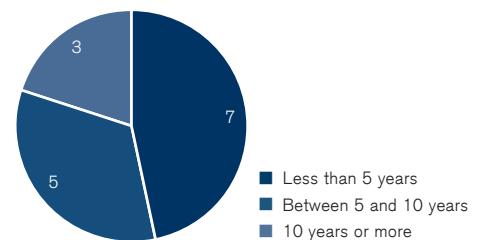
Industry experience



Geographical origin



Length of tenure



To maintain a high degree of diversity and independence in the future, we have a succession planning process in place to identify potential candidates for the Board at an early stage. With this, we are well prepared when Board members rotate off the Board. Besides more formal criteria consistent with legal and regulatory requirements, we believe that other aspects including team dynamics and personal reputation of Board members play a critical role in ensuring the effective functioning of the Board. This is why we place utmost importance on the right mix of personalities who are also fully committed to making their blend of specific skills and experience available to the Board.

New members

Any newly appointed member participates in an orientation program to become familiar with our organizational structure, strategic plans, significant financial, accounting and risk issues and other important matters. The orientation program is designed to take into account the new Board member's individual background and level of experience in each specific area. Moreover, the program's focus is aligned with any committee memberships of the person concerned. Board members are encouraged to engage in continuing training. The Board and the committees of the Board regularly ask a specialist

within the Group to speak about a specific topic to enhance the Board members' understanding of issues that already are or may become of particular importance to our business.

Meetings

In 2012, the Board held six full-day meetings in person and seven additional meetings. In addition, the Board held a two-day strategy session. From time to time, the Board may also take certain decisions via circular resolution, unless a member asks that the matter be discussed in a meeting and not decided upon by way of written consent.

All members of the Board are expected to spend the necessary time outside these meetings needed to discharge their responsibilities appropriately. The Chairman calls the meeting with sufficient notice and prepares an agenda for each meeting. However, any other Board member has the right to call an extraordinary meeting, if deemed necessary. The Chairman has the discretion to invite members of management or others to attend the meetings. Generally, the members of the Executive Board attend part of the meetings to ensure effective interaction with the Board. The Board also holds separate private sessions without management being present. Minutes are kept of the proceedings and resolutions of the Board.

Meeting attendance

	Board of Directors	Chairman's and Governance Committee	Audit Committee	Compensation Committee	Risk Committee
in 2012					
Total number of meetings held	11	12	11	10	6
Number of members who missed no meetings	11	2	6	4	3
Number of members who missed one meeting	3	2	0	1	1
Number of members who missed two or more meetings	2	2	0	0	1
Meeting attendance, in %	95	92	100	98	90

Meeting attendance

The members of the Board are encouraged to attend all meetings of the Board and the committees on which they serve. The Chairman and the Vice-Chairman may attend committee meetings as guests without voting power. The meeting attendance statistics for the Board and committee meetings are shown in the "Meeting attendance" table.

Independence

The Board consists solely of directors who have no executive functions within the Group. As of December 31, 2012, 14 members of the Board were determined by the Board to be independent, and one member, Jassim bin Hamad J.J. Al Thani, was determined not to be independent. In its independence determination, the Board takes into account the factors set forth in the Corporate Governance Guidelines, the OGR, the committee charters and applicable laws and listing standards. Our independence standards are also periodically measured against other emerging best practice standards.

The Chairman's and Governance Committee performs an annual assessment of the independence of each Board member and reports its findings to the Board for the final determination of independence of each individual member. Our definition of independence is in line with the Swiss Code of Best Practice for Corporate Governance and the NYSE and Nasdaq definitions. In general, a director is considered independent if the director:

- is not, and has not been for the prior three years, employed as an executive officer of the Group or any of its subsidiaries;
- is not, and has not been for the prior three years, an employee or affiliate of our external auditor; and
- does not maintain a material direct or indirect business relationship with the Group or any of its subsidiaries.

Whether or not a relationship between the Group or any of its subsidiaries and a member of the Board is considered material depends in particular on the following factors:

- the volume and size of any transactions concluded in relation to the financial status and credit standing of the Board member concerned or the organization in which he or she is a partner, significant shareholder or executive officer;
- the terms and conditions applied to such transactions in comparison to those applied to transactions with counterparties of a similar credit standing;
- whether the transactions are subject to the same internal approval processes and procedures as transactions that are concluded with other counterparties;
- whether the transactions are performed in the ordinary course of business; and
- whether the transactions are structured in such a way and on such terms and conditions that the transaction could be concluded with a third party on comparable terms and conditions.

Moreover, a Board member is not considered independent if the Board member is, or has been at any time during the prior three years, part of an interlocking directorate in which a member of the Executive Board serves on the compensation committee of another company that employs the Board member. The length of tenure a Board member has served is not a criterion for independence. Significant shareholder status is also not considered a criterion for independence unless the shareholding exceeds 10% of the Group's share capital. Board members with immediate family members who would not qualify as independent are also not considered independent. In addition to measuring Board members against the independence criteria, the Chairman's and Governance Committee also considers whether other commitments of an individual Board member prevent the person from devoting enough time to his or her Board mandate.

Mr. Al Thani was determined not to be independent due to the scope of various business relationships between the Group and Qatar Investment Authority (QIA), a state-owned company that has close ties to the Al Thani family, and between the Group and the Al Thani family. The Group has determined these various business relationships could constitute a material business relationship. Effective as of the AGM in April 2012, Chairman Urs Rohner was determined to be an independent member of the Board. Urs Rohner, who was elected to the Board at the AGM in April 2009, was previously determined not to be independent due to his former role as a member of the Executive Board. As described above, our independence guidelines require that a Board member not have been employed as an executive officer of the Group or any of its subsidiaries for the prior three years.

Chairman of the Board

The Chairman executes his role on a full-time basis. The Chairman coordinates the work within the Board, works with the committee chairmen to coordinate the tasks of the committees and ensures that the Board members are provided with the information relevant for performing their duties. In particular, the Chairman drives the Board agenda and key Board topics, especially regarding the strategic development of the Group, succession planning, the structure and organization of the Group, as well as compensation and compensation structure, including the performance evaluation and compensation of the CEO and the Executive Board. He chairs the Board, the Chairman's and Governance Committee and the Shareholder Meetings, leads the Group's corporate governance and takes an active role in representing the Group to the key shareholders, investors, regulators and supervisors, industry associations and other stakeholders. The Chairman has no executive function within the Group. With the exception of the Chairman's and Governance Committee, the Chairman is not a member of any of the Board's standing committees. However, he may attend all or part of selected committee meetings as a guest without voting power.

Segregation of duties

In accordance with Swiss banking law, the Group operates under a dual board structure, which strictly segregates the duties of supervision, which are the responsibility of the Board, from the duties of management, which are the responsibility of the Executive Board. The roles of the Chairman and the CEO are separate and carried out by two different people.

Board responsibilities

In accordance with the OGR, the Board delegates certain tasks to Board committees and delegates the management of the company and the preparation and implementation of Board resolutions to certain management bodies or executive officers to the extent permitted by law, in particular Article 716a and 716b of the Swiss Code of Obligations, and the AoA.

With responsibility for the overall direction, supervision and control of the company, the Board regularly assesses our competitive position and approves our strategic and financial plans. At each ordinary meeting, the Board receives a status report on our financial results, capital, funding and liquidity situation. In addition, the Board receives, on a monthly basis, management information packages, which provide detailed information on our performance and financial status, as well as quarterly risk reports outlining recent developments and outlook scenarios. Management also provides the Board members with regular updates on key issues and significant events, as deemed appropriate or requested. In order to appropriately discharge its responsibilities, the members of the Board have access to all information concerning the Group.

The Board also reviews and approves significant changes in our structure and organization and is actively involved in significant projects including acquisitions, divestitures, investments and other major projects. The Board and its committees are entitled, without consulting with management and at the Group's expense, to engage independent legal, financial or other advisors, as they deem appropriate, with respect to any matters within their authority.

Board evaluation

The Board performs a self-assessment once a year, where it reviews its own performance against the responsibilities listed in its charter and the Board's objectives and determines future objectives, including any special focus objectives, and a work plan for the coming year. The Chairman does not participate in the discussion of his own performance. As part of the self-assessment, the Board evaluates its effectiveness with respect to a number of different aspects, including board structure and composition, communication and reporting, agenda setting and continuous improvement. From time to time, the Board may also mandate an external advisor to facilitate the evaluation process.

Board committees

At each Board meeting, the committee chairmen report to the Board about the activities of the respective committees. In addition, the minutes and documentation of the committee meetings are accessible to all Board members.

Chairman's and Governance Committee

The Chairman's and Governance Committee consists of the Chairman, the Vice-Chairman and the chairmen of the committees of the Board and other members appointed by the Board. It may include non-independent Board members. Our Chairman's and Governance Committee consists of six members, all of whom are independent.

The Chairman's and Governance Committee has its own charter, which has been approved by the Board. It generally meets on a monthly basis and the meetings are also attended by the CEO. It is at the Chairman's discretion to ask other members of management or specialists to attend a meeting.

The Chairman's and Governance Committee acts as an advisor to the Chairman and supports him in the preparation of the Board meetings. In addition, the Chairman's and Governance Committee is responsible for the development and review of corporate governance guidelines, which are then recommended to the Board for approval. At least once annually, the Chairman's and Governance Committee evaluates the independence of the Board members and reports its findings to the Board for final determination. The Chairman's and Governance Committee is also responsible for identifying, evaluating, recruiting and nominating new Board members in accordance with the Group's internal criteria, subject to applicable laws and regulations.

In addition, the Chairman's and Governance Committee guides the Board's annual performance assessment of the Chairman, the CEO and the members of the Executive Board. The Chairman's and Governance Committee proposes to the Board the appointment, promotion, dismissal or replacement of members of the Executive Board. The Chairman's and Governance Committee also reviews succession plans for senior executive positions in the Group with the Chairman and the CEO.

The Chairman's and Governance Committee performs a self-assessment once a year, where it reviews its own performance against the responsibilities listed in the charter and the committee's objectives and determines any special focus objectives for the coming year.

Audit Committee

The Audit Committee consists of not fewer than three members, all of whom must be independent. The chairman of the Risk Committee is generally appointed as one of the members of the Audit Committee. Our Audit Committee consists of five members, all of whom are independent.

The Audit Committee has its own charter, which has been approved by the Board. The members of the Audit Committee are subject to independence requirements in addition to those required of other Board members. None of the Audit Committee members may be an affiliated person of the Group or may, directly or indirectly, accept any consulting, advisory or other compensatory fees from us other than their regular compensation as members of the Board and its committees. The Audit Committee charter stipulates that all Audit Committee members must be financially literate. In addition, they may not serve on the Audit Committee of more than two other companies, unless the Board deems that such membership would not impair their ability to serve on our Audit Committee.

In addition, the US Securities and Exchange Commission requires disclosure about whether a member of the Audit Committee is an audit committee financial expert within the meaning of SOX. The Board has determined that John Tiner is an audit committee financial expert.

Pursuant to its charter, the Audit Committee holds meetings at least once each quarter, prior to the publication of our consolidated financial statements. Typically, the Audit Committee convenes for a number of additional meetings and workshops throughout the year. The meetings are attended by management representatives, as appropriate, the Head of Internal Audit and senior representatives of the external auditor. A private session with Internal Audit and the external auditors is regularly scheduled to provide them with an opportunity to discuss issues with the Audit Committee without management being present. The Head of Internal Audit reports directly to the Audit Committee chairman.

The primary function of the Audit Committee is to assist the Board in fulfilling its oversight role by:

- monitoring and assessing the integrity of the consolidated financial statements as well as disclosures of the financial condition, results of operations and cash flows;
- monitoring the adequacy of the financial accounting and reporting processes and the effectiveness of internal controls over financial reporting;
- monitoring processes designed to ensure compliance by the Group in all significant respects with legal and regulatory requirements, including disclosure controls and procedures;
- monitoring the adequacy of the management of operational risks, jointly with the Risk Committee, including

- assessing the effectiveness of internal controls that go beyond the area of financial reporting;
- monitoring the adequacy of the management of reputational risks, jointly with the Risk Committee; and
- monitoring the qualifications, independence and performance of the external auditors and of Internal Audit.

The Audit Committee is regularly informed about significant projects aimed at further improving processes and receives regular updates on major litigation matters as well as significant regulatory and compliance matters. The Audit Committee also oversees the work of our external auditor and pre-approves the retention of, and fees paid to, the external auditor for all audit and non-audit services. For this purpose, it has developed and approved a policy that is designed to help ensure that the independence of the external auditor is maintained at all times. The policy limits the scope of services that the external auditor may provide to us or any of our subsidiaries in connection with its audit and stipulates certain permissible types of non-audit services, including audit-related services, tax services and other services that have been pre-approved by the Audit Committee. The Audit Committee pre-approves all other services on a case-by-case basis. The external auditor is required to report periodically to the Audit Committee about the scope of the services it has provided and the fees for the services it has performed to date. Furthermore, the Audit Committee has established procedures for the receipt, retention and treatment of complaints regarding accounting, internal controls or auditing matters, including a whistleblower hotline to provide the option to report complaints on a confidential, anonymous basis. The Audit Committee performs a self-assessment once a year where it critically reviews its own performance and determines objectives, including any special focus objectives, and a work plan for the coming year.

Compensation Committee

The Compensation Committee consists of not fewer than three members, all of whom must be independent. Our Compensation Committee consists of four members, all of whom are independent.

The Compensation Committee has its own charter, which has been approved by the Board. Pursuant to its charter, the Compensation Committee holds at least four meetings per year. Additional meetings may be scheduled at any time. The Compensation Committee's duties and responsibilities include reviewing the Group's compensation policy, newly established compensation plans or amendments to existing plans and recommending them to the Board for approval, as well as reviewing the performance of the businesses and the respective management teams and determining and/or recommending to

the Board for approval the overall variable compensation pools and the compensation payable to the members of the Board, the Executive Board, the head of Internal Audit and certain other members of senior management. The meetings are attended by management representatives, as appropriate.

The Compensation Committee is assisted in its work by external legal counsel Nobel & Hug and an independent global compensation consulting firm, Johnson Associates, Inc. Johnson Associates does not provide other services to the Group other than assisting the Compensation Committee. In 2012, the Compensation Committee retained Fehr Advice & Partners AG, a Swiss-based consulting firm, to advise on the compensation approach for the Executive Board. The Compensation Committee performs a self-assessment once a year where it reviews its own performance against the responsibilities listed in the charter and the committee's objectives and determines any special focus objectives for the coming year.

- Refer to "Compensation governance" in Compensation for information on our compensation approach, principles and objectives.

Risk Committee

The Risk Committee consists of not fewer than three members. It may include non-independent members. The chairman of the Audit Committee is generally appointed as one of the members of the Risk Committee. Our Risk Committee consists of five members, all of whom are independent.

The Risk Committee has its own charter, which has been approved by the Board, and holds at least four meetings a year. In addition, the Risk Committee usually convenes for additional meetings throughout the year in order to appropriately discharge its responsibilities. The meetings are attended by management representatives, as appropriate.

The Risk Committee's main duties are to assist the Board in reviewing and assessing the integrity and adequacy of the Group's risk management function, in particular as it relates to market, credit, liquidity and funding risks, reviewing the adequacy of the Group's capital and its allocation to the Group's businesses reviewing certain risk limits and making recommendations to the Board, and reviewing and assessing the Group's risk appetite framework. The Risk Committee also reviews and assesses the adequacy of the management of reputational and operational risks, including the adequacy of the internal control system, jointly with the Audit Committee. The Risk Committee performs a self-assessment once a year where it reviews its own performance against the responsibilities listed in the charter and the committee's objectives and determines any special focus objectives for the coming year.

Banking relationships with members of the Board and Executive Board and related party transactions

Banking relationships

The Group is a global financial services provider. Many of the members of the Board and the Executive Board or companies associated with them maintain banking relationships with us. The Group or any of its banking subsidiaries may from time to time enter into financing and other banking agreements with companies in which current members of the Board or the Executive Board have a significant influence as defined by the US Securities and Exchange Commission, such as holding executive and/or board level roles in these companies. With the exception of the transactions described below, relationships with members of the Board or the Executive Board and such companies are in the ordinary course of business and are entered into on an arm's length basis. Also, unless otherwise noted, all loans to members of the Board, members of the Executive Board or companies associated with them were made in the ordinary course of business, were made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons, and did not involve more than the normal risk of collectability or present other unfavorable features. As of December 31, 2012, 2011 and 2010, there was no loan exposure to such related parties that was not made in the ordinary course of business and at prevailing market conditions.

- ▶ Refer to "Executive Board shareholdings and loans" and "Board shareholdings and loans" in Compensation for a listing of the outstanding loans to members of the Executive Board and the Board.

Related party transactions

Exchange of Tier 1 Capital Notes into Tier 1 Buffer Capital Notes

In February 2011, we entered into definitive agreements with entities affiliated with QIA and The Olayan Group (the Investors), each of which has significant holdings of Group shares and other Group financial products, to issue tier 1 buffer capital notes (Tier 1 BCN). Under the agreements, the Investors agreed to purchase USD 3.45 billion Tier 1 BCN and CHF 2.5 billion Tier 1 BCN in exchange for their holdings of USD 3.45 billion 11% tier 1 capital notes and CHF 2.5 billion 10% tier 1 capital notes issued in 2008 (Tier 1 Capital Notes) or, in the event that the Tier 1 Capital Notes have been redeemed in full, for cash. At that time, the purchase or exchange was expected to occur no earlier than October 23, 2013, the first call date of the Tier 1 Capital Notes. In July

2012, we entered into an amendment agreement with the entity affiliated with The Olayan Group for the immediate exchange of USD 1.725 billion of their existing Tier 1 Capital Notes into an equivalent principal amount of Tier 1 BCN, thereby accelerating the exchange initially scheduled for October 2013. The accelerated exchange of some of the outstanding Tier 1 Capital Notes was one of a number of capital strengthening measures that we announced in July 2012.

Under their terms, the Tier 1 BCN will be converted into our ordinary shares if our reported common equity tier 1 (CET1) ratio, as determined under ◊Basel Committee on Banking Supervision regulations as of the end of any calendar quarter, falls below 7% (or any lower applicable minimum threshold), unless the ◊Swiss Financial Market Supervisory Authority (FINMA), at our request, has agreed on or prior to the publication of our quarterly results that actions, circumstances or events have restored, or will imminently restore, the ratio to above the applicable threshold. The Tier 1 BCN will also be converted if FINMA determines that conversion is necessary, or that we require public sector capital support, to prevent us from becoming insolvent, bankrupt or unable to pay a material amount of our debts, or other similar circumstances. In addition, conversion of the Tier 1 BCN held by The Olayan Group will be triggered if, in the event of a request by FINMA for an interim report prior to the end of any calendar quarter, our reported CET1 ratio, as of the end of any such interim period, falls below 5%. The conversion price will be the higher of a given floor price per share (subject to customary adjustments) or the daily volume weighted average sales price of our ordinary shares over a five day period preceding the notice of conversion. In connection with the July 2012 exchange, the conversion floor price of the Tier 1 BCN delivered in the exchange as well as the remaining Tier 1 BCN scheduled to be delivered in October 2013 was adjusted to match the conversion price of the MACCS described below. The Tier 1 BCN are deeply subordinated, perpetual and callable by us no earlier than 2018 and in certain other circumstances with FINMA approval. Interest is payable on the USD 3.45 billion Tier 1 BCN and CHF 2.5 billion Tier 1 BCN at fixed rates of 9.5% and 9.0%, respectively, and will reset after the first call date. Interest payments will generally be discretionary (unless triggered), subject to suspension in certain circumstances and non-cumulative.

At the time of the original transaction, the Group determined that this was a material transaction and deemed the Investors to be related parties of our Board members Mr. Al Thani and Mr. Syriani, respectively, for purposes of evaluating the terms and corporate governance of the original transaction. At that time, the Board (except for Mr. Al Thani and Mr. Syriani, who abstained from participating in the determination

process) determined that the terms of the original transaction, given its size, the nature of the contingent buffer capital, for which there was no established market, and the terms of the Tier 1 Capital Notes issued in 2008 and held by the Investors, were fair.

Issuance of mandatory and contingent convertible securities

In July 2012, we issued CHF 3.8 billion MACCS that are mandatorily convertible into 233.5 million shares at a conversion price of CHF 16.29 per share on March 29, 2013 (subject to early conversion upon certain contingency and viability events), with settlement and delivery of shares in early April 2013. Strategic and institutional investors purchased CHF 2.0 billion of MACCS and shareholders exercised preferential subscription rights for CHF 1.8 billion of MACCS. The conversion price of CHF 16.29 per share corresponded to 95% of the volume weighted average market price for the two trading days preceding the transaction. Investors in the MACCS included entities affiliated with the Investors, which also have been deemed by the Group to be related parties of our Board members, Mr. Al Thani and Mr. Syriani, respectively. The issuance of the MACCS was one of a number of capital strengthening measures executed by the Group in 2012. In addition to the Investors, a number of other investors of the Group purchased the MACCS, including Norges Bank and the Capital Group Companies, Inc., which like the Investors have significant holdings of Group shares. The terms and conditions for the conversion of the MACCS are equally applicable to all purchasers.

- ▶ Refer to "Capital issuances and redemptions" in III – Treasury, Risk, Balance sheet and Off-balance sheet – Capital management for further information about the Tier 1 BCN and the MACCS.

Plus Bonds

We provided members of the Executive Board who did not participate in the structuring of the instrument the opportunity to invest their own funds in Plus Bond instruments with substantially the same terms as the Plus Bond awards granted to certain employees as deferred variable compensation for 2012. As a result, certain Executive Board members acquired an aggregate of CHF 9 million in Plus Bond instruments in February 2013.

- ▶ Refer to "Plus Bond awards" in Compensation – Group compensation – Compensation design – Deferred variable compensation instruments for further information.

Loan to Arcapita Bank

In February 2012, the Group downgraded to impaired status a loan with an outstanding principal amount of USD 30 million to Arcapita Bank B.S.C. (Arcapita Bank), an international investment firm headquartered in Bahrain. The financing provided to Arcapita Bank was extended in 2007 on arm's length terms and at the time, did not involve more than the normal risk of collectability or present other unfavorable features. Arcapita Bank may be deemed to be a related party entity of the Group because our Board member Mr. Al Thani is also a member of the board of directors of Arcapita Bank. Mr. Al Thani joined the Arcapita Bank board of directors in October 2008 and our Board in 2010, in both cases after the loan was extended. Arcapita Bank filed for Chapter 11 bankruptcy in the US in March 2012, and the Group subsequently sold its USD 30 million credit position to an unrelated third party. As of December 31, 2012, the Group had no credit exposure to Arcapita Bank.

- ▶ Refer to "Note 28 – Related parties" in V – Consolidated financial statements – Credit Suisse Group for further information on related party transactions.

Biographies of the Board members



Urs Rohner
Born 1959
Swiss Citizen



Peter Brabeck-Letmathe
Born 1944
Austrian Citizen

Urs Rohner has been the Chairman of the Board and the Chairman's and Governance Committee since the 2011 AGM. He was Vice-Chairman of the Board and a member of the Chairman's and Governance and Risk Committees (2009 to 2011). He was a member of the Executive Boards of Credit Suisse Group and Credit Suisse (2004 to 2009) and served as General Counsel of Credit Suisse Group (2004 to 2009) and as COO and General Counsel of Credit Suisse (2006 to 2009). His term as a Board member expires at the AGM in 2015. The Board has determined him to be independent under the Group's independence standards.

Mr. Rohner served as Chairman of the Executive Board and CEO of ProSieben and ProSiebenSat.1 Media AG (2000 to 2004) and CEO of ProSieben Media AG (2000). He was a partner at Lenz & Staehelin (1992 to 1999) and an attorney with the law firm Sullivan & Cromwell LLP in New York (1988 to 1989) and Lenz & Staehelin in Zurich (1990 to 1992, 1983 to 1988). Mr. Rohner graduated with a degree in law from the University of Zurich, Switzerland, in 1983. He was admitted to the bars of the canton of Zurich in 1986 and the state of New York in 1990.

Mr. Rohner is the chairman of the Board of Trustees of the Credit Suisse Foundation and the Credit Suisse Research Institute. He is a board member of the Institute of International Finance and the Institute International d'Etudes Bancaires, a member of the European Financial Services Round Table and the European Banking Group, the co-chair of the International Advisory Board of the Moscow International Finance Center and serves on the International Business Leaders Advisory Council of the Mayor of Beijing. Mr. Rohner is also a board member of Avenir Suisse, Economiesuisse and the International Institute for Management Development (IMD) Foundation, the chairman of the Advisory Board of the University of Zurich's Department of Economics and a board member of the Zurich Opera House and the Lucerne Festival.

Peter Brabeck-Letmathe has been Vice-Chairman of the Board since 2008, a function he also held from 2000 to 2005. He has been a member of the Board since 1997 and a member of the Chairman's and Governance Committee since 2008. He served on the Compensation Committee (2008 to 2011 and 2000 to 2005) and on the Chairman's and Governance Committee (2003 to 2005). His term as a member of the Board expires at the AGM in 2014. The Board has determined him to be independent under the Group's independence standards.

Mr. Braback-Letmathee has been the Chairman of the Board of Directors of Nestlé SA since 2005. He was also the CEO of Nestlé SA (1997 to 2008) and since 1987 has been based at Nestlé SA's headquarters in Vevey. He joined Nestlé SA's sales operations in Austria after graduating in 1968. His career at Nestlé SA has included a variety of assignments in several European countries and in Latin America. Mr. Brabeck-Letmathe studied economics at the University of World Trade, Vienna.

Mr. Brabeck-Letmathe has been Vice-Chairman of the Board of Directors of L'Oréal SA, Paris, since 1997, and has been a board member of Exxon Mobil Corporation and Delta Topco (Formula 1), both since 2010, and assumed the role of Chairman of Delta Topco (Formula 1) in 2012. He is also a member of the Foundation Board of the World Economic Forum and a member of the European Round Table of Industrialists.



Jassim Bin Hamad J.J.

Al Thani

Born 1982

Qatari Citizen



Robert H. Benmosche

Born 1944

US Citizen

Jassim Bin Hamad J.J. Al Thani has been a member of the Board since 2010. His term as a member of the Board expires at the AGM in 2013. The Board has determined him to be not independent under the Group's independence standards. For further information, refer to Independence.

Since April 2005, Mr. Al Thani has been Chairman of the Board of Directors of Qatar Islamic Bank. He is also the Chairman of: QInvest, the first Islamic investment bank founded in Qatar; QIB (UK), an Islamic investment bank founded by the Qatar Islamic Bank in London; Damaan Islamic Insurance Co. (BEEMA); and Q-RE LLC, an insurance and reinsurance company. He is the CEO of Al Mirqab Capital LLC, Qatar, a family enterprise, and a member of the Board of Directors of Qatar Navigation Company, Qatar Insurance Company and Arcapita Bank, Bahrain. Mr. Al Thani completed his studies in the State of Qatar and graduated as an Officer Cadet from the Royal Military Academy in England.

Robert H. Benmosche has been a member of the Board since 2002 and a member of the Compensation Committee since 2003. In August 2009, Mr. Benmosche stepped down as a member of the Board as a result of his appointment as President and CEO of American International Group, Inc. (AIG). Changes in AIG's business made it possible for Mr. Benmosche to rejoin the Board in April 2010. His term as a member of the Board expires at the AGM in 2013. The Board has determined him to be independent under the Group's independence standards.

Mr. Benmosche is the President and CEO of AIG, New York. He was the Chairman of the Board and the CEO of MetLife, Inc., New York, from the demutualization of the company in 2000, and of Metropolitan Life Insurance Company, New York, from 1998 until his retirement in 2006. Before joining MetLife in 1995, Mr. Benmosche was with PaineWebber, New York, for 13 years. He received a BA degree in Mathematics from Alfred University, New York, in 1966.



Iris Bohnet
Born 1966
Swiss Citizen



Noreen Doyle
Born 1949
Irish and US Citizen

Iris Bohnet was elected to the Board at the AGM 2012 and has since served as a member of the Compensation Committee. Her term as a member of the Board expires at the AGM in 2015. The Board has determined her to be independent under the Group's independence standards.

Ms. Bohnet has been a Professor of Public Policy at the Harvard Kennedy School, Massachusetts, since 2006, and Academic Dean of the Harvard Kennedy School since 2011. She joined the academic faculty of Harvard University in 1998 as Assistant Professor of Public Policy at the Harvard Kennedy School and was named Associate Professor in 2003. Ms. Bohnet also serves as the Director of the Women and Public Policy Program at the Harvard Kennedy School. She was a visiting scholar at the Haas School of Business at the University of California at Berkeley (1997 to 1998). Ms. Bohnet received a Masters Degree in Economic History, Economics and Political Science from the University of Zurich, Switzerland, in 1992, and a doctorate degree in Economics from the same university in 1997.

Ms. Bohnet is currently a member of the Advisory Board of the Vienna University of Economics and Business Administration, the Global Agenda Council on Women's Empowerment of the World Economic Forum and the World Knowledge Dialogue, Villars-sur-Ollon. She chairs the Kennedy School's executive program for the World Economic Forum's Young Global Leaders.

Noreen Doyle has been a member of the Board since 2004 and a member of the Risk Committee since 2009. Since 2012, Ms. Doyle also serves as a non-executive director and as of 2013 chairs the boards of Credit Suisse International and Credit Suisse Securities Europe Limited, two of the Group's UK subsidiaries. She served on the Audit Committee (2007 to 2008) and the Risk Committee (2004 to 2007). Her term as a member of the Board expires at the AGM in 2013. The Board has determined her to be independent under the Group's independence standards.

Ms. Doyle was the first Vice President and Head of Banking of the European Bank for Reconstruction and Development (EBRD) from 2001 to 2005. She became Deputy Vice President of Risk Management in 1997, was appointed Chief Credit Officer in 1994 and joined the EBRD in 1992 as Head of Syndications. Prior to joining the EBRD, Ms. Doyle spent 18 years at Bankers Trust Company with assignments in Houston, New York and London. Ms. Doyle received a BA in Mathematics from The College of Mount Saint Vincent, New York, in 1971, and an MBA from Dartmouth College, New Hampshire, in 1974.

Ms. Doyle currently serves on the Boards of Directors of the Newmont Mining Corporation and QinetiQ Group Plc., a UK-based defense technology and security company. She is also a member of the Advisory Board of the Macquarie European Infrastructure Fund and the Macquarie Renaissance Infrastructure Fund. Ms. Doyle was a member of the board of Rexam Plc, a global consumer packaging company (2005 to 2012). Ms. Doyle chairs the Board of Governors of the Marymount International School, London, since 2010, and is also a patron of the Women in Banking and Finance in London.

**Jean-Daniel Gerber**

Born 1946

Swiss Citizen

**Walter B. Kielholz**

Born 1951

Swiss Citizen

Jean-Daniel Gerber was elected to the Board at the AGM 2012 and has since served as a member of the Audit Committee. His term as a member of the Board expires at the AGM in 2015. The Board has determined him to be independent under the Group's independence standards.

Jean-Daniel Gerber was appointed by the Swiss Federal Council to State Secretary in 2004. In this function, he was Head of the State Secretariat for Economic Affairs, a function from which he retired in 2011. Mr. Gerber was Director of the Swiss Federal Office of Migration (1994 to 2004), and served as Executive Director at the World Bank Group in Washington D.C. (1993 to 1997). Prior to that, he held the positions of Head of Economic and Financial Affairs at the Swiss Embassy in Washington D.C. and Swiss representative of the World Trade Organization. Mr. Gerber received a degree in Economics from the University of Berne, Switzerland, in 1972, and was awarded an honorary doctorate from the Faculty of Economics and Social Sciences at the same university in 2007.

Since 2011, Mr. Gerber has been a Member of the Board of Directors of the Lonza Group AG and Chairman of the Board of the Swiss Investment Fund for Emerging Markets. Mr. Gerber is also a member of the Swiss Society for Public Good.

Walter B. Kielholz has been a member of the Board since 1999, the Compensation Committee since 2009 and of the Chairman's and Governance Committee since 2011. He served as Chairman of the Board and the Chairman's and Governance Committee (2003 to 2009) and as Chairman of the Audit Committee (1999 to 2002). His term as a member of the Board expires at the AGM in 2014. The Board has determined him to be independent under the Group's independence standards.

Since May 2009, he has served as the Chairman of the Board of Directors of Swiss Re, Vice-Chairman in 2007, Executive Vice-Chairman of the Board of Directors of Swiss Re in 2003 and has been a board member since 1998. He was Swiss Re's CEO (1997 to 2002) and became a member of Swiss Re's Executive Board in 1993. Mr. Kielholz joined Swiss Re, Zurich, in 1989. In 1986, he joined Credit Suisse, responsible for client relations with large insurance groups in the Multinational Services department. Mr. Kielholz's career began at the General Reinsurance Corporation, Zurich, in 1976, and he assumed responsibility for the company's European marketing after working in the US, the UK and Italy. Mr. Kielholz received a degree in Business Finance and Accounting from the University of St. Gallen, Switzerland, in 1976.

Mr. Kielholz is a member and Chairman and Vice Chairman of the European Financial Services Roundtable and Vice Chairman of the Institute of International Finance, respectively. He is also a member of the Advisory Board of Corsair Capital Ltd., a member of the Monetary Authority of Singapore and the International Business Leader Advisory Council of the Mayor of Shanghai and the World Economic Forum International Business Council. In addition, Mr. Kielholz is a member and former Chairman of the Supervisory Board of Avenir Suisse and a senior advisor to the Credit Suisse Research Institute. He is a member of the Lucerne Festival Foundation Board and Chairman of the Zürcher Kunstgesellschaft (Zurich Art Society), which runs Zurich's Kunsthaus museum.

**Andreas N. Koopmann**

Born 1951

Swiss Citizen

**Jean Lanier**

Born 1946

French Citizen

Andreas N. Koopmann has been a member of the Board and the Risk Committee since the AGM in 2009. His term as a member of the Board expires at the AGM in 2015. The Board has determined him to be independent under the Group's independence standards.

From 1982 to 2009, Mr. Koopmann held various leading positions at Bobst Group S.A., Lausanne, one of the world's leading suppliers of equipment and services to packaging manufacturers. He was Group CEO (1995 to 2009) and a member of its Board of Directors (1998 to 2002). Mr. Koopmann received a Master's Degree in Mechanical Engineering from the Swiss Federal Institute of Technology, Switzerland, in 1976 and an MBA from International Institute for Management Development (IMD), Switzerland, in 1978.

Mr. Koopmann has been a member of the Board of Directors of Georg Fischer AG since 2010 and assumed the role of President of the Board of Directors in March 2012. He is also a member of the Board of Directors of the CSD Group, an engineering consultancy enterprise in Switzerland. Since 2003, Mr. Koopmann has been a member of the Board of Directors of Nestlé SA, its Vice-Chairman and a member of its Chairman's and Corporate Governance Committee. He was the Chairman of the Board of Directors of Alstom (Suisse) SA (2010 to 2012) and served as the Vice-Chairman of Swissmem (1994 to 2012), the association of Swiss Mechanical and Electrical Engineering Industries. He served as a member of the Credit Suisse's Advisory Board (1999 to 2007) and Board of Directors of Credit Suisse First Boston (1995 to 1999).

Jean Lanier has been a member of the Board and the Audit Committee since 2005. Since 2011, he has also been a member of the Compensation Committee. His term as a member of the Board expires at the AGM in 2014. The Board has determined him to be independent under the Group's independence standards.

Mr. Lanier is the former Chairman of the Managing Board and Group CEO of Euler Hermes, Paris, and chaired the boards of the principal subsidiaries of the group (1998 to 2004). Prior to that, he was the COO and Managing Director of the Euler Group (1996 to 1998) and of SFAC (1990 to 1997), which became Euler Hermes SFAC. He was Managing Director of the Pargesa Group based in Paris and Geneva (1988 to 1990) and held the position of President of Lambert Brussels Capital Corporation in New York (1983 to 1989). Mr. Lanier started his career at the Paribas Group in 1970, where he worked until 1983. He held, among others, the functions of Senior Vice President of the Paribas Group Finance division and Senior Executive for North America of the Paribas Group in New York. He received a Masters of Engineering from the Ecole Centrale des Arts et Manufactures, Paris, in 1969, and a Masters of Sciences in Operations Research and Finance from Cornell University, New York, in 1970.

Mr. Lanier is the Chairman of the Boards of Directors for Swiss RE Europe SA, Swiss RE International SE and Swiss RE Europe Holdings SA and also serves on their respective audit and risk committees. He is a Chevalier de la Légion d'Honneur in France and Chairman of the Board of the Foundation "La Fondation Internationale de l'Arche."

**Anton van Rossum**

Born 1945

Dutch Citizen

**Aziz R.D. Syriani**

Born 1942

Canadian Citizen

Anton van Rossum has been a member of the Board since 2005 and a member of the Risk Committee since 2008. He served on the Compensation Committee (2005 to 2008). His term as a member of the Board expires at the AGM in 2014. The Board has determined him to be independent under the Group's independence standards.

Mr. van Rossum was the CEO of Fortis (2000 to 2004). He was also a member of the Board of Directors of Fortis and chaired the boards of the principal subsidiaries of the group during this time. Prior to that, Mr. van Rossum worked 28 years with McKinsey and Company, where he led a number of top management consulting assignments, with a focus on the banking and insurance sectors. He was elected Principal in 1979 and a Director of the firm in 1986. Mr. van Rossum studied Economics and Business Administration at the Erasmus University, Rotterdam, where he obtained a Bachelor's degree in 1965 and a Master's degree in 1969.

Mr. van Rossum is a member of the Supervisory Board of Munich Re AG, an international re-insurance and primary insurance group, and chairs the Supervisory Board of Royal Vopak NV, Rotterdam, an international oil, chemicals and liquefied natural gas storage group. In addition, he is a member of the Board of Directors of Solvay SA, Brussels, an international chemicals and plastics company, and chairs the Supervisory Board of Erasmus University, Rotterdam. He also chairs the Board of Trustees of the Netherlands Economics Institute and sits on the boards of several cultural, philanthropic and educational institutions. Mr. van Rossum was a member of the Supervisory Board of Rodamco Europe NV, Amsterdam, a commercial real estate investment group (2007 to 2011).

Aziz R.D. Syriani has been a member of the Board since 1998 and Chairman of the Compensation Committee since 2004. He has been a member of the Chairman's and Governance Committee since 2003 and served on the Audit Committee (2003 to 2007). His term as a member of the Board expires at the AGM in 2013. The Board has determined him to be independent under the Group's independence standards.

He has served as the CEO since 2002 and the President of The Olayan Group since 1978. The Olayan Group is a private multinational enterprise engaged in distribution, manufacturing and global investment and a significant shareholder of the Group. Mr. Syriani received a degree in law from the University of St. Joseph, Beirut, in 1965, and a Master of Laws degree from Harvard University, Massachusetts, in 1972.

Mr. Syriani has served on the Board of Directors of Occidental Petroleum Corporation, California, since 1983, where he is currently the Lead Independent Director and Chairman of the Audit Committee, and a member of the Executive and the Corporate Governance Committees.



David W. Syz
Born 1944
Swiss Citizen



Richard E. Thornburgh
Born 1952
US Citizen

David W. Syz has been a member of the Board and the Audit Committee since 2004. His term as a member of the Board expires at the AGM in 2013. The Board has determined him to be independent under the Group's independence standards.

Appointed State Secretary in 1999, Mr. Syz took charge of the new State Secretariat for Economic Affairs, a function which he held until his retirement in 2004. In 1996, he was appointed CEO and Managing Director of Schweizerische Industrie-Gesellschaft Holding AG, Neuhausen. In 1985, Mr. Syz was Director and Head of Industries and Electronics of Elektrowatt AG. He was the CEO of Cerberus AG, Männedorf (1982 to 1984). In 1975, he was appointed Head of Finance at Stäfa Control System AG, Stäfa, and became Managing Director after four years. Mr. Syz started his career as assistant to the Director at Union Bank of Switzerland in Zurich and subsequently held the equivalent position at Elektrowatt AG, Zurich. He studied law at the University of Zurich, Switzerland, and received a doctorate from the same university in 1972 and an MBA at INSEAD, Fontainebleau, in 1973.

Mr. Syz has been the Chairman of the Board of Directors of Huber & Suhner AG, Pfäffikon since 2005, Vice-Chairman (2004 to 2005) and the Chairman of the Board of Directors of ecodocs AG, Zollikon since 2004. He has been the Chairman of the Supervisory Board of the Climate Cent Foundation since 2005, an organization mandated with the implementation of the carbon dioxide reduction program according to the Kyoto Protocol.

Richard E. Thornburgh has been a member of the Board and the Risk Committee since 2006 and the Chairman of the Risk Committee and a member of the Chairman's and Governance Committee since 2009 and the Audit Committee since 2011. As of 2013, Mr. Thornburgh also serves as a non-executive director of Credit Suisse International and Credit Suisse Securities Europe Limited, two of the Group's UK subsidiaries. His term as a member of the Board expires at the AGM in 2015. The Board has determined him to be independent under the Group's independence standards.

Mr. Thornburgh has been Vice-Chairman of Corsair Capital, New York, a private equity investment company, since 2006. He was the CRO of Credit Suisse Group (2003 to 2004). In 2004, he was appointed Executive Vice-Chairman of Credit Suisse First Boston. He was CFO of Credit Suisse First Boston (2000 to 2002) and Vice-Chairman of the Executive Board of Credit Suisse First Boston (1999 to 2002). Mr. Thornburgh was the CFO of Credit Suisse Group (1997 to 1999). He was appointed a member of the Group Executive Board (1997 to 2005). In 1995, Mr. Thornburgh was appointed Chief Financial and Administrative Officer and a member of the Executive Board of Credit Suisse First Boston. He began his investment banking career in New York with The First Boston Corporation, the predecessor firm of Credit Suisse First Boston. Mr. Thornburgh received a BBA from the University of Cincinnati, Ohio, in 1974, as well as an honorary doctorate in 2009, and an MBA from the Harvard Business School, Massachusetts, in 1976.

Mr. Thornburgh is a member of the board and audit committee of Reynolds American Inc., Winston-Salem, and a board and audit committee member of The McGraw-Hill Companies, New York, since 2011. Mr. Thornburgh has also been a member of the board and lead director for New Star Financial Inc., Massachusetts, since 2006. Furthermore, he serves on the Executive Committee of the University of Cincinnati Foundation and the Investment Committee of the University of Cincinnati.



John Tiner
Born 1957
British Citizen

John Tiner has been a member of the Board and the Audit Committee since the AGM in 2009. Since the AGM in 2011, he has chaired the Audit Committee and has also been a member of the Chairman's and Governance and Risk Committees. His term as member of the Board expires at the AGM in 2015. The Board has determined him to be independent under the Group's independence standards and a financial expert within the meaning of SOX.

From September 2008 until March 2013, Mr. Tiner was the CEO of Resolution Operations LLP, a privately owned advisory firm which provided services to Resolution Ltd., a company listed on the London Stock Exchange. Mr. Tiner was previously CEO of the FSA (2003 to 2007). He joined the FSA in 2001 as Managing Director of the Consumer Insurance and Investment Directorate and was a member of the Managing Board of the Committee of European Insurance and Occupational Pensions Regulators and Chairman of the Committee of European Securities Regulators – Standing Committee on Accounting and Auditing. Before joining the FSA, Mr. Tiner was a Managing Partner at Arthur Andersen, responsible for its worldwide financial services practice.

Mr Tiner is a non-executive member of the board of Lucida plc and Friends Life Group plc, both UK insurance companies, and is a member of the Advisory Board of Corsair Capital, a private equity investment company. He was given an Honorary Doctor of Letters at his former college, Kingston University, London, in 2010, and is a Fellow of the Institute of Chartered Accountants in England and Wales. In recognition of his contribution to the financial services industry, he was awarded the title of Commander of the British Empire in 2008.

Honorary Chairman of Credit Suisse Group

Rainer E. Gut
Born 1932
Swiss Citizen

Rainer E. Gut was appointed the Honorary Chairman of Credit Suisse Group in 2000, after he retired as Chairman, a position had held since 1986. Mr. Gut was a member of the Board of Directors of Nestlé SA, Vevey, from 1981 to 2005, where he was Vice-Chairman from 1991 to 2000 and Chairman from 2000 to 2005.

As Honorary Chairman, Mr. Gut does not have any function in the governance of the Group and does not attend the meetings of the Board.

Secretaries of the Board

Pierre Schreiber
Joan E. Belzer

Remembering Hans-Ulrich Doerig (1940 – 2012)

In November 2012, Hans-Ulrich Doerig, former Chairman of the Board of Directors of Credit Suisse Group, passed away at the age of 72. Hans-Ulrich Doerig served as Chairman of the Board from 2009 to 2011 and devoted 38 years of his career to our company.

In 1968, after graduating from the University of St. Gallen, Switzerland, with a doctorate in Law and Economics, Hans-Ulrich Doerig embarked on his career at JP Morgan in New York, where he worked first in Research and subsequently in Corporate Finance and Lending. Five years later, he joined Credit Suisse in Zurich and held various management positions in the International Capital Markets business. In 1982, Hans-Ulrich Doerig was appointed to the Executive Board of Credit Suisse, where he was responsible for the multi-national division as well as for securities trading, capital markets and corporate finance.

Hans-Ulrich Doerig was a universal banker, who always served our bank with professionalism, expertise and loyalty. The media occasionally referred to him as a 'Credit Suisse veteran' – a description that evidently pleased him. He was always willing to assume responsibility. In the mid-1990s, Hans-Ulrich Doerig was appointed Vice-Chairman of the Board of Directors. He later returned to various senior executive roles. He was President of the Executive Board of Credit Suisse, CEO of Credit Suisse First Boston, and Vice-Chairman of the Executive Board and CRO of Credit Suisse Group. In 2003, Hans-Ulrich Doerig was once again elected to the Board of Directors, where he served as Vice-Chairman and, from 2009 to 2011, as Chairman.

Hans-Ulrich Doerig's sense of commitment was not limited to banking. As the representative of a large Swiss bank, he also sought to promote the interests of the business community and the economy as a whole, not to mention his support for science, the arts and education. Hans-Ulrich Doerig was a lecturer at the University of Zurich and the Swiss Banking School for over a decade, and he served for many years as a member of the University Council of the University of Zurich, a member of the Board of Directors of the International Red Cross Museum in Geneva, President of the Zurich Association of Friends of the Arts, and a member of the Boards of various charitable foundations, academic bodies and social institutions.



Hans-Ulrich Doerig was a Swiss banker with an international mindset who was committed to preserving traditions while encouraging progress. He made an immense contribution not only to Credit Suisse, but also to the city of Zurich and to Switzerland.

Executive Board

Members of the Executive Board

The Executive Board is responsible for the day-to-day operational management of the Group. It develops and implements the strategic business plans for the Group overall as well as for the principal businesses, subject to approval by the Board. It further reviews and coordinates significant initiatives, projects and business developments in the divisions, regions and in the Shared Services functions and establishes Group-wide policies. The composition of the Executive Board of the Group and the Bank is identical.

Effective April 30, 2012, Karl Landert stepped down from the Executive Board and his position as Chief Information Officer. David Mathers, Chief Financial Officer and a member of the Executive Board, also assumed responsibility for the IT organization and since January 1, 2012, for the Group's global Operations functions.

Effective May 31, 2012, Antonio Quintella was appointed as Chairman of Hedging-Griffo and stepped down from the Executive Board and his position as Chief Executive Officer (CEO) of the Americas region. Robert Shafir assumed the role as CEO of the Americas region in addition to his role at the time as CEO Asset Management.

Effective November 30, 2012, Hans-Ulrich Meister and Robert Shafir were appointed to jointly lead the newly created Private Banking & Wealth Management division. As regional CEO, Hans-Ulrich Meister continues to have responsibility for all businesses and clients in the Swiss region. Robert Shafir continues to serve as the CEO of the Americas region.

Effective November 30, 2012, Eric Varvel and Gaël de Boissard were appointed to jointly lead the Investment Banking division. In addition, Eric Varvel was appointed CEO of the Asia Pacific region and Gaël de Boissard took on responsibility as CEO of the Europe, Middle East and Africa (EMEA) region. Gaël de Boissard joined the Executive Board as of January 1, 2013.

As of November 30, 2012, Osama Abbasi stepped down from the Executive Board and his position as CEO of the Asia Pacific region, Walter Berchtold stepped down from the Executive Board and his position as Chairman Private Banking and Fawzi Kyriakos-Saad stepped down from the Executive Board and his position as CEO of the EMEA region.

The management changes reduced the size of the Executive Board from thirteen members at the end of 2011 to nine members, effective as of January 2013, by combining the divisional and regional CEO roles.

Members of the Executive Board

	Appointed in	Role
December 31, 2012		
Brady W. Dougan, CEO	2003	Group CEO
Gaël de Boissard, Joint Head of Investment Banking and Regional CEO of EMEA ¹	2012	Divisional & Regional Head
Romeo Cerutti, General Counsel	2009	Shared Services Head
Tobias Guldmann, CRO	2004	Shared Services Head
David R. Mathers, CFO and Head of IT and Operations	2010	Shared Services Head
Hans-Ulrich Meister, Joint Head of Private Banking & Wealth Management and Regional CEO of Switzerland	2008	Divisional & Regional Head
Robert S. Shafir, Joint Head of Private Banking & Wealth Management and Regional CEO of Americas	2007	Divisional & Regional Head
Pamela A. Thomas-Graham, Chief Talent, Branding and Communications Officer	2010	Shared Services Head
Eric M. Varvel, Joint Head of Investment Banking and Regional CEO of APAC	2008	Divisional & Regional Head

¹ Appointed on November 20, 2012 as a new Executive Board member effective January 1, 2013.

Biographies of the Executive Board members

**Brady W. Dougan**

Born 1959

US Citizen

**Gaël de Boissard**

Born 1967

French Citizen

Brady W. Dougan has held the position of CEO since 2007 and has been a member of the Executive Board since 2003.

Prior to his appointment as CEO of the Group, Mr. Dougan was the CEO of the Investment Banking division and the CEO of the Americas region. After starting his career in the derivatives group at Bankers Trust, he joined Credit Suisse First Boston in 1990. He was the Head of the Equities division for five years before he was appointed the Global Head of the Securities division in 2001. From 2002 to July 2004, he was the Co-President of Institutional Securities at Credit Suisse First Boston, and from 2004 until 2005, he was CEO of Credit Suisse First Boston and, after the merger with Credit Suisse in May 2005, he was the CEO of Investment Banking until 2007.

Mr. Dougan received a BA in Economics in 1981 and an MBA in finance in 1982 from the University of Chicago, Illinois.

Mr. Dougan has been a member of the Board of Directors of Humacyte Inc., a biotechnology company, since 2005. He has also been a member of the Board of Trustees of the University of Chicago since January 2013.

Gaël de Boissard jointly leads the Investment Banking division together with Eric Varvel with responsibility for the Fixed Income business. He is also the CEO of the EMEA region. Gaël de Boissard was appointed as a member of the Executive Board, effective January 1, 2013.

Prior to his appointment to the Executive Board, Mr. de Boissard spent four years as the Co-Head of Global Securities with responsibility for trading and risk management of Fixed Income products and was previously responsible for Global Rates and Foreign Exchange. Mr. de Boissard joined Credit Suisse First Boston in 2001 from JP Morgan, where he worked in a variety of roles in Fixed Income, having started in the Paris office in 1990.

Mr. de Boissard graduated with a degree in Mathematics and Civil Engineering from Ecole Polytechnique in Palaiseau, France, and received a degree in Russian from the University of Volgograd.

Mr. de Boissard currently chairs the Association of Financial Markets in Europe, an industry organization that engages with policymakers on financial regulation.



Romeo Cerutti
Born 1962
Swiss and Italian Citizen



Tobias Guldmann
Born 1961
Swiss Citizen

Romeo Cerutti has been the Group General Counsel and a member of the Executive Board since April 2009.

Prior to that, Mr. Cerutti was the General Counsel of the Private Banking division from 2006 to 2009 and the global Co-Head of Compliance of Credit Suisse from 2008 to 2009. Before joining Credit Suisse, Mr. Cerutti was a partner of the Group Holding of Lombard Odier Darier Hentsch & Cie, from 2004 to 2006, and the Head of Corporate Finance at Lombard Odier Darier Hentsch & Cie from 1999 to 2006. Prior to that position, Mr. Cerutti was in private practice as an attorney-at-law with Homburger Rechtsanwälte in Zurich from 1995 to 1999 and with Latham and Watkins in Los Angeles from 1993 to 1995.

Mr. Cerutti studied law at the University of Fribourg and obtained his doctorate in 1990. He was admitted to the bar of the canton of Zurich in 1989 and the bar of the state of California in 1992. Mr. Cerutti also holds a Master of Laws from the University of California, School of Law, Los Angeles.

Mr. Cerutti has been a member of the Board of Trustees of the University of Fribourg since 2006. He also currently represents Credit Suisse on the Board of the Swiss Bankers Association since December 2012.

Tobias Guldmann has been the CRO of Credit Suisse since 2009 and a member of the Executive Board in the role of Group CRO since 2004.

Mr. Guldmann joined Credit Suisse's Internal Audit Department in 1986 before transferring to Investment Banking in 1990. He later became the Head of Derivatives Sales in 1992, the Head of Treasury Sales in 1993 and the Head of Global Treasury Coordination at Credit Suisse in 1994. In 1997, he became responsible for the management support of the CEO of Credit Suisse First Boston before becoming the Deputy CRO of Credit Suisse Group, a function he held from 1998 to 2004. From 2002 to 2004, he also served as the Head of Strategic Risk Management at Credit Suisse.

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

Mr. Guldmann has been a member of the International Financial Risk Institute (IFRI) since 2010 and became a Member of the IFRI Executive Committee in 2011. He is also a member of the Board of Trustees of the Winterthur Art Museum.

**David R. Mathers**

Born 1965

British Citizen

**Hans-Ulrich Meister**

Born 1959

Swiss Citizen

David Mathers has been the CFO of Credit Suisse Group and a member of the Executive Board since October 2010. He is also responsible for the Group's global IT and global Operations functions.

Prior to his appointment as CFO, Mr. Mathers was the Head of Finance and the COO for Investment Banking in New York and London from 2007 to 2010. In this role, he was responsible for Investment Banking Finance, Operations, Expense Management and Strategy. Mr. Mathers started his career as a research analyst at HSBC James Capel in 1987 and became Global Head of Equity Research in 1997. He joined Credit Suisse in 1998, working in a number of senior positions in Credit Suisse's Equity business, including the Director of European Research and the Co-Head of European Equities.

Mr. Mathers holds an MA in Natural Sciences from the University of Cambridge, England. Since 2011, he has also served as a member of the Council of the British-Swiss Chamber of Commerce.

Hans-Ulrich Meister jointly leads the Private Banking & Wealth Management division together with Robert Shafir, with responsibility for the Private Banking business. He is also CEO of the Swiss region. Mr. Meister has been a member of the Executive Board since September 2008.

Between 2011 and 2012, Mr. Meister served as the CEO of Private Banking and from 2008 onward as the CEO of the Swiss region, a role he continues to hold. Before joining Credit Suisse in 2008, Mr. Meister spent 25 years with UBS. Among the roles he had were the Head of Corporate Banking Region Zurich from 1999 to 2002, the Head of Large Corporates and Multinationals from 2003 to 2005 and the Head of Business Banking from 2005 to 2007. From 2002 to 2003, he worked on group projects in the area of Wealth Management, based in New York. From 2004 to 2007, Mr. Meister was a member of UBS's Group Managing Board.

Mr. Meister graduated from the University of Applied Sciences in Zurich, in 1987, majoring in Economics and Business Administration. In addition, he attended Advanced Management programs at the Wharton School, University of Pennsylvania in 2000 and the Harvard Business School in 2002.

Mr. Meister has been a member of the Foundation Board of the Swiss Finance Institute since 2008. He has also been a member of the board of the Zurich Chamber of Commerce since 2010.

**Robert S. Shafir**

Born 1958

US Citizen

**Pamela A. Thomas-Graham**

Born 1963

US Citizen

Robert Shafir jointly leads the Private Banking & Wealth Management division together with Hans-Ulrich Meister, with responsibility for Private Banking & Wealth Management Products. He is also the CEO of the Americas region. Mr. Shafir has been a member of the Executive Board since August 2007.

From 2008 until 2012, Mr. Shafir was the CEO of Asset Management and also held the position of the CEO of the Americas region between 2008 and 2010, reappointed to this role in 2012. Mr. Shafir joined Credit Suisse from Lehman Brothers in 2008, where he worked for 17 years, having served as the Head of Equities and a member of their Executive Committee. He also held other senior roles, including the Head of European Equities and the Global Head of Equities Trading, and played a key role in building Lehman's equities business into a global, institutionally focused franchise. Prior to that, he worked at Morgan Stanley in the preferred stock business within the fixed income division.

Mr. Shafir received a BA in Economics from Lafayette College, Pennsylvania, in 1980, and an MBA from Columbia University, Graduate School of Business, New York, in 1984.

Mr. Shafir is a member of the Board of Directors of the Cystic Fibrosis Foundation and the Dwight School Foundation.

Pamela Thomas-Graham has been the Chief Talent, Branding and Communications Officer and a member of the Executive Board since January 2010.

Prior to joining the Group, Ms. Thomas-Graham was a Managing Director in the private equity group of Angelo, Gordon & Co., a New York-based investment management firm, from 2008 to 2010. She previously served as Group President of Liz Claiborne Inc.'s women's wholesale apparel business from 2005 to 2008. Ms. Thomas-Graham was at NBC for six years from 1999 to 2005, where she served as President, CEO and Chairwoman of CNBC television and a Director of CNBC International. She also served as the President and CEO of CNBC.com. Prior to that, she worked at McKinsey & Company for ten years from 1989 to 1999.

Ms. Thomas-Graham obtained a BA in Economics from Harvard University, Massachusetts, in 1985, a JD from Harvard Law School in 1989 and an MBA from Harvard Business School in 1989.

Ms. Thomas-Graham is a member of the Board of Directors of the Clorox Company and a member of the Board of Governors of the Parsons School of Design. She is also a member of the Council on Foreign Relations, the Economic Club of New York, the Trustees Education Committee of the Museum of Modern Art and the Business Committee of the Metropolitan Museum of Art. In addition, she is a member of the board of the New York Philharmonic.

**Eric M. Varvel**

Born 1963

US Citizen

Eric Varvel jointly leads the Investment Banking division together with Gaël de Boissard, with responsibility for the Equities & Investment Banking business. He is also the CEO of Asia Pacific region. Eric Varvel has been a member of the Executive Board since February 2008.

From 2010 until 2012, Mr. Varvel was the CEO of Investment Banking and served as acting CEO from September 2009 until July 2010. From 2008 until 2010, Mr. Varvel was the CEO of the EMEA region. Prior to his appointment to the Executive Board in 2008, he was the Co-Head of the Global Investment Banking department and the Head of the Global Markets Solutions Group in the Investment Banking division of Credit Suisse for over three years, based in New York. Before that, Mr. Varvel spent 15 years in the Asia Pacific region in a variety of senior roles, including the Head of Investment Banking and Emerging Markets Coverage for the Asia Pacific region ex-Japan and the Head of Fixed Income Sales and Corporate Derivative Sales. During that time, Mr. Varvel was based in Tokyo, Jakarta and Singapore. Mr. Varvel joined Credit Suisse in 1990. Previously, he worked as an analyst for Morgan Stanley in its investment banking department in New York and Tokyo.

Mr. Varvel holds a BA in Business Finance from Brigham Young University, Utah.

Since 2010, Mr. Varvel has been a member of the Board of Directors of the Qatar Exchange.

Additional information

Changes in control and defense measures

Duty to make an offer

Swiss law provides that anyone who, directly or indirectly or acting in concert with third parties, acquires 33⅓% or more of the voting rights of a listed Swiss company, whether or not such rights are exercisable, must make an offer to acquire all of the listed equity securities of such company, unless the AoA of the company provides otherwise. Our AoA does not include a contrary provision. This mandatory offer obligation may be waived under certain circumstances by the Swiss Takeover Board or FINMA. If no waiver is granted, the mandatory offer must be made pursuant to procedural rules set forth in the SESTA and the implementing ordinances.

Clauses on changes in control

Subject to certain provisions in the Group's employee compensation plans which allow for the Compensation Committee or Board to determine the treatment of outstanding awards for all employees in the case of a change in control, there are no provisions that require the payment of extraordinary benefits in the case of a change in control in the agreements and plans benefiting members of the Board and the Executive Board or any other members of senior management. Specifically, there are no contractually agreed severance payments in the case of a change in control of the Group.

In the case of a change in control, the treatment of outstanding awards for all employees, including Executive Board members, will be determined by the Compensation Committee or the Board. In the case of a change in control, there are no provisions in the employment contracts of Executive Board members that require the payment of any type of extraordinary benefits, including special severance awards.

Internal and external auditors

Auditing forms an integral part of corporate governance at the Group. Both internal and external auditors have a key role to play by providing an independent assessment of our operations and internal controls.

Internal Audit

Our Internal Audit function comprises a team of around 250 professionals, substantially all of whom are directly involved in auditing activities. Effective November 2012, Martyn Scrivens was appointed as the new Head of Internal Audit and successor to Heinz Leibundgut, who has retired from the Group. As Head of Internal Audit, Martyn Scrivens reports directly to the Audit Committee chairman.

Internal Audit performs an independent and objective assurance and consulting function that is designed to add value to our operations. Using a systematic and disciplined approach, the Internal Audit team evaluates and enhances the effectiveness of our risk management, control and governance processes.

Internal Audit is responsible for carrying out periodic audits in line with the Regulations of Internal Audit approved by the Audit Committee. It regularly and independently assesses the risk exposure of our various business activities, taking into account industry trends, strategic and organizational decisions, best practice and regulatory matters. Based on the results of its assessment, Internal Audit develops detailed annual audit objectives, defining areas of audit concentration and specifying resource requirements for approval by the Audit Committee.

As part of its efforts to achieve best practice, Internal Audit regularly benchmarks its methods and tools against those of its peers. In addition, it submits periodic internal reports and summaries thereof to the management teams as well as the Chairman and the Audit Committee chairman. The Head of Internal Audit reports to the Audit Committee at least quarterly

and more frequently as appropriate. Internal Audit coordinates its operations with the activities of the external auditor for maximum effect.

External auditors

Our statutory auditor is KPMG AG (KPMG), Badenerstrasse 172, 8004 Zurich, Switzerland. The mandate was first given to KPMG for the business year 1989/1990. The lead Group engagement partners are Anthony Anzevino, Global Lead Partner (since 2012); Simon Ryder, Group Engagement Partner (since 2010); and Mirko Liberto, Leading Bank Auditor (since 2012).

In addition, we have mandated BDO AG, Fabrikstrasse 50, 8031 Zurich, Switzerland, as special auditor for the purposes of issuing the legally required report for capital increases in accordance with Article 652f of the Swiss Code of Obligations, mainly relating to the valuation of companies in consideration of the qualified capital increases involving contributions in kind.

The Audit Committee monitors and pre-approves the fees to be paid to KPMG for its services.

Fees paid to external auditors

	2012	2011	% change
Fees paid to external auditors (CHF million)			
Audit services ¹	39.7	40.3	(1)
Audit-related services ²	6.5	7.0	(7)
Tax services ³	5.6	6.9	(19)

¹ Audit fees include the integrated audit of the Group's consolidated and statutory financial statements, interim reviews and comfort and consent letters. Additionally it includes all assurance and attestation services related to the regulatory filings of the Group and its subsidiaries. ² Audit-related services are primarily in respect of: (i) reports related to the Group's compliance with provisions of agreements or calculations required by agreements; (ii) accounting advice; (iii) audits of private equity funds and employee benefit plans; and (iv) regulatory advisory services. ³ Tax services are in respect of tax compliance and consultation services, including: (i) preparation and/or review of tax returns of the Group and its subsidiaries; (ii) assistance with tax audits and appeals; and (iii) confirmations relating to the Qualified Intermediary status of Group entities.

KPMG attends all meetings of the Audit Committee. At each meeting, KPMG reports on the findings of its audit and/or interim review work. The Audit Committee reviews on an annual basis KPMG's audit plan and evaluates the performance of KPMG and its senior representatives in fulfilling its responsibilities. Moreover, the Audit Committee recommends to the Board the appointment or replacement of the external auditor, subject to shareholder approval as required by Swiss law.

KPMG provides a report as to its independence to the Audit Committee at least once a year. In addition, our policy on the engagement of public accounting firms, which has been approved by the Audit Committee, strives to further ensure an appropriate degree of independence of our external auditor.

The policy limits the scope of services that the external auditor may provide to us or any of our subsidiaries in connection with its audit and stipulates certain permissible types of non-audit services, including audit-related services, tax services and other services that have been pre-approved by the Audit Committee. The Audit Committee pre-approves all other services on a case-by-case basis. In accordance with this policy and as in prior years, all KPMG non-audit services provided in 2012 were pre-approved. KPMG is required to report to the Audit Committee periodically regarding the extent of services provided by KPMG and the fees for the services performed to date.

American Depository Share fees

Fees and charges for holders of ADS

In accordance with the terms of the Deposit Agreement, Deutsche Bank Trust Company Americas, as depositary for the ◊ADS (the Depositary), may charge holders of our ADS,

either directly or indirectly, fees or charges up to the amounts described below. In June 2011, after a competitive bid process, the Group signed an engagement letter renewing the term of Deutsche Bank Trust Company Americas as Depositary for an additional five years.

Fees and charges for holders of ADS

Fees

USD 5 (or less) per 100 ADS (or portion thereof)	For the issuance of ADS, including issuances resulting from a distribution of shares, share dividends, share splits and other property; for ADS issued upon the exercise of rights; and for the surrender of ADS for cancellation and withdrawal of shares.
USD 2 per 100 ADS	For any distribution of cash to ADS registered holders, including upon the sale of rights or other entitlements.
Registration or transfer fees	For the transfer and registration of shares on our share register to or from the name of the Depositary or its agent when the holder deposits or withdraws shares.

Charges

Expenses of the Depositary	For cable, telex and facsimile transmissions (when expressly provided in the deposit agreement); and for converting foreign currency to US dollars.
Taxes and other governmental charges	Paid, as necessary, to the Depositary or the custodian who pays certain charges on any ADS or share underlying an ADS, for example, stock transfer taxes, stamp duty or applicable interest or penalty thereon.
Other charges	Paid, as necessary, to the Depositary or its agents for servicing the deposited shares.

The Depositary collects its fees for the delivery and surrender of ADS directly from investors depositing shares or surrendering ADS for the purpose of withdrawal or from intermediaries acting for them. The Depositary collects fees for making distributions to holders by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees. The Depositary may generally refuse to provide fee services until its fees for those services are paid.

Amounts paid by the Depositary to the Group

In 2012, the Depositary reimbursed the Group USD 49,179 for NYSE listing fees. Under the Group's new engagement letter, the Depositary has agreed to make certain payments to the Group in 2012 and thereafter. In 2012, these fees amounted to USD 1,200,000 for expenses relating to its American Depository Receipt program. The Depositary has also contractually agreed to provide certain ADS program-related services free of charge.

Under certain circumstances, including removal of the Depositary or termination of the ADS program by the Group,

the Group is required to repay certain amounts paid to the Group and to compensate the Depositary for payments made or services provided on behalf of the Group.

Liquidation

Under Swiss law and our AoA, we may be dissolved at any time by a shareholders' resolution which must be passed by:

- a supermajority of at least three quarters of the votes cast at the meeting in the event we are to be dissolved by way of liquidation; and
- a supermajority of at least two thirds of the votes represented and an absolute majority of the par value of the shares represented at the meeting in other events.

Dissolution by court order is possible if we become bankrupt. Under Swiss law, any surplus arising out of liquidation (after the settlement of all claims of all creditors) is distributed to shareholders in proportion to the paid-up par value of shares held.

Compensation

Dear shareholders,

We are pleased to present our Compensation Report in respect of the reporting year 2012 to our shareholders and request your support through the advisory vote at the Annual General Meeting. We are committed to a responsible performance culture, which rewards progress towards our aspiration of strengthening Credit Suisse as a leading, integrated financial services provider and balances the interests of employees and shareholders.

During 2012, we focused on a review and revision of our executive compensation structure. To this end, we solicited and carefully reviewed feedback from our shareholders in respect of the structure of compensation at Credit Suisse, focusing on the compensation of senior executives, as well as the general concerns regarding the alignment of pay for performance in our industry. As a result of this analysis, we have restructured the incentive compensation for members of the Executive Board. We decided to:

- introduce individual target levels of compensation for each Executive Board member, based on the philosophy of paying market competitive compensation if challenging performance targets are achieved;
- introduce caps on the amount of compensation that can be awarded to each Executive Board member upon significantly exceeding the performance targets, set at levels to motivate performance while still being within the range of market levels of compensation;
- separate the granting of short and long-term incentive awards, where the short-term incentive awards aim to reward executives for their achievements in the prior year, while also discouraging future negative performance through the use of clawback provisions; and
- introduce new long-term incentive awards, which aim to motivate outstanding performance in the future and are clearly linked to meeting challenging financial goals.

The introduction of new long-term incentive awards reflects our commitment to pay for performance, with an emphasis on a long-term and sustainable creation of shareholder value. Recipients will only earn the full value of deferred awards if explicit and transparent performance conditions, linked to relative total shareholder return and return on equity, are met over the full five-year period. The targets and caps provide that the combined short and long-term incentive compensation granted to any executive stay within the range of what the

Compensation Committee has determined to be an appropriate pay level for that particular executive's role.

Granting a substantial part of variable compensation in deferred share-based awards aligns the interests of employees and shareholders and meets expectations of regulators. The delivery of these awards in new shares has been a core component of our capital plan over the last two years to meet the changed regulatory requirements. However, we are mindful of the potential dilutive impact to shareholders and we expect to revert to our previous practice of buying shares in the market to meet these delivery obligations after our Look-through Swiss Core Capital ratio exceeds 10%.

While we focused on executive compensation in 2012, in 2013 the Compensation Committee will look to review and rebalance the mix of share-linked and cash-linked deferred compensation for the broader employee population, including the performance criteria of our current share awards. At the same time, we will assess the implications of emerging regulations, including the new initiative recently approved by voters in Switzerland with regard to a binding say on the pay for the executive boards and boards of directors as well as the recently proposed EU rules on compensation. Further, we believe in the equitable sharing of the future economic gains of Credit Suisse between its shareholders and its employees, and we will work to achieve a better balanced distribution to this effect going forward.

The Compensation Committee is satisfied that this report reflects the manner in which it has reviewed and set compensation for 2012 and it is in line with the specific remuneration disclosure requirements issued by the Swiss Financial Market Supervisory Authority. The activities of the Compensation Committee were executed in accordance with its mandate under the Credit Suisse Organizational Guidelines and Regulations and the Compensation Committee charter.

Aziz R.D. Syriani
Chairman of the Compensation Committee
Member of the Board of Directors
March 2013

Compensation Report 2012 – Overview

This compensation report explains our compensation approach and provides our compensation disclosure for 2012. It is composed of the following sections:

- Compensation governance;
- Executive Board compensation;
- Board of Directors compensation; and
- Group compensation.

The Group is committed to fair, balanced and performance-based compensation practices that align long-term employee and shareholder interests.

As in recent years, shareholder interest in the structure and pay levels for bank executives remained high in 2012. In consideration of shareholder input and emerging practices for executive compensation in the industry, the Group implemented significant changes to the compensation approach for the Executive Board. Key changes include the introduction of individual targets and caps for the determination of compensation for Executive Board members and a new structure for their incentive award plans (incentive compensation), which now consists of an unrestricted cash payment and a short-term incentive (STI) award, with vesting over a three year period, and a new separate long-term incentive (LTI) award, with vesting over a five year period. The STI awards are deferred share-based awards subject to clawback in the event of negative business performance. The LTI awards are deferred cash-based awards subject to pre-defined, challenging performance vesting conditions linked to Group relative total shareholder return (RTSR) and underlying return on equity (ROE). As in prior years, Executive Board members remain subject to minimum Group shareholding requirements

and their contracts contain no provisions that provide for special payments or other benefits upon termination.

For employees who are not members of the Executive Board, the 2012 structure is similar to that of 2011. Consistent with past practice and in line with the expectations of regulators, we granted a substantial portion of deferred discretionary variable incentive awards (variable compensation) for 2012 as share-based awards. The share awards granted for 2012 are the same as those granted for 2011. All share awards vest over three years and a portion of the share awards granted to managing directors and certain other groups of employees are subject to clawback in the event of negative performance. Other deferred variable compensation was awarded in the form of Plus Bonds, a new plan granted principally to managing directors and directors in Investment Banking. Plus Bonds, which are linked to a portfolio of asset-backed securities that originated in and continues to be managed by Investment Banking should also be viewed within the context of the Group's capital strategy and applicable regulatory capital requirements as they constitute a risk transfer from the Group to the Plus Bond holders and thus contribute to the reduction of the Group's risk-weighted assets. Managing directors and directors in Investment Banking received the cash portion of their variable compensation in the form of Restricted Cash Awards, which are cash payments that are subject to repayment under certain termination conditions.

For the Group overall, total compensation and benefits expense for 2012 was CHF 12.5 billion, down 5% compared to 2011, which includes the impact of lower salaries, reflecting lower headcount in 2012. Variable compensation awarded for 2012 (including incentive compensation granted to members of the Executive Board) was CHF 3.4 billion, which was awarded in aggregate as 35% unrestricted cash and 65% deferred awards.

2012 revised compensation approach for the Executive Board

Responsible

- Introduction of individual targets and caps
- Targets/caps expressed as multiples of base salary and per incentive award plan
- Overall pool capped at 2.5% of Group underlying net income

Long-term orientation

- Separate short-term and long-term incentive award plans
- New long-term incentive award plan vesting over five years after grant, payable starting three years after grant, subject to explicit performance vesting conditions

Performance-linked

- Individual awards subject to weighted performance assessments, based on Group, divisional and individual performance
- Short-term incentive awards subject to clawback for negative business performance
- Vesting of long-term incentive awards linked to relative total shareholder return and underlying return on equity

The variable compensation awards for 2012 reflect the improved underlying results of the Group compared to 2011. Group underlying pre-tax income increased 111% to CHF 5.0 billion in 2012 from CHF 2.4 billion in 2011 and underlying ROE was 10% for 2012, up from 5.5% in 2011. The Group's underlying results are non-GAAP financial measures that exclude valuation impacts from movements in own credit spreads and certain other significant items included in our reported results. Without excluding these significant non-operating items, the largest of which is fair value losses on own debt of CHF 2.9 billion due to the improvement of our own credit spreads, our reported Core pre-tax income for 2012 was CHF 1.9 billion, compared to CHF 2.7 billion in 2011, while reported ROE was 3.9% compared to 6.0% in 2011. The Compensation Committee regards the underlying results to be a more accurate reflection of the Group's operating performance than reported results, in particular because the largest component, fair value gains/(losses) on our own debt, is inversely related to movements in our own credit spreads, generating gains when credit spreads widen and losses when credit spreads narrow.

- ▶ Refer to "Reconciliation of underlying results" in Executive Board compensation – Performance evaluation for 2012 for the a reconciliation of underlying results to the most directly comparable US-GAAP measures and other related disclosures.

Incentive compensation awarded to members of the Executive Board for 2012 comprised CHF 13.6 million in the form of unrestricted cash, CHF 21.0 million as STI awards and a further CHF 15.4 million as LTI awards. The average incentive compensation awarded to members of the Executive Board for 2012 was CHF 1.1 million in unrestricted cash, CHF 1.7 million as STI awards and CHF 1.3 million as LTI awards. Incentive compensation awarded to the Chief Executive Officer (CEO) for 2012 was CHF 0.5 million in unrestricted cash, CHF 2.5 million as an STI award and CHF 2.0 million as an LTI award. The level of the incentive compensation was granted to members of the Executive Board and the CEO for 2012 in consideration of the Group's improved underlying results, the substantial strengthening of the Group's capital position achieved in 2012 and the significant progress made to adapt the business and organization to the new regulatory requirements, changing client demands and the current market environment.

Compensation governance

Compensation objectives

The Group's ability to implement a comprehensive human capital strategy and to attract, retain, reward and motivate talented individuals is fundamental to the Group's long-term success. Compensation is a key component of this strategy and aims to align employee and shareholder interests. The Group is committed to responsible compensation practices and plans that balance the need to reward our employees fairly and competitively based on performance while promoting principled behavior and actions. The Group's objectives are to maintain a compensation policy that:

- supports a performance culture that is based on merit and differentiates and rewards excellent performance, both in the short and long term, and recognizes our company values;
- enables the Group to attract and retain employees and motivate them to achieve results with integrity and fairness;
- balances the mix of fixed compensation and variable compensation to appropriately reflect the value and responsibility of the role the employees perform day to day and to influence appropriate behaviors and actions;
- is consistent with and promotes effective risk management practices and the Group's compliance and control culture;
- fosters teamwork and collaboration across the Group;
- takes into account the capital position and long-term performance of the Group in order to create sustainable value for our shareholders; and
- is reviewed regularly and endorsed by an independent Compensation Committee.

Consistent with these objectives, the Group applies a total compensation approach based on fixed compensation and variable compensation. Fixed compensation includes base salary, which reflects seniority, experience, skills and market practice. Variable compensation is awarded annually at the discretion of the Group and varies depending on Group, divisional and individual performance. The percentage mix between fixed and variable compensation varies according to the employee's seniority, business and location and is an important consideration in determining total compensation, in particular for the Group's most senior employees.

Compensation Committee

The Compensation Committee of the Board of Directors (Board) is the supervisory and governing body for compensation policy, practices and plans within the Group and is responsible for determining, reviewing and proposing compensation for approval by the Board. The Compensation Committee consists of not fewer than three independent members of the Board. The members of the Compensation Committee are Aziz

R.D. Syriani (chairman), Robert H. Benmosche, Iris Bohnet, Walter B. Kielholz and Jean Lanier. Based on the criteria for determining independence under the Swiss Code of Best Practice for Corporate Governance and the rules of the New York Stock Exchange and the Nasdaq Stock Market, the Board has determined all five members of the Compensation Committee to be independent.

- Refer to "Independence" in Corporate Governance – Board of Directors for more information on how the Group determines the independence of its Board members.

The Compensation Committee has appointed Johnson Associates, Inc., a global compensation consulting firm, to assist it in ensuring that the Group's compensation program remains competitive and is responsive to regulatory developments and in line with its compensation approach. Johnson Associates, Inc. is independent from the Group's management and does not provide any services to the Group other than supporting the Compensation Committee. The Compensation Committee has appointed Nobel & Hug as external legal counsel. In 2012, the Compensation Committee retained Fehr Advice & Partners AG, a Swiss-based consulting firm, to advise on the redesign of the compensation approach for the Executive Board.

The Compensation Committee is required to meet at least four times per year, but in practice meets more often. During 2012, the Compensation Committee held ten meetings. The Compensation Committee chairman decides on the attendance of management, the compensation consultants and external legal counsel at the committee meetings. The committee meets each January for the primary purpose of reviewing the performance of the businesses and the respective management teams for the previous year and recommending to the Board for approval the overall compensation pools for the divisions and the compensation payable to the members

of the Board, the CEO and the head of Internal Audit. The Compensation Committee also reviews the performance of and determines compensation for members of the Executive Board and certain other members of senior management. During its performance review, the Compensation Committee considers input from the Group's internal control functions, including Risk Management, Legal and Compliance and Internal Audit, regarding control and compliance issues, including any breaches of relevant rules and regulations or the Group's Code of Conduct. The Audit Committee provides input to the Compensation Committee for its performance review with respect to control and compliance matters. Specifically, the Audit Committee reviews the impact on the recommended amount of variable compensation of individuals who have been subject to the Group's disciplinary process. In line with the process established in 2011 and in response to specific regulatory guidelines regarding compensation for employees engaged in risk-taking activities, the Compensation Committee also reviews and approves the compensation for Group employees identified as ◉ material risk takers and controllers (MRTC), who are employees whose activities are considered to have a potentially material impact on the Group's risk profile. The Risk Committee is involved in the review process for MRTC and also provides input to the Compensation Committee with respect to risk considerations in the compensation process. The chairmen of the Risk Committee and the Audit Committee attend the Compensation Committee meeting in January.

The following table sets forth the approval authority for determining compensation policy and setting compensation for different groups of employees, as stipulated within the Group's Organizational Guidelines and Regulations (OGR) and the Compensation Committee charter (available on our website at www.credit-suisse.com/governance).

Approval authority

Approval grid	Authority
Establishment or amendment of the Group's compensation policy	Board upon recommendation by the Compensation Committee
Establishment or amendment of compensation plans	Board upon recommendation by the Compensation Committee
Setting variable compensation pools for the Group and the divisions	Board upon recommendation by the Compensation Committee
Board compensation (including the Chairman's compensation) ¹	Board upon recommendation by the Compensation Committee
Compensation of the CEO	Board upon recommendation by the Compensation Committee
Compensation of other Executive Board members	Compensation Committee with information to the Board
Compensation for the Head of Internal Audit	Compensation Committee upon consultation of the Audit Committee Chairman
Compensation for MRTC	Compensation Committee
Compensation for other selected members of management	Compensation Committee

¹ In the case of the Chairman's compensation and the additional fees for the committee chairmen, the Board member concerned does not participate in the decision involving his or her own compensation. In the case of other Board members, compensation consists of a base fee plus a fee that may differ from committee to committee. The Compensation Committee recommends the base fee and committee fee amounts to the full Board for approval.

During 2012, the Board, upon recommendation of the Compensation Committee, approved a new approach for compensation of the Executive Board and endorsed other modifications to our compensation policy to ensure our plans remain in line with peers and permit compliance with evolving regulations. The Compensation Committee's main focus areas during 2012 were:

- developing and approving a new compensation approach for the Executive Board for 2012 and beyond, aimed at addressing key issues raised by shareholders and emerging best practice among peer companies;
- maintaining an active dialogue and consulting with our principal regulators about our compensation plans, as well as monitoring global regulatory and market trends with respect to compensation at financial institutions;
- continuing to engage with shareholders and shareholder groups regarding our compensation governance and plans;
- further enhancing the compensation process for covered employees in line with regulatory guidance; and
- increasing the transparency of our compensation disclosure, in particular with respect to compensation for members of the Executive Board.

Compensation policy

The Group maintains a comprehensive compensation policy, which formalizes our compensation principles and related processes and provides the foundation for sound compensation practices that support the Group's long-term strategic objectives. The compensation policy is approved by the Board. The compensation policy adheres to the compensation principles set out by our regulator in Switzerland, the Swiss Financial Market Supervisory Authority (FINMA), and our other main regulators and applies to all employees and compensation plans of the Group. The compensation policy is periodically updated and all revisions are approved by the Board. In 2012, to address the request of regulators, in particular the US Federal Reserve (Fed), we expanded the policy regarding MRTC and certain other US employees with more clear and documented procedures for granting variable compensation to these employees. These revisions provide guidelines for setting risk-adjusted compensation and require training for all managers of covered employees with responsibility for compensation recommendations. The revisions also provide guidelines on malus provisions that can lead to the clawback of compensation. The Group's compensation policy is available on our website at www.credit-suisse.com/compensation.

The compensation policy also includes implementation standards, which provide managers and employees with a detailed description of our principles, programs and the defined standards and processes relating to the development, management, implementation and governance of compensation. The implementation standards and the guidelines related to covered employees are published internally and accessible to all employees.

Impact of regulation on compensation

Many regulators across the world relevant to the Group, including FINMA, continue to focus on compensation. The requirements of FINMA apply to the Group on a global basis, while the requirements of other regulators generally only apply in respect of operations of the Group in a specific location. Several regulators, such as regulators in the US, the EU and the UK, impose provisions that diverge from the principles set forth in the Circular on Remuneration Schemes, which was issued by FINMA and which our plans comply with on a global basis. To the extent jurisdictional requirements diverge, we adapt our local plans in order to comply with local requirements, which generally results in additional terms, conditions and processes being implemented in the relevant locations.

The Group continuously monitors regulatory and legislative developments in all applicable jurisdictions, as well as industry best practices in compensation and guidance issued by various bodies including the Financial Stability Board, the Committee of European Banking Supervisors, the Group of Twenty Financial Ministers and Central Bank Governors and the Basel Committee on Banking Supervision.

On March 3, 2013, Swiss citizens approved the so-called "Minder Initiative", intended to strengthen shareholder rights. The initiative requires legislation be passed to impose board and executive compensation-related requirements on Swiss public companies, including requiring a binding (rather than advisory) shareholder vote on total board and total executive management compensation and prohibiting severance payments, salary prepayments and payments related to the acquisition or disposal of companies. The initiative also provides that the board members, the board chairperson and the compensation committee members be directly elected by shareholders annually. Further, the initiative calls for criminal sanctions in case of noncompliance. The Federal Council will have one year to issue a transitional ordinance which will be applicable until the Swiss Parliament passes the new law. Timing for the final implementation of the initiative is currently undetermined.

Executive Board compensation

The new approach for Executive Board compensation that was introduced during 2012 was designed to ensure that the Group is in line with best practice among peer companies and to address requirements of regulators and shareholder feedback, while motivating outstanding performance from our executives.

The key features of the new approach to Executive Board compensation are:

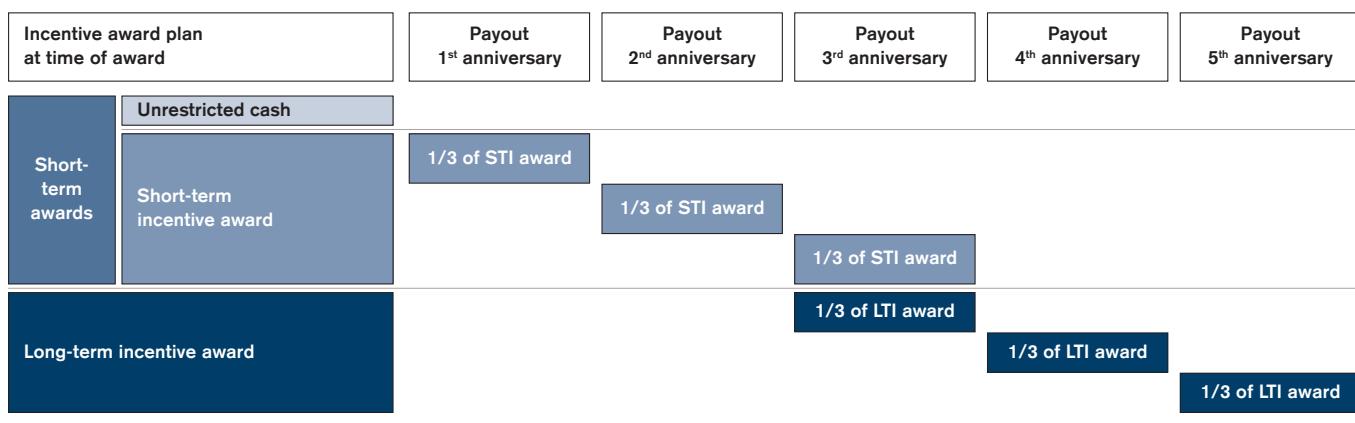
- A new structure for incentive compensation consisting of short-term awards and a separate long-term incentive award;
- Short-term awards in the form of unrestricted cash and a deferred STI award, with vesting over a three-year period,

subject to clawback in the event of negative business performance;

- A new deferred LTI award, which vests over a five-year period, payable starting on the third anniversary of the grant date and subject to predefined and challenging performance vesting conditions linked to the subsequent economic and market performance of the Group; and
- The introduction of clear compensation target levels and caps for each Executive Board member, linked to predefined performance criteria, expressed as multiples of base salary and for each incentive award plan.

An overview of the vesting timeline for the Executive Board short-term and long-term award plans is shown below.

Executive Board incentive award plan vesting timeline



Unrestricted cash

Unrestricted cash awards are short-term incentive awards, payable in cash after grant, which are intended to recognize the Executive Board members' performance for the most recent prior year.

Short-term incentive (STI) award

STI awards are granted in the form of performance share awards, which are deferred over three years and subject to clawback. The clawback results in a negative adjustment to the outstanding awards depending on the performance of the most recent prior year in the following circumstances:

- If the Group reports a negative underlying ROE, the number of outstanding awards is reduced by the same percentage as the negative underlying ROE;
- For the heads of the divisions reporting a pre-tax loss, the awards are reduced by 15% per CHF 1 billion of loss and the calculation of the reduction is performed on a pro-rata basis, based on the actual loss amount;

- In the case of both a negative underlying ROE and a divisional pre-tax loss, the negative adjustment is the greater of the negative underlying ROE and 15% per CHF 1 billion of loss adjustments;
- For the CEO and Executive Board members heading a Shared Services function, the clawback for negative performance will affect outstanding awards only if the Group has a negative underlying ROE; and
- If the general malus provision is triggered, the Group may cancel outstanding awards. In the case of Executive Board members, the general malus provision can be applied in a wide range of situations, including in the event of adverse individual, divisional or firm-wide factors, such as (but not limited to) any activity that is materially detrimental to the Group, that causes or could cause the Group or any of its divisions or regions to suffer reputational risk or a significant downturn in financial performance or capital base, or a significant failure of risk management.

The final number of STI awards delivered to Executive Board members will be the original number of awards granted or, if a clawback is triggered prior to vesting, a lower number. There are no circumstances under which the outstanding STI awards are increased. The value of the STI awards at delivery is solely dependent on the Group share price.

- ▶ Refer to "Potential downward adjustments of performance share awards and STI" in Group compensation – Compensation design
 - Deferred variable compensation instruments – Performance share awards for specific downward adjustments to be applied.

Long-term incentive (LTI) award

LTI awards are granted in the form of cash awards, which are deferred over a period of five years and vest in three tranches, one on each of the third, fourth and fifth anniversaries of the date of grant, subject to pre-defined performance vesting conditions. The amount due at vesting is determined based on the following performance criteria and conditions, which are measured on a tranche by tranche basis over the three calendar years preceding the year in which vesting occurs:

- Average of the RTSR achieved during each of the three years prior to vesting, calculated by reference to the average total shareholder return achieved by a group of peer firms, is the primary performance metric; and
- Average underlying ROE achieved during the three years prior to vesting compared to the ROE targets set for the respective years acts as a further adjustment, increasing or decreasing the amount payable by up to 25%.
- The amount payable at vesting of each tranche is subject to a cap of 200% of the initial LTI award value for that tranche.

RTSR is our total shareholder return compared to the average total shareholder return of our peers. Total shareholder return is calculated as equal to the appreciation or depreciation of a particular share, plus any dividends, over a given period, expressed as a percentage of the share's value at the beginning of the three-year measurement period. The peer group used for the RTSR calculation is the same group of twelve peer firms defined below. The RTSR achievement level can increase or decrease the amount due on a sliding scale basis and is subject to a cap as follows:

- Achievement of average RTSR of 150% (where the Group RTSR is 50% greater than that of the peer group) or greater results in a maximum upward adjustment of 100% (cap);
- Achievement of average RTSR of 100% (where the Group RTSR is the same as that of the peer group) results in an LTI payout that equals the grant value (no upward or downward adjustment);

- Achievement of RTSR of 50% (where the Group RTSR falls 50% below that of the peer group) or below results in the forfeiture of the respective LTI awards (downward adjustment of 100%); and
- Achievement of average RTSR between 50% and 150% of that of the peer group results in an upward or downward adjustment between negative 100% and positive 100%, applied on a sliding scale basis.

Following the RTSR calculation above, the amount payable is subject to a further upward or downward adjustment of up to 25%, depending on the average underlying ROE achieved during the three years prior to vesting compared to the underlying ROE targets approved for the corresponding years. The maximum upward adjustment of 25% applies if the average underlying ROE achieved is 200% of the target. The ROE adjustment, however, cannot increase the amount payable beyond two times the initial award.

The LTI is a deferred cash award. However, the Group retains the right to settle the LTI awards in shares at its discretion. In such a case, the amount of shares delivered in the year of vesting is based on the Group share price at the time of settlement.

Targets and caps for Executive Board members

Under the new structure, the Compensation Committee establishes individual targets and caps for each Executive Board member. An award at the target level is conditional upon the achievement of challenging performance goals, measured in terms of pre-defined performance criteria. If performance goals are exceeded, an amount above the target level can be awarded, but it may not exceed the cap. If performance goals are not met, awards will be below target and can be reduced to zero. The targets are determined by reference to estimated market levels of compensation for each individual role when matched against a group of peers, so that the individual target levels are aligned with competitive pay levels for comparable roles in the market. The caps are set at a premium over the target, again matched against peers, in order to provide suitable motivation for outstanding performance. The market data on executive compensation levels is provided to the Compensation Committee by its independent compensation advisor Johnson & Associates. The targets and caps for incentive compensation awards are expressed as multiples of base salary for each Executive Board member and in terms of the different incentive award plans (unrestricted cash, STI awards and LTI awards). Depending on the performance achieved, an Executive Board member can be awarded an amount of incentive compensation that is between zero and his or her cap for each incentive award plan. If the performance achieved is fully

in line with the member's objectives, the member will be awarded the target amount of incentive compensation for each incentive award plan. Based on the overall assessment of the Group's performance by the Compensation Committee, and in consideration of individual contributions, the Compensation Committee retains discretion in determining the final amounts awarded to the Executive Board for individual members and in aggregate. Nonetheless, the sum of all the incentive compensation awards for the Executive Board remains subject to an overall cap of 2.5% of Group underlying net income, irrespective of individual performance.

2012 targets, caps and performance criteria

For 2012, the Compensation Committee approved individual target and cap levels for the CEO and the Executive Board members as of the end of 2012 (eight individuals), as summarized in the table below. The annual 2012 base salary was CHF 2.5 million for the CEO and CHF 1.5 million or the US dollar equivalent for other Executive Board members, which remained unchanged from the prior year respectively. For 2012, the incentive compensation was granted in the proportion of 10%/50%/40% for the unrestricted cash, STI award and LTI award, respectively. This corresponds to a deferral rate of 90% for Executive Board members, which is the maximum deferral rate applied to employees Group wide. No Executive Board member was awarded his or her cap level for 2012.

2012 targets and caps for Executive Board members

	Target levels		Cap levels	
	Average for Executive Board members	CEO	Average for Executive Board members	CEO
Multiples of base salaries				
Short-term awards				
Unrestricted cash		0.3	0.3	0.4
Short-term incentive award		1.6	1.4	2.2
Long-term incentive award		1.3	1.2	1.8

2012 performance criteria

The Compensation Committee approved criteria to measure the performance of Executive Board members in 2012 in terms of the performance of the Group and the respective business division or Shared Services function for which the individual was responsible. The performance criteria and their weightings for 2012 were as follows:

Group performance (40%):

- Group performance was evaluated on the basis of pre-tax income and ROE, both measured on an underlying basis at year-end compared to the 2012 targets, which were defined in the Group's 2012 financial plan and approved by the Board.

Divisional and individual performance (40%):

- Divisional financial performance: financial performance of the divisions was evaluated primarily on the basis of divisional pre-tax income and pre-tax income margin, reviewed on both a reported and an underlying basis for each division at year-end compared to the targets that

were defined in the Group's 2012 financial plan and approved by the Board. The divisional financial performance criteria were applicable only to the Executive board members heading a division. For these individuals, the 40% weighting was split between the divisional financial performance and the individual qualitative assessment;

- Individual qualitative assessment: the qualitative assessment was performed on the basis of individual scorecards for each Executive Board member, based on the achievement of pre-defined non-financial objectives established for each division and Shared Services function. The objectives are set in each of the scorecard categories for the year, covering business and strategy, clients, people, collaboration and the control environment. For Executive Board members heading a Shared Services function, the 40% weighting was based on the qualitative assessment.

Compensation Committee assessment (20%):

- The Compensation Committee performed an overall quantitative and qualitative assessment of the Group's performance, including its capital and risk positions, the control

environment, and its relative performance against peers. In reaching its decisions, the Compensation Committee also considered the overall operating environment and the position of the Group and its businesses. In addition, it also considered individual roles and achievements of the Executive Board members.

For the evaluation of relative performance against peers, the Group has identified a group of twelve peer firms, based on the comparable scope and complexity of the business platform, business mix and geographical footprint: Bank of America, Barclays, BNP Paribas, Citigroup, Deutsche Bank, Goldman Sachs, HSBC, JP Morgan Chase, Morgan Stanley, Nomura, Société Générale and UBS.

2013 targets, caps and performance criteria

In early 2013, the Compensation Committee approved the targets and caps and the performance criteria to be applied for the 2013 performance review and incentive compensation process for individuals serving on the Executive Board as of the beginning of 2013. The Compensation Committee decided to place more emphasis on the long-term incentive award and therefore approved individual target levels for 2013 to be granted in the proportion of 10%/40%/50% for the unrestricted cash, STI award and LTI award, respectively (the 2012 proportion was 10%/50%/40%). The 2013 targets and caps are shown in the table below.

2013 targets and caps for Executive Board members

	Target levels		Cap levels	
	Range for Executive Board members	CEO	Range for Executive Board members	CEO
Multiples of base salaries				
Short-term awards				
Unrestricted cash		0.2 – 0.4	0.3	0.3 – 0.7
Short-term incentive award		0.6 – 1.7	1.1	1.2 – 2.9
Long-term incentive award				
		0.8 – 2.1	1.3	1.5 – 3.5
				2.0

In addition, the aggregate value of the unrestricted cash, STI and LTI awards may be subject to a further upward or downward adjustment of up to 20% at the discretion of the Compensation Committee.

2013 performance criteria for the Executive Board

Performance criteria	Weightings			Description and performance objectives
	CEO	Divisional Head	Shared Services Head	
Group performance				
Underlying ¹ ROE	33%	33%	40%	Group performance is evaluated on the basis of ROE, measured on an underlying basis at year end compared to target; targets are set on an annual basis in the Group's financial plan and approved by the Board. Performance objectives: 11% underlying ¹ ROE to reach target; 16% underlying ¹ ROE to reach cap
Divisional performance				
Group cost/income ratio	33%	–	10%	For the CEO and the Heads of the Shared Services functions, divisional performance is evaluated on the basis of the Group's cost/income ratio. Performance objectives: 70% underlying ¹ cost/income ratio to reach target; 65% underlying ¹ cost/income ratio to reach cap
Divisional performance	–	33%	10%	Divisional performance is evaluated on the basis of the following performance metrics for the divisional and Shared Services Heads: – Private Banking & Wealth Management Heads: Performance objectives: 70% underlying ¹ cost/income ratio to reach target; 65% underlying ¹ cost/income ratio to reach cap – Investment Banking Heads: Performance objectives: 11% after-tax return on allocated capital to reach target; 15% after-tax return on allocated capital to reach cap (allocated capital based on risk-weighted assets and total balance sheet usage) ² – Shared Services Heads: Performance objectives: performance against approved 2013 budget to reach target; 5% below budgeted cost to reach cap
Individual qualitative assessment				
Scorecard assessment	33%	33%	40%	The Compensation Committee performs a qualitative assessment on the basis of individual scorecards established for the CEO and the other Executive Board members, based on the achievement of pre-defined non-financial objectives set out in each of the following scorecard categories for the year: CEO scorecard: i) capital strength; ii) human capital management (including succession planning); iii) strategy execution; and iv) management of control, operational and reputational risks. Executive Board member scorecard: i) capital strength; ii) human capital management (including succession planning); iii) management of control, operational and reputational risks; iv) involvement in client activities; and v) partnership and firm focused behavior. For the Executive Board members with regional responsibilities, these factors are also considered in respect of each of the regions for which they are responsible.

¹ Underlying results are non-GAAP financial measures that exclude valuation impacts from movements in own credit spreads and certain other significant items. ² Prior to April 3, 2013, performance objectives were incorrectly stated as "11% pre-tax return on average utilized economic capital to reach target; 15% pre-tax return on average utilized economic capital to reach cap (allocated capital based on risk-weighted assets and total balance sheet usage)".

Performance evaluation for 2012

In January 2013, the Compensation Committee completed its performance evaluation for 2012 for the Group and the individual assessments of Executive Board members.

Group performance evaluation

For 2012, the Compensation Committee concluded that the Group performance targets were met. The Group delivered a performance largely in line with annual targets in the financial plan for 2012. In 2012, underlying pre-tax income significantly improved to CHF 5.0 billion from CHF 2.4 billion in 2011 and underlying ROE significantly improved to 10.0% from 5.5% in

2011. Reported Core pre-tax income was CHF 1.9 billion, compared to CHF 2.7 billion in 2011, while reported ROE was 3.9%, compared to 6.0% in 2011. The primary difference between the Group's reported and underlying results for 2012 arose from fair value losses on our own debt before tax of CHF 2.9 billion, which resulted from improvements in our credit spreads, a trend closely aligned to market recognition of the strengthening of the Group's capital and competitive position in 2012. The table "Reconciliation of underlying results" below provides a reconciliation of the Group's underlying results to the most directly comparable US GAAP measures. For the purposes of evaluating the Executive Board's

contribution to the achievement of satisfactory financial results for the Group, the Compensation Committee considers the underlying results to be a more accurate reflection of our operating results and therefore a more appropriate basis for the purposes of establishing compensation.

Underlying performance

Underlying results are non-GAAP financial measures. The numbers listed in the following table are included in the operating and financial review of the businesses.

- ▶ Refer to "Core Results", "Private Banking & Wealth Management" and "Investment Banking" in II – Operating and financial review for discussions of the individual line items.

Reconciliation of underlying results

in	Core pre-tax income		Net income attributable to shareholders		Return on equity (%)	
	2012	2011	2012	2011	2012	2011
Overview of significant items (CHF million)						
Reported results	1,879	2,749	1,349	1,953	3.9	6.0
Fair value losses/(gains) from movement in own credit spreads	2,939	(1,616)	2,261	(1,151)	–	–
Realignment costs	680	847	477	640	–	–
Gain on sale of stake in Aberdeen Asset Management	(384)	(15)	(326)	(13)	–	–
Gain on sale of non-core business (Clariden Leu integration)	(41)	–	(37)	–	–	–
Impairment of Asset Management Finance LLC and other losses	68	–	41	–	–	–
Gain on sale of real estate	(533)	(72)	(445)	(60)	–	–
Gain on sale of Wincasa	(45)	–	(45)	–	–	–
Losses on planned sale of certain private equity investments	82	–	72	–	–	–
Litigation provisions	363 ¹	478 ²	230 ¹	428 ²	–	–
Underlying results	5,008	2,371	3,577	1,797	10.0	5.5

¹ Includes CHF 136 million (CHF 96 million after tax) related to significant Investment Banking litigation provisions in the third quarter of 2012 and CHF 227 million (CHF 134 million after tax) NCFE-related litigation provisions in the fourth quarter of 2012. ² Related to litigation provisions in connection with German and US tax matters.

Divisional and individual performance evaluation

For 2012, the Compensation Committee concluded that divisional and individual performance targets were met.

In Private Banking & Wealth Management, the Compensation Committee acknowledged the improvement of the financial indicators. Pre-tax income and pre-tax income margin improved for the former Private Banking and Asset Management divisions. Results were consistent with the Group's financial plan for 2012. With regard to the qualitative assessment, the Compensation Committee acknowledged the continued strong asset gathering momentum for net new assets in targeted markets, particularly in emerging markets and the ultra-high-net-worth client business which were partially offset by outflows in Western Europe and relating to the integration of Clariden Leu. It also acknowledged the successful repositioning of the Asset Management business, and further reflects our continued focus on alternative investment strategies, including emerging markets, and core investments, including asset allocation and traditional products.

In Investment Banking, the Compensation Committee acknowledged the improvement of financial indicators. The improvements of pre-tax income and the pre-tax income mar-

gin were consistent with the Group's financial plan for 2012. With regard to the qualitative assessment, the Compensation Committee also acknowledged the reduced volatility and improved consistency of results, reflecting the successful alignment of the business model to new market and regulatory requirements. Investment Banking ◊ risk-weighted assets under Basel III were reduced from USD 242 billion at year-end 2011 to USD 187 billion at year-end 2012, reflecting substantial progress towards the target level of below USD 175 billion by year-end 2013.

For Shared Services, the Compensation Committee acknowledged the robust control and support environment combined with cost discipline and efficiency gains that helped to improve results in 2012 while transitioning the business to new regulatory requirements. In the aggregate, the Group achieved expense savings of CHF 2 billion in 2012 compared to our annualized six month 2011 expense run rate measured at constant foreign exchange rates and adjusted to exclude business realignment and other significant non-operating expenses and variable compensation expenses.

Compensation Committee discretionary assessment

As a result of its discretionary assessment, the Compensation Committee concluded that the Executive Board made good progress in a number of areas relevant to the long term positioning of the Group. In particular, the Compensation Committee acknowledged the progress during 2012 towards meeting new regulatory requirements. With improved earnings and the successful implementation of the capital measures announced in July 2012, the Group achieved an improvement of its regulatory capital base. As of year-end 2012, our Look-through Swiss Core Capital ratio was 9.0%, compared to 10% that will be required by FINMA by year-end 2018. Our Basel II.5 tier 1 ratio improved to 19.4% from 15.2% in 2011. We reduced our total assets by CHF 99 billion during the fourth quarter of 2012, making significant progress toward the goal of reducing our balance sheet to below CHF 900 billion on a foreign exchange neutral basis by year-end 2013.

- ▶ Refer to "Capital management" and "Balance sheet, off-balance sheet and other contractual obligations" in III Treasury, Risk, Balance sheet and Off-balance sheet for further discussion on capital ratios and the reduction of our balance sheet.

Compensation decisions

Based on the evaluation of the Group, divisional and individual performance, the Compensation Committee concluded that the Executive Board members had largely achieved their challenging performance targets for 2012. On that basis, the Executive Board members in the aggregate were awarded an amount of CHF 13.6 million as unrestricted cash and CHF 21.0 million as STI awards, representing, on average, 95% and 97% of the individual target amounts, respectively. Further, Executive Board members were awarded CHF 15.4 million as LTI awards, representing, on average, 94% of the individual LTI target amounts. The incentive compensation decisions for 2012 also reflected an adjustment of our executive compensation to market levels for comparable roles within the global banking industry.

Executive Board compensation for 2012

in	Short-term awards							Total compensation ⁴
	Base salary	Unrestricted cash	Value of STI awards	Value of LTI awards	Pension and similar benefits and other benefits ¹	Dividend equivalents ²	Payments and awards due to contractual agreements ³	
2012 (CHF million, except where indicated)								
13 members ⁵	17.75	13.56 ⁶	20.95 ⁷	15.40 ⁸	4.28	2.18	–	74.12
% of total compensation	24%	18%	28%	21%				
of which highest paid:								
Robert Shafir	1.40	0.70	3.50	2.80	1.91 ⁹	0.28	–	10.59
% of total compensation	13%	7%	33%	26%				
of which CEO:								
Brady W. Dougan	2.50	0.50	2.50	2.00	0.04	0.23	–	7.77
% of total compensation	32%	6%	32%	26%				

¹ Other benefits consist of housing allowances, lump sum expenses, child allowances and carried interest. ² Share awards carry the right to an annual payment equal to the dividend payable on each Group share. The dividend equivalents were paid in respect of awards granted in prior years. ³ During 2012, there were no payments made to Executive Board members for contractual agreements. ⁴ Does not include CHF 3.9 million of charitable contributions made by the Group for which the CEO and a former Executive Board member are able to make recommendations. ⁵ Of the 13 members, 5 left the Executive Board during 2012: Karl Landert and Antonio Quintella stepped down from the Executive Board effective April 30, 2012 and May 31, 2012, respectively, and Osama Abbasi, Walter Berchtold and Fawzi Kyriakos-Saad left the Executive Board effective November 30, 2012. The base salary and incentive compensation for these individuals has been pro rated accordingly. These individuals were paid incentive compensation in the form of unrestricted cash and STI awards for their performance in their respective roles on the Executive Board in 2012. ⁶ Includes pro rated unrestricted cash of CHF 10.2 million paid to the five individuals who left the Executive Board during 2012. ⁷ All short-term incentive awards for 2012 were granted as performance shares. The applicable Group share price for the performance share awards was CHF 24.62. ⁸ Long-term incentive awards vest over a five year period, payable on the third, fourth and fifth anniversaries of the grant date. The final value at vesting depends on the achievement of pre-defined performance criteria linked to the average relative total shareholder return and average return on equity. ⁹ CHF 1.87 million of this amount was granted as carried interest in 2012 (see below). In addition, in connection with his role at the time as CEO of the Asset Management division, in 2008 Mr. Shafir received a carried interest award in certain alternative investment funds. The value realized over time depends on the investment performance of the funds over their lifetime up to fifteen years. The initial value of the award is determined by making assumptions about the return that will be realized on the funds. The aggregate theoretical value of these awards was approximately USD 10 million assuming an estimated 9 percent return on all fund investments over their projected lifetime, and reducing this estimated return by 25 percent to reflect potential underperformance in some of the funds.

2012 total compensation of the CEO and highest paid Executive Board member

For CEO Brady Dougan, the Compensation Committee evaluated the performance of the Group as well as the performance of the Executive Board. In recommending the incentive compensation to the Board for Mr. Dougan, the Compensation Committee considered the improved financial position of the Group in 2012, reflected in an underlying pre-tax income of CHF 5.0 billion, more than double the CHF 2.4 billion in the prior year. In addition, the Compensation Committee considered the achievement of targets and the significant progress made in transitioning the business to the new regulatory and market environment and to meeting challenging new capital requirements, that came into effect in January 2013 with the implementation of Basel III in Switzerland. In particular, the Compensation Committee acknowledged that by year-end 2012 as compared to 2011, the Group reduced Basel III risk-weighted assets by CHF 55 billion to CHF 285 billion, reduced its balance sheet by CHF 125 billion, achieved a 9.0% Look-through Swiss Core Capital ratio and improved its leverage ratio (up to 5.8% from 4.6%). The Compensation Committee also recognized the steady progress made towards meeting the Group's challenging CHF 4.4 billion run-rate cost reduction target by year-end 2015, and the successful transformation of the Group's businesses, including the creation of an integrated Private Banking & Wealth Management division and the changes and realignment measures implemented within the Investment Banking business. Given the strong performance of Mr. Dougan during 2012 and his achievements in positioning the firm for the future, the Board decided upon the recommendation by the Compensation Committee to award Mr. Dougan unrestricted cash of CHF 0.5 million, an STI award of CHF 2.5 million and an LTI award of CHF 2.0 million, which were regarded as appropriate award levels in the current environment.

The highest paid member of the Executive Board in 2012 was Robert Shafir. For 2012, Mr. Shafir was awarded unrestricted cash of CHF 0.7 million, an STI award of CHF 3.5 million and an LTI award of CHF 2.8 million. Mr. Shafir's incentive compensation in 2012 was awarded in consideration of his continued strong performance. The Compensation Committee noted that, in particular, Mr. Shafir had successfully repositioned the former Asset Management division while improving financial results through higher net revenues and lower total operating expenses. He also assumed the role of CEO for the Americas, in addition to his role as Head of the

Asset Management division, after Mr. Antonio Quintella left the Executive Board in May 2012. In addition, for 2012 Mr. Shafir was granted a carried interest in certain alternative investment funds in the Asset Management business with a value of CHF 1.87 million. This award was granted to align Mr. Shafir with the overall special capital program where he is required to restructure the Asset Management business. Carried interest is a participation in the investment performance of a private equity or hedge fund portfolio, the value of which will vary significantly depending on the performance of the underlying portfolio.

Other aspects of Executive Board compensation

Charitable contributions

As in the prior three years, a portion of the Executive Board incentive compensation pool for 2012 was approved by the Compensation Committee to fund charitable contributions by the Group. The total amount approved for charitable contributions was CHF 3.9 million for 2012. The contributions will benefit eligible registered charities. The CEO and a former Executive Board member are able to make recommendations in respect of the allocation of the 2012 contributions to various specific charities.

Minimum share ownership requirements

The Group applies minimum share ownership requirements for members of the Executive Board and members of the divisional and regional management committees as follows:

- CEO: 350,000 shares;
- Other Executive Board members: 150,000 shares;
- Executives responsible for Private Banking & Wealth Management and Investment Banking: 50,000 shares; and
- Executives responsible for Shared Services functions: 20,000 shares.

The thresholds include all Group shares held by or on behalf of these executive employees, including unvested share awards. All affected executive employees are restricted from selling shares (including vested share awards) until they meet the minimum share ownership requirements. The Group prohibits all employees from entering into transactions to hedge the value of unvested share awards. Pledging of unvested share awards by Executive Board members is also not permitted unless expressly approved by the Compensation Committee.

Executive Board compensation for 2011

in	Base salary	Unrestricted cash	Value of share awards	Value of PAF2 awards	Pension and similar benefits and other benefits ¹	Dividend equivalents ²	Payments and awards due to contractual agreements ³	Total compensation ⁴
2011 (CHF million, except where indicated)								
13 members	19.38	– ⁵	32.83 ⁶	12.48 ⁷	2.66	2.85	–	70.20
% of total compensation	28%		47%	18%				
of which highest paid:								
Robert S. Shafir	1.32	–	4.39	2.37	0.02	0.40	–	8.50
% of total compensation	16%		52%	28%				
of which CEO:								
Brady W. Dougan	2.50	–	3.00	–	0.02	0.30	–	5.82
% of total compensation	43%		52%					

¹ Other benefits consist of housing allowances, lump sum expenses and child allowances. ² Share awards carry the right to an annual payment equal to the dividend of one Group share. The dividend equivalents were paid in respect of awards granted in prior years. ³ During 2011, there were no payments made to Executive Board members for contractual agreements. ⁴ Does not include CHF 13 million of charitable contributions made by the Group for which certain Executive Board members, including the CEO, were able to make recommendations. ⁵ As of December 31, 2011, no members of the Executive Board received unrestricted cash. ⁶ Includes CHF 22.8 million of performance share awards; the applicable Group share price was CHF 21.90. ⁷ The value of the 2011 Partner Asset Facility was the fair value as of the grant date of March 1, 2012.

Contract lengths, change in control and termination provisions

All members of the Executive Board have employment contracts with the Group. The contracts do not specify a contract length and are valid until terminated. Members of the Executive Board are required by contract to give six months' notice of termination of employment. The Group must also give members of the Executive Board six months' notice of termination of employment. There are no other contracts, agreements or arrangements with the members of the Executive Board that provide for payments or benefits in connection with termination of employment that are not generally available to other employees of the Group. For example, in the event of a termination of employment, pre-defined conditions apply to the balances of outstanding compensation awards, depending on whether the termination of employment was voluntary, involuntary or the result of a change in control.

In the case of a change in control, the treatment of outstanding awards for all employees, including Executive Board members, will be determined by the Compensation Committee or the Board. In the case of a change in control, there are no provisions in the employment contracts of Executive Board members that require the payment of any type of extraordinary benefits, including special severance awards.

In the event of the termination of the employment of an Executive Board member without cause, there are no pre-arranged contractual rights to a severance payment. Nonetheless, the amount and terms of a severance payment may be agreed between the Group and the respective Executive Board member.

Former Executive Board members

During 2012, five individuals left the Executive Board. As of December 31, 2012, all five individuals continued to be employed by the Group. Agreements were entered into with four of the individuals to terminate their employment during 2013.

Generally, former members of our most senior executive body who no longer provide services to the Group upon their request are still eligible to receive office infrastructure and secretarial support. These services are based on existing resources and are not used on a regular basis. No additional fees, severance payments or other forms of compensation were paid to former members of the Executive Board who no longer provide services to the Group or related parties during 2012.

Executive Board shareholdings and loans

Executive Board shareholdings

The shareholdings as disclosed in the table below include the holdings of the respective members of the Executive Board, their immediate family members and companies where they have a controlling interest. The unvested share-based awards do not include awards granted after December 31, 2012. The increase in the number of unvested share awards at the end of 2012 compared to 2011 was due to the decision by all the Executive Board members to convert into share-based awards all of their unvested cash-based Adjustable Performance Plan awards from 2010 and 2009, and the share-based awards granted in 2012 for 2011. The voluntary conversion option was offered to all employees holding cash Adjustable Perform-

ance Plan awards in the context of the capital strengthening measures announced in July 2012.

The value of share-based compensation awards granted to members of the Executive Board in prior years, but not yet fully vested, varies depending on the Group share price and other factors influencing the fair value of the award. The table "Executive Board holdings and values of deferred share-based awards by individual" shows the value of the unvested share-based compensation awards held by members of the Executive Board as of December 31, 2012. The aggregate cumulative value of these unvested share-based awards as of December 31, 2012 was 6% higher compared to the value of the awards as of their respective grant dates.

As a result of the conversion of the Adjustable Performance Plan cash awards to share awards during 2012, the remaining cash-based deferred compensation awards granted to certain Executive Board members in prior years are the 2008 Partner Asset Facility (PAF) and the 2011 Partner Asset Facility (PAF2) awards. The aggregate value of such cash-based awards at their grant dates was CHF 12.2 million compared to a value CHF 20.1 million as of December 31, 2012. The value of these awards varies depending upon the value of the underlying portfolios linked to the PAF and PAF2 awards and the length of the remaining deferral period.

Executive Board holdings and values of deferred share-based awards by individual

end of	Number of owned shares ¹	Number of unvested share awards	Number of owned shares and unvested share awards	Number of unvested ISUs	Number of unvested SISUs	Number of options	Value of unvested awards at grant (CHF)	Current value of unvested awards (CHF)
December 31, 2012								
Brady W. Dougan	906,929	666,068	1,572,997	–	76,102	–	18,945,613	19,815,939
Romeo Cerutti	80,279	320,261	400,540	–	23,272	–	8,446,679	9,172,331
Tobias Guldmann	57,763	375,725	433,488	–	29,090	–	9,964,935	10,808,561
David R. Mathers	0	461,439	461,439	–	15,130	1,095 ²	11,174,895	12,724,392
Hans-Ulrich Meister	178,198	550,776	728,974	–	46,546	–	14,848,594	15,948,497
Robert S. Shafir	387,544	736,377	1,123,921	–	62,320	–	19,807,159	21,325,210
Pamela A. Thomas-Graham	4,583	239,137	243,720	–	14,382	–	6,342,875	6,768,957
Eric M. Varvel	62,169	454,785	516,954	–	55,470	–	13,996,715	13,623,809
Total	1,677,465 ³	3,804,568	5,482,033	–	322,312	1,095	103,527,465	110,187,696
December 31, 2011								
Brady W. Dougan	870,586	117,754	988,340	–	114,153	–	12,538,963	5,118,187
Osama S. Abbasi	233,801	75,354	309,155	3,771	44,232	–	6,218,957	2,804,282
Walter Berchtold	700,040	157,005	857,045	42,023	106,473	–	15,093,404	7,653,886
Romeo Cerutti	37,543	66,426	103,969	7,260	34,908	–	5,343,325	2,554,139
Tobias Guldmann	20,124	66,426	86,550	8,399	43,635	–	5,968,402	2,796,587
Fawzi Kyriakos-Saad	199,942	75,354	275,296	35,973	34,425	–	6,667,886	3,997,001
Karl Landert	96,248	66,426	162,674	34,039	45,381	–	6,967,319	3,957,127
David R. Mathers	16,420	78,503	94,923	17,588	22,695	14,960 ⁴	5,547,285	3,003,091
Hans-Ulrich Meister	46,676	108,696	155,372	39,751	69,819	–	10,554,425	5,679,330
Antonio C. Quintella	112,323	37,677	150,000	–	–	–	1,559,828	831,531
Robert S. Shafir	190,489	127,522	318,011	84,480	93,480	–	14,460,480	8,574,359
Pamela A. Thomas-Graham	4,583	46,372	50,955	–	21,573	–	3,368,158	1,499,546
Eric M. Varvel	0	139,810	139,810	39,183	83,205	–	12,721,715	6,636,589
Total	2,528,775	1,163,325	3,692,100	312,467	713,979	14,960	107,010,147	55,105,655

¹ Includes shares that were initially granted as deferred compensation and have vested. ² Consists of options with an expiration date of January 22, 2013 and an exercise price of CHF 30.60. ³ In addition to the number of owned shares shown, the following Executive Board members held an aggregate number of 2,320 mandatory and contingent convertible securities (MACCS): Brady Dougan (1,336), Romeo Cerutti (60), Hans-Ulrich Meister (262), Robert Shafir (571), Eric Varvel (91); these securities are convertible into an aggregate number of 143,033 shares on March 29, 2013 at a conversion price of CHF 16.29, with settlement and delivery of shares in early April 2013. ⁴ Consists of 1,095 options with an expiration date of January 22, 2013 and an exercise price of CHF 30.60 and 13,865 options with an expiration date of December 3, 2012 and an exercise price of CHF 34.10.

Executive Board loans

A large majority of loans outstanding to members of the Executive Board are mortgages or loans against securities. Such loans are made on the same terms available to employees pursuant to widely available employee benefit plans. As of December 31, 2012, 2011 and 2010, outstanding loans to the members of the Executive Board amounted to CHF 8 million, CHF 22 million and CHF 18 million, respectively. The number of individuals with outstanding loans at the beginning and the end of 2012 was six and three, respectively, and the highest loan outstanding was CHF 4 million to Eric Varvel.

All mortgage loans to members of the Executive Board are granted either with variable or fixed interest rates over a certain period. Typically, fixed-rate mortgages are granted for periods of up to ten years. Interest rates applied are based on refinancing costs plus a margin and interest rates and other terms are consistent with those applicable to other employees. Loans against securities are granted at interest rates and on terms applicable to such loans granted to other employees. When granting a loan to these individuals, the same credit approval and risk assessment procedures apply as for loans to other employees. Unless otherwise noted, all loans to Executive Board members were made in the ordinary course of business and substantially on the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons and in consideration of the terms which apply to all Group employees, and did not involve more than the normal risk of collectability or present other unfavorable features.

- ▶ Refer to "Banking relationships with members of the Board and Executive Board and related party transactions" in Corporate Governance for further information.

Board of Directors compensation

Compensation to members of the Board is set in accordance with the Articles of Association, OGR and the Compensation Committee Charter. The annual compensation paid to members of the Board is set by the Board based on the recommendation of the Compensation Committee. All members of the Board receive a base board fee plus a committee fee or an additional fee that reflects the respective Board member's role, time commitment and scope of responsibility on the Board. The full-time Chairman, the Vice-Chairman and the three committee chairmen assume the greatest responsibility and dedicate the most time in fulfilling their board duties. As such, these individuals receive a higher annual base board fee than other board members and may receive additional fees which vary according to their specific role. The base and com-

mittee fee amounts are set by the Board upon recommendation of the Compensation Committee for the 12-month period from the current Annual General Meeting (AGM) to the following year's AGM. Fees paid to Board members are in the form of cash and Group shares, which are blocked from being sold for a period of four years. By compensating Board members to a significant degree in the form of blocked Group shares, we ensure alignment of their interests with the interests of our shareholders.

Members of the Board without designated leadership responsibilities (ten individuals) each received an annual base board fee for 2012 of CHF 250,000 and an annual committee fee for serving on the Audit, Risk or Compensation Committees. The committee fees were CHF 150,000 for the Audit Committee, CHF 100,000 for the Risk Committee and CHF 100,000 for the Compensation Committee. Members of the Chairman's and Governance Committee do not receive a committee fee.

Compensation of the Chairman

The Chairman of the Board is paid a base board fee plus an additional fee, which is proposed by the Compensation Committee and approved by the Board. The additional fee awarded to the Chairman can vary from year to year, depending on Group and individual performance. The base board and the additional fee awarded to the Chairman reflect his full-time status and active role taken in shaping the Group's strategy, governing the Group's affairs and representing the Group vis-à-vis shareholders. The Chairman coordinates the work within the Board, works with the committee chairmen to coordinate the tasks of the committees and ensures that Board members are provided with sufficient information for performing their duties. In particular, the Chairman drives the Board agenda and key Board topics, especially regarding the strategic development of the Group, succession planning, structure and organization of the Group, as well as compensation and compensation structure, including the performance evaluation and compensation of the CEO and the Executive Board. He chairs the Board, the Chairman's and Governance Committee and the shareholder meetings, leads the Group's corporate governance and takes an active role in representing the Group to the key shareholders, investors, regulators and supervisors, industry associations and other stakeholders.

For 2012, Chairman Urs Rohner received total compensation of CHF 5.2 million, of which CHF 2.5 million was the base board fee, CHF 2.5 million was additional fees and CHF 0.2 million was other compensation, consisting mainly of pension-related benefits. Of the CHF 5.2 million, CHF 4.0 million was awarded in cash and CHF 1.2 million was awarded in Group shares, blocked for a period of four years. For the

prior year, Urs Rohner received total compensation of CHF 4.3 million, for his successive roles as Vice-Chairman and Chairman, which he assumed at the AGM in April of 2011. The total compensation awarded to the Chairman for 2012 reflects the improved financial position of the Group and Urs Rohner's performance under difficult circumstances as evaluated by the Compensation Committee. In particular, it is in recognition of Mr. Rohner's leadership of the Board, his impact in closely steering and monitoring the strategic development of the Group, including the alignment of business structure and organization to the new regulatory requirements, as well as his active engagement with key stakeholders and regulators and representation of the Group in a variety of industry associations.

Compensation of the Vice-Chairman and the committee chairmen

Peter Brabeck-Letmathe, in the role of Vice-Chairman, received an annual base board fee of CHF 400,000 but no committee or additional fees. Aziz R.D. Syriani, Richard E. Thornburgh and John Tiner, each in the role of committee chairman, received an annual base board fee plus an additional fee, which reflects the greater responsibility and time commitment required to perform

the role of a committee chairman. The annual base board fee for the chairmen of the Audit and Risk Committees for 2012 was CHF 400,000 and the annual base board fee for the chairman of the Compensation Committee was CHF 350,000. The base board fees for the committee chairmen are set by the Compensation Committee for the 12-month period from the current AGM to the following year's AGM. The additional fees awarded to the three committee chairmen may vary from year to year, according to their overall time commitment, and are determined and paid for the current year, in alignment with the annual variable compensation cycle. The additional fees paid to the Audit and Risk Committee chairmen, who also serve on other committees as regular members, reflect the additional time commitment required to serve as regular members on such committees, which they do not chair.

Former members of the Board

Three former members of the Board are eligible to receive office infrastructure and secretarial support. These services are based on existing resources and are not used on a regular basis. No additional fees, severance payments or other forms of compensation were paid to current or former members of the Board or related parties during 2012.

Board compensation for 2012

in	Base board fee	Committee fee	Additional fees ¹	Other compen- sation categories ²	Total compen- sation	Awarded in cash	% of total compen- sation	Awarded in Group shares	% of total compen- sation	Number of Group shares ³
2012/2013 (CHF)										
Urs Rohner, Chairman ⁴	2,500,000	–	2,500,000	234,881	5,234,881	3,984,881	76%	1,250,000	24%	50,772
Peter Brabeck-Letmathe, Vice-Chairman ⁵	400,000	–	–	–	400,000	200,000	50%	200,000	50%	9,026
Jassim Bin Hamad J.J. Al Thani ⁵	250,000	–	–	–	250,000	125,000	50%	125,000	50%	5,641
Robert H. Benmosche ⁵	250,000	100,000	–	–	350,000	175,000	50%	175,000	50%	7,898
Iris Bohnet ⁵	250,000	100,000	–	–	350,000	175,000	50%	175,000	50%	7,898
Noreen Doyle ⁵	250,000	100,000	182,600	–	532,600	357,600	67%	175,000	33%	7,898
Jean-Daniel Gerber ⁵	250,000	150,000	–	–	400,000	200,000	50%	200,000	50%	9,026
Walter B. Kielholz ⁵	250,000	100,000	–	–	350,000	175,000	50%	175,000	50%	7,898
Andreas N. Koopmann ⁵	250,000	100,000	–	–	350,000	175,000	50%	175,000	50%	7,898
Jean Lanier ⁵	250,000	250,000	–	–	500,000	250,000	50%	250,000	50%	11,282
Anton van Rossum ⁵	250,000	100,000	–	–	350,000	175,000	50%	175,000	50%	7,898
Aziz R.D. Syriani, Chairman of the Compensation Committee ⁴	350,000	–	400,000	–	750,000	522,500	70%	227,500	30%	9,241
David W. Syz ⁵	250,000	150,000	–	–	400,000	200,000	50%	200,000	50%	9,026
Richard E. Thornburgh, Chairman of the Risk Committee ⁴	400,000	–	1,000,000	–	1,400,000	900,000	64%	500,000	36%	20,309
John Tiner, Chairman of the Audit Committee ⁴	400,000	–	1,000,000	–	1,400,000	900,000	64%	500,000	36%	20,309
Total	6,550,000	1,150,000	5,082,600	234,881	13,017,481	8,514,981	65%	4,502,500	35%	192,020

¹ Includes the additional fees for the full-time Chairman and the three committee chairmen as well as the additional fees paid to Noreen Doyle in 2012 as a non-executive director of two of the Group's UK subsidiaries, Credit Suisse International and Credit Suisse Securities Europe Limited. The additional fees of CHF 182,600 for Noreen Doyle corresponded to the annual fees of GBP 125,000 which Noreen Doyle received in 2012 as a non-executive director (annual fee of GBP 100,000) and audit committee chair (additional fee of GBP 25,000) of Credit Suisse International and Credit Suisse Securities Europe Limited. ² Other compensation for the Chairman included lump sum expenses, child and health care allowances and pension benefits. ³ The value of the Group shares is included in total compensation. Group shares are subject to a four-year blocking period. ⁴ The Chairman and the three committee chairmen received an annual base board fee paid in cash. They also received additional fees paid in cash and/or share awards as determined by the Board in the course of the regular compensation process. The additional fees awarded to these four individuals for 2012 were paid in Group shares (50%) and cash (50%). The applicable Group share price was CHF 24.62. ⁵ Except for the Chairman and the three committee chairmen, members of the Board were paid an annual base board fee and a committee fee for their respective committee membership in advance for the period from one AGM to the other, i.e., from April 26, 2012 to April 27, 2013. The annual committee fees are CHF 150,000 for the Audit Committee and CHF 100,000 for each of the Risk and Compensation Committees. For 2012, these total combined fees were paid in Group shares (50%) and cash (50%). The applicable Group share price as of the 2012 annual general meeting was CHF 22.16.

Board compensation for 2011

in	Base board fee	Committee fee	Compen- sation for functional duties	Other compen- sation categories ¹	Total compen- sation	Awarded in cash	% of total compen- sation	Awarded in Group shares	% of total compen- sation	Number of Group shares ²
2011/2012 (CHF)										
Urs Rohner, Chairman ^{3,4}	2,100,000	–	2,000,000	234,881	4,334,881	3,334,881	77%	1,000,000	23%	45,663
Hans-Ulrich Doerig, former Chairman ³	750,000	–	666,667	–	1,416,667	1,416,667	100%	–	–	–
Peter Brabeck-Letmathe, Vice-Chairman	400,000	–	–	–	400,000	200,000	50%	200,000	50%	5,088
Jassim Bin Hamad J.J. Al Thani ⁵	250,000	–	–	–	250,000	125,000	50%	125,000	50%	3,180
Robert H. Benmosche ⁵	250,000	100,000	–	–	350,000	175,000	50%	175,000	50%	4,452
Noreen Doyle ^{5,6}	250,000	100,000	–	–	350,000	175,000	50%	175,000	50%	4,452
Walter B. Kielholz ⁵	250,000	100,000	–	–	350,000	175,000	50%	175,000	50%	4,452
Andreas N. Koopmann ⁵	250,000	100,000	–	–	350,000	175,000	50%	175,000	50%	4,452
Jean Lanier ⁵	250,000	250,000	–	–	500,000	250,000	50%	250,000	50%	6,360
Anton van Rossum ⁵	250,000	100,000	–	–	350,000	175,000	50%	175,000	50%	4,452
Aziz R.D. Syriani, Chairman of the Compensation Committee ⁴	350,000	–	400,000	–	750,000	522,500	70%	227,500	30%	10,389
David W. Syz ⁵	250,000	150,000	–	–	400,000	200,000	50%	200,000	50%	5,088
Richard E. Thornburgh, Chairman of the Risk Committee ⁴	400,000	–	1,000,000	–	1,400,000	900,000	64%	500,000	36%	22,832
John Tiner, Chairman of the Audit Committee ⁴	400,000	–	666,666 ⁷	–	1,066,666	733,333	69%	333,333	31%	15,221
Peter F. Weibel ⁵	250,000	150,000	465,000 ⁷	–	865,000	665,000	77%	200,000	23%	5,088
Total	6,650,000	1,050,000	5,198,333	234,881	13,133,214	9,222,381	70%	3,910,833	30%	141,169

¹ Other compensation included lump sum expenses, child and health care allowances and pension benefits. ² The value of the Group shares is included in total compensation. Group shares are subject to a four-year blocking period. ³ Hans-Ulrich Doerig and Urs Rohner served in the roles of full-time Chairman and full-time Vice Chairman, respectively, from January 2011 until the AGM in April 2011. As of the 2011 AGM, Urs Rohner succeeded Hans-Ulrich Doerig in the role of full-time Chairman. ⁴ Members of the Board with functional duties received an annual base board fee paid in cash. In addition, they received variable compensation paid in cash and/or share awards as determined by the Board in the course of the regular management compensation process. Generally, variable compensation awarded for 2011 was paid in Group shares (50%) and cash (50%). The applicable Group share price was CHF 21.90. ⁵ Members of the Board without functional duties were paid an annual base board fee and a committee fee for their respective committee membership in advance for the period from one AGM to the other, i.e., from April 29, 2011 to April 27, 2012. The annual committee fees are CHF 150,000 for the Audit Committee and CHF 100,000 for the Risk and Compensation Committees. For 2011, these total combined fees were paid in Group shares (50%) and cash (50%). The applicable Group share price as of the 2011 AGM was CHF 39.31. ⁶ In July 2011, Noreen Doyle was appointed as a non-executive director and audit committee chair of the Group's UK subsidiaries Credit Suisse International and Credit Suisse Securities Europe Limited and was paid a total of GBP 50,000 in fees. ⁷ Peter F. Weibel was the Chairman of the Audit Committee until the 2011 annual general meeting, at which time John Tiner took over the role.

Board shareholdings and loans

Board shareholdings

The shareholdings as disclosed in the following table include the holdings of the respective members of the Board, their immediate family members and companies in which they have a controlling interest. As of December 31, 2012, there were no Board members with outstanding options.

Board shareholdings by individual

in	2012	2011
December 31 (shares)¹		
Urs Rohner	244,422	221,056
Peter Brabeck-Letmathe	120,999	108,820
Jassim Bin Hamad J.J. Al Thani	11,790	5,696
Robert H. Benmosche	30,872	23,304
Iris Bohnet	7,898	-
Noreen Doyle	41,324	31,837
Jean-Daniel Gerber	9,826	-
Walter B. Kielholz	292,424	281,891
Andreas N. Koopmann	30,469	21,400
Jean Lanier	43,881	30,912
Anton van Rossum	48,598	38,831
Aziz R.D. Syriani	76,774	66,385
David W. Syz	92,745	81,193
Richard E. Thornburgh	218,456	283,600
John Tiner	24,799	8,625
Total	1,295,277²	1,203,550³

¹ Includes Group shares that are subject to a blocking period of up to four years. ² In addition to the shareholdings shown, the following Board members held an aggregate number of 1,519 mandatory and contingent convertible securities (MACCS): Urs Rohner (395), Peter Brabeck-Letmathe (175), Jassim Bin Hamad J.J. Al Thani (17), Iris Bohnet (11), Walter Kielholz (431), Andreas Koopmann (44), Aziz Syriani (113), Richard Thornburgh (297) and John Tiner (36); these securities are convertible into an aggregate number of 93,247 shares on March 29, 2013 at a conversion price of CHF 16.29, with settlement and delivery of shares in early April 2013. ³ Excludes 72,232 shares held by Peter Weibel as of December 31, 2011, who stepped down from the Board as of April 27, 2011.

Board loans

A large majority of loans outstanding to members of the Board are mortgages or loans against securities. Such loans are made to Board members on the same terms available to third-party clients. As of December 31, 2012, 2011 and 2010, outstanding loans to the members of the Board amounted to CHF 40 million, CHF 34 million and CHF 35 million, respectively.

Members of the Board with loans do not benefit from employee conditions, but are subject to conditions applied to clients with a comparable credit standing. Members of the Board who were previously employees of the Group may still have outstanding loans, which were extended to them at the time that employee conditions applied to them. Unless otherwise noted, all loans to members of the Board were made in the ordinary course of business and substantially on the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons, and did not involve more than the normal risk of collectability or present other unfavorable features. In addition to the loans listed below, the Group or any of its banking subsidiaries may enter into financing and other banking agreements with companies in which current members of the Board have a significant influence as defined by the US Securities and Exchange Commission, such as holding executive and/or board level roles in these companies. Unless otherwise noted, loans extended by the Group to such companies are also made in the ordinary course of business and at prevailing market conditions. As of December 31, 2012, 2011 and 2010, there was no loan exposure to such related party companies that was not made in the ordinary course of business and at prevailing market conditions.

- ▶ Refer to "Banking relationships with members of the Board and Executive Board and related party transactions" in Corporate Governance for further information.

Board loans by individual

in	2012	2011
December 31 (CHF)		
Urs Rohner	5,034,157	5,090,650
Peter Brabeck-Letmathe	27,520,527	15,833,928
Walter B. Kielholz	4,200,000	5,050,000
Andreas N. Koopmann	2,775,000	2,775,000
David W. Syz	1,500,000	1,500,000
Richard E. Thornburgh	0	14,266
Total¹	41,029,684	30,263,844²

¹ Includes loans to immediate family members. ² Excludes a loan of CHF 3,950,000 held by Peter Weibel as of December 31, 2011, who stepped down from the Board as of April 27, 2011.

Group compensation

For all Group employees other than members of the Executive Board, the 2012 compensation design remained similar to the prior year. The key features of the 2012 compensation design are:

- The divisional variable compensation pools were determined based on the 2012 financial performance of each division and adjusted by a uniform capital charge.
- The threshold at which variable compensation becomes subject to deferral remained unchanged at total compensation of CHF/USD 250,000 (or local currency equivalent). The deferral rates applied for 2012 also remained largely unchanged compared to the prior year.
- As in previous years, all deferred awards for 2012 contained a general malus provision, which enables the Group to cancel any unsettled awards granted to any individual or individuals in the event that they engage in any activity that results in, or has the potential to result in, material financial, reputational or other material harm to the Group.
- The majority of deferred variable compensation for 2012 was granted to employees in the form of share awards, with vesting over three years.
- For managing directors and all employees categorized as MRTC, at least 50% of their deferred variable compensation for 2012 was awarded in the form of performance share awards that are subject to clawback provisions, which provide that the number of unvested shares will be adjusted downward in the event of a divisional loss or a negative underlying ROE. There will be no upward adjustment on unvested award balances.
- For managing directors and directors in the Investment Banking division, a portion of their deferred variable compensation for 2012 was awarded in the form of Plus Bonds, a new award plan. Plus Bonds are deferred cash-based awards that are notionally referenced to a portfolio of assets linked to asset-backed securities (ABS) and transfer risk from the Group to employees.
- Managing directors and directors in the Investment Banking division received the cash component of their variable compensation in the form of Restricted Cash Awards, which are cash payments that are subject to a pro-rata repayment in the event of voluntary resignation or termination for cause within three years of the grant.

Determination of divisional variable compensation pools

Determination of the performance-based variable compensation pools is an annual process. Appropriate accruals for the divisional and Group-wide variable compensation pools are made by the Group throughout the year. The Board regularly

reviews the accruals and related financial information and makes adjustments at its discretion to ensure that the overall size of the pools is consistent with the Group's compensation objectives. An accrual, at the Group or any other level, however, does not create legal rights or entitlements for employees to receive variable compensation.

For the business divisions, the primary measure for determining the variable compensation pool is the division's income before taxes and before the variable compensation accrual, reduced by a charge for capital usage. In order to better align the calculation methodology of the pools across all businesses, we standardized the calculation basis of our capital charge in 2012 so that a uniform capital charge was applied to our divisions. The capital charge is calculated as the economic cost of allocated capital. Allocated capital is defined as 10% of average ◊ Basel III ◊ risk-weighted assets. The methodology to determine the divisional variable compensation pools, however, is not purely formula driven, but instead takes into account divisional key performance indicators and non-financial criteria including risk considerations and relative performance compared to peers. For 2012, the divisional variable compensation pools were determined according to the former divisional structure (Private Banking, Investment Banking and Asset Management), which was in place for most of 2012.

For Shared Services functions, a deduction is applied to the pool of each division to fund a variable compensation pool for these employees, the total amount of which is based on the Group-wide performance and qualitative measurements rather than the performance of any particular division they support.

The determination of the pools for the business divisions and Shared Services functions also takes into account Group-wide performance, ethics, risk, compliance and control as well as the market and regulatory environment. The final variable compensation pools are reviewed and recommended by the Compensation Committee and approved by the Board.

Once the variable compensation pools have been set at the Group and divisional levels, each division allocates its pool to the various business areas, based on the same or similar factors used to determine the divisional pool. Capital usage continues to be factored into the pools as they are allocated within business areas. Through this process, business area managers recognize that capital usage is a significant factor in the determination of the variable compensation pool for the business area under their responsibility. The pools are then allocated further to line managers and employees. Line managers award variable compensation to employees based on individual and business area performance, subject to the constraints of the pool available.

Competitive benchmarking

The assessment of the economic and competitive environment is another important element of our compensation process as we strive for market-informed, competitive compensation levels for comparable roles, experience and geographical location of employees. We use internal expertise and the services provided by compensation consulting firms to benchmark our compensation levels against relevant competitors. We adopt a differentiated approach, looking at pay levels and competitive market players in the various geographical regions where we do business.

For key personnel of the Group and the divisions, we compete for talent primarily with major banks globally. To benchmark our compensation levels and as a key input for setting the variable compensation pools at the Group and divisional levels, we measure ourselves against a set of peer groups, including European and US banks. These peer groups and rel-

evant metrics are reviewed annually in April by the Compensation Committee and tracked throughout the year. The relevant peer group for 2012 for the Group is the same twelve peers used for by the Compensation Committee in the context of assessing the Group's relative performance for the purposes of determining compensation for the Executive Board: Bank of America, Barclays, BNP Paribas, Citigroup, Deutsche Bank, Goldman Sachs, HSBC, JPMorgan Chase, Morgan Stanley, Nomura, Société Générale and UBS. Most of these peer companies explicitly mention Credit Suisse as one of their peers.

The peer groups for 2012 for the Group and the divisions are shown in the following table, followed by specific performance criteria that the Compensation Committee reviews for assessing the relative performance against peers as part of the process to determine the divisional variable compensation pools.

2012 peer groups and performance criteria¹

Credit Suisse Group

Peer group	Bank of America, Barclays, BNP Paribas, Citigroup, Deutsche Bank, Goldman Sachs, HSBC, JPMorgan Chase, Morgan Stanley, Nomura, Société Générale and UBS
Performance criteria	
Profitability and efficiency	Return on equity, pre-tax income margin and compensation/revenue ratio
Growth	Earnings per share growth, net revenue growth, net new assets growth and total assets under management growth
Capital and risk	Tier 1 ratio, core tier 1 ratio, leverage ratio, Value-at-Risk and risk-weighted assets development
Shareholder satisfaction	Total shareholder return over one year, total shareholder return over two years and book value per share growth

Private Banking

Peer group	Barclays, Deutsche Bank, HSBC, Julius Bär Group, JPMorgan Chase and UBS
Performance criteria	
Profitability and efficiency	Pre-tax income margin, pre-tax income on assets under management and gross margin
Growth	Net revenue growth, pre-tax income growth and net new assets growth

Investment Banking

Peer group	Bank of America, Barclays, Citigroup, Deutsche Bank, Goldman Sachs, JPMorgan Chase, Morgan Stanley and UBS
Performance criteria	
Profitability and efficiency	Pre-tax return on economic risk capital, pre-tax income margin and compensation/revenue ratio
Growth	Net revenue growth and pre-tax income growth
Capital and risk	Net revenue/Value-at-Risk

Asset Management

Peer group	Allianz, BlackRock, Deutsche Bank, Goldman Sachs, JPMorgan Chase, Morgan Stanley and UBS
Performance criteria	
Profitability and efficiency	Pre-tax income margin and gross margin on assets under management
Growth	Pre-tax income growth, net revenue growth and net new assets growth

¹ For the 2012 compensation process, the peer groups and performance criteria were approved by the Compensation Committee in April 2012 and were defined according to the former divisional structure.

Risk and control considerations within the compensation process

Risk and control considerations are integrated throughout the performance assessment and compensation processes in order to ensure that our approach to compensation discourages excessive risk taking and that significant attention is given to risk and internal control matters. During 2012, we continued to refine our processes and governance regarding risk and compensation, in particular those impacting MRTC.

Compensation process for MRTC

During 2012, the Group enhanced its processes for reviewing the performance, compliance and variable compensation recommendations for MRTC and certain other groups of employees. MRTC include employees who, either individually or as a part of a group, are considered to have a potentially material impact on the Group's risk profile. Regulators, in particular, have placed increased emphasis and requirements on the identification and management of employees who have the potential to take or manage risk at firms. The criteria for classifying individuals as MRTC for the Group are approved by the Board upon recommendation by the Compensation and Risk Committees.

Employees meeting one or more of the following criteria are identified as MRTC:

- members of the Executive Board;
- employees who report directly to a member of the Executive Board, typically employees who are responsible for managing significant lines of business of the Group and are members of divisional management committees;
- senior control function personnel, which are senior employees in the Shared Services functions of Finance, Risk Management, Legal and Compliance and Talent, Branding and Communications who have responsibility for monitoring individuals or groups of individuals who manage material amounts of risk for the Group;
- employees, either individually or as part of a group, with the ability to put material amounts of the Group's capital at risk, such as traders, and others who are authorized to manage, supervise or approve risk exposure that could have a material or significant effect on our financial results;
- the top 150 paid employees across the Group (based on total compensation), regardless of seniority or function;
- UK Financial Services Authority Code Staff, which are determined based on the significance of the employees' functions in the UK and the potential impact of their risk-taking activities on the UK entities; and

- other individuals, whose role, individually or as part of a group, has been identified as having a potential impact on market, reputational or operational risk.

All managing directors and MRTC received at least 50% of their deferred variable compensation as performance share awards.

In response to requirement of the Fed, the Group has also identified two groups of US-based employees in addition to the MRTC, which are subject to the enhanced compensation processes for MRTC. The broader group is collectively known as covered employees, which are comprised of:

- MRTC;
- as all US-based revenue producers in Investment Banking; and
- all branch managers of our US Wealth Management Clients business within the Private Banking & Wealth Management division.

The 2012 enhancements to the compensation process apply to all covered employees and included the introduction of policies and procedures to ensure that managers who make performance assessments and variable compensation recommendations in respect of covered employees apply due consideration to risk taken by those employees. This included mandatory training for all managers of covered employees. Policies were also introduced for malus triggers and the compensation impact of different trigger events, based on the severity of such events. To ensure that the new guidelines are being applied, validation and monitoring processes have been created, which include a review of covered employee compensation decisions.

- ▶ Refer to the table "Approval authority" for further information on the review and approval process for variable compensation.

Role of control functions in the compensation process

In addition to the annual performance assessment conducted by their line managers, covered employees are subject to a separate review process by the Group's control functions, which can impact decisions about individual variable compensation awards. The control functions include Legal and Compliance, Risk Management, Finance and Internal Audit, which are independent of the businesses. Reports of infractions of employees are presented to regional disciplinary review committees, which assess such infractions and make recommendations on disciplinary measures. Such measures can include the reduction or elimination of the employee's variable compensation award for the given year and, in the case of MRTC, deferred awards from prior years. The Board's Audit and Risk Committees are periodically provided with information on the

disciplinary cases and may give directional input regarding the appropriateness of disciplinary outcomes. The results of the disciplinary review committees' assessment and any disciplinary measures are communicated to the Compensation Committee, together with details of any impacts on variable compensation. In the case of MRTC, the proposed variable compensation amounts are subject to final review and approval by the Compensation Committee.

Clawback and risk-based adjustments for deferred awards

All deferred awards contain clawback provisions. Specifically, the performance share awards and Adjustable Performance Plan awards (granted in 2010 and 2009) contain provisions that result in the unvested amount of the deferred awards to be adjusted downwards or cancelled in the event of future negative business performance according to specific pre-defined performance criteria and other conditions. Given the positive performance of the Group and all divisions in 2012, no such downward adjustments were made to existing performance share awards or Adjustable Performance Plan awards for calendar year 2012.

All deferred awards also contain general malus provisions. The Group can reduce or cancel the amount of the unsettled awards of any employee whose individual behavior has a materially detrimental impact on the Group. Additionally, for all covered employees, a further general malus provision applies, which can be triggered not only for cases of materially detrimental individual behavior, but also in cases where the behavior or performance of the individual causes, or could cause the Group or any division or region to suffer a material downturn in its financial performance or regulatory capital base, a material failure of risk management or reputational harm or other similar events, or a combination thereof, as determined by the Group in its sole discretion.

- ▶ Refer to the table "Potential downward adjustments of performance share awards and STI" for specific downward adjustments to be applied.

In addition to the downward adjustments that may be made as a result of explicit clawback provisions, deferred awards are subject to implicit or **fair value** adjustments due to changing market conditions. Normal market fluctuations in the Group share price, for example, will give rise to implicit upward or downward adjustments in the value of the deferred share awards.

- ▶ Refer to the table "Fair value of outstanding deferred compensation awards" for a quantitative disclosure of the explicit and implicit risk adjustments made in 2012 on the outstanding deferred awards.

Compensation design

In line with the Group's total compensation approach, all Group employees received fixed compensation in the form of salaries and were eligible to receive variable compensation for 2012. Variable compensation for 2012 was awarded to employees in the form of cash, Restricted Cash Awards, share-based awards and, in certain cases, Plus Bond awards, subject to the eligibility and other terms and conditions of the specific award plans as shown below.

Base salaries

All employees are paid a base salary. The level of base salary paid to an individual employee is based on the role and experience of the individual, his or her individual sustained long-term performance and market positioning. The Group regularly reviews benchmarking data on base salary levels with respect to different functions and geographical regions to ensure that employees are paid fairly and competitively in reference to comparable roles in the market.

Variable compensation and deferral rates

For 2012, 42,482 employees received some amount of variable compensation, of which 7,592, or 18%, received some portion of deferred variable compensation. This is consistent with the 7,719 employees who received deferred variable compensation for 2011. The number of employees, including members of the Executive Board, managing directors and other MRTC, who received performance share awards subject to performance-related clawback provisions was 1,715. Variable compensation was paid in cash unless total compensation granted for 2012 was CHF/USD 250,000 (or local currency equivalent) or more, in which case a portion was paid in cash and the balance was deferred. The portion that was deferred was determined by reference to a pre-established deferral table, which increases the deferred portion for higher levels of total compensation. Compared to 2011, the deferral rates for 2012 were adjusted slightly. The initial deferral rate was increased from 15% to 17.5%. The largest change was for the maximum deferral rate, which was set at 90% for 2012 compared to 80% for 2011. The amount of variable compensation paid as cash for 2012 was subject to a cap of CHF/USD 2 million (or local currency equivalent).

Employee categories and components of total compensation for 2012

Employee category	Total compensation						
	Fixed compensation	Variable compensation					
		Deferred compensation ¹					
Employee category	Base salary	Unrestricted cash	Restricted Cash Awards	Shares	Performance shares	Plus Bond	
Non-IB	Managing directors and MRTC			50%	50%		
	Other employees with total compensation above CHF/USD 250,000			100%			
IB	Managing directors and directors who are MRTC			33%	50%	17%	
	Other directors			83%		17%	
	Other MRTC			50%	50%		
	Other employees with total compensation above CHF/USD 250,000			100%			
	Employees with total compensation below CHF/USD 250,000						

IB – Investment Banking

¹ Deferred compensation is applicable to employees with total compensation of CHF/USD 250,000 or higher.

Unrestricted cash

Generally employees were paid the cash portion of their variable compensation as unrestricted cash.

Deferred variable compensation instruments

Share awards

Our share awards align the interests of our employees with those of our shareholders and the performance of the Group and comply with the expectations of regulators to grant a substantial portion of variable compensation in the form of share awards. A total of 7,592 employees received share awards for 2012. Each share award granted entitles the holder of the award to receive one Group share and does not contain a leverage component or multiplier effect. The share award vests over three years, such that one third of the share award vests on each of the three anniversaries of the grant date, and will be expensed over the vesting period. The number of share awards was determined by dividing the deferred component of variable compensation being granted as shares by the average price of a Group share over the twelve business days ended

January 16, 2013. The final value of these share awards is solely dependent on the Group share price at the time of delivery.

In order to comply with regulatory requirements, the Group awarded an alternative form of share awards to senior employees in a number of EU countries instead of unrestricted cash. For 2012, these employees received 50% of the amount they otherwise would have received in cash in the form of blocked shares. The shares remain blocked for a period of time, which ranges from six months to three years depending on location, after which they are no longer subject to restrictions.

The Group prohibits employees from entering into transactions to hedge the value of outstanding share awards. Employee pledging of unvested share awards is not allowed except with express approval of the Compensation Committee. The Group continues to apply minimum share ownership requirements for members of the divisional and regional management committees and the Executive Board.

- Refer to "Minimum share ownership requirements" in Executive Board compensation for further information.

Performance share awards

Members of the Executive Board, managing directors and all other MRTC (1,715 employees) received at least 50% of their deferred variable compensation in the form of performance share awards, which are subject to explicit performance-related clawback provisions. Each performance share award granted entitles the holder of the award to receive one Group share. Performance share awards also vest over three years, such that one third of the share awards vest on each of the three anniversaries of the grant date and will be expensed over the vesting period. Unlike the share awards described above, however, the outstanding performance share awards are subject to a negative adjustment in the event of a divisional loss or a negative underlying ROE of the Group. Outstanding performance shares are subject to a negative adjustment in the event of a divisional loss, unless there is a negative underlying ROE of the Group that would call for a negative adjustment greater than the divisional adjustment for the year, in which case the negative adjustment is based on such negative underlying ROE. For employees in Shared Services, the negative adjustment only applies in the event of a negative underlying ROE of the Group and is not linked to the performance of the divisions. Performance shares awarded prior to 2012 were based on reported ROE, unlike performance share awards for 2012, which were based on underlying ROE.

The amount of potential negative adjustment for loss at the divisional level, which is applicable to all outstanding performance share awards (including STI awards of Executive Board members heading a business division), is shown in the following chart.

Potential downward adjustments of performance share and STI awards

Downward adjustment if division incurs a loss	
Division pre-tax loss (in CHF billion)	Percentage adjustment on award balance
(1.00)	(15%)
(2.00)	(30%)
(3.00)	(45%)
(4.00)	(60%)
(5.00)	(75%)
(6.00)	(90%)
(6.67)	(100%)

Plus Bond awards

Managing directors and directors in the Investment Banking division received approximately 17% of their variable compensation in the form of Plus Bond awards. The Plus Bond award is essentially a fixed income instrument, denominated in US dollars, which provides a coupon payment that is commensurate with market-based pricing. Plus Bond award holders are entitled to receive semi-annual cash payments on their adjusted award amounts at the rate of ◊London Interbank Offered Rate plus 7.875% per annum until settlement. The Plus Bond will settle in the summer of 2016 based on the amount of the initial award less portfolio losses, if any, in excess of a first loss portion retained by the Group of approximately USD 600 million. The value of the Plus Bond awards is based on the performance of a portfolio of unrated and sub-investment-grade ABS that are held in inventory by various trading desks of the Investment Banking division. While the Plus Bond award is a cash-based instrument, the Group reserves the right to settle the award in Group shares based on the share price at the time of final distribution. In addition, subject to oversight procedures, the Group retains the right to prepay all or a portion of the Plus Bond award in cash at any time and, in the event of certain regulatory developments or changes on capital treatment, exchange the award into Group shares. Similar to the PAF2 awards, the Plus Bond award plan contributes to a reduction of the Group's ◊risk-weighted assets and constitutes a risk transfer from the Group to the Plus Bond award holders.

The Plus Bonds provided to 2,274 employees in Investment Banking had a notional value of CHF 187 million and were fully vested and expensed as of the grant date of December 31, 2012.

Managing directors and directors outside of the Investment Banking division were given the opportunity in early 2013 to voluntarily reallocate a portion of the share award component of their deferred awards into the Plus Bond awards. The Plus Bonds provided to 769 employees outside the Investment Banking division through the voluntary reallocation offer had a notional value of CHF 38 million as of the grant date, will vest on the third anniversary of the grant date in 2016 and will be expensed over the vesting period.

In addition, members of the Executive Board who did not participate in the structuring of the instrument were given the opportunity to invest their own funds in Plus Bond instruments that have substantially the same terms as the Plus Bond awards granted to employees. As a result, certain Executive Board members acquired an aggregate of CHF 9 million in Plus Bond instruments in February 2013.

- ▶ Refer to "Banking relationships with members of the Board and Executive Board and related party transactions" in Corporate Governance – Board of Directors for further information.

Restricted Cash Awards

Managing directors and directors in the Investment Banking division received the cash component of their variable compensation in the form of Restricted Cash Awards. These awards are cash payments made on the grant date, but are subject to a pro-rata repayment by the employee in the event of voluntary resignation or termination for cause within three years of the grant. The Restricted Cash Award is reported as part of the deferred compensation award for the Group even though the award was paid as of the grant date. The expense recognition will occur over the three-year vesting period, subject to service conditions.

Other awards

In addition, we may, from time to time, employ other long-term incentive compensation plans or programs to assist in hiring at competitive levels and to support the retention of talent. These variations from our standard approach to compensation

are generally applied to small populations of employees within the Group where the specific circumstances warrant such compensation arrangements. For 2012, such compensation arrangements were applied to approximately 328 employees, including employees engaged in arbitrage trading in the Investment Banking division, alternative investments in the Private Banking & Wealth Management division and certain employees in our Credit Suisse Hedging-Griffo Investimentos S.A. subsidiary. Generally, compensation for employees at Group subsidiaries follows the standard compensation design described above, with few exceptions. Any and all variations from our standard approach must be approved by the Compensation Committee.

We may pay commissions to employees operating in specific areas of the business where such compensation practices are warranted and in line with market practice. The value of commissions paid is determined by formulas, which are reviewed regularly to ensure that they remain competitive.

Total compensation awarded

The following table shows the value of total compensation awarded to employees for 2012 and 2011, including awards granted to employees as variable incentive compensation for 2012 and 2011 granted in January 2013 and 2012, respec-

tively. The deferred awards are subject to future service, performance, market and clawback criteria that will determine the final payout to employees upon settlement and/or may be forfeited or reduced if such criteria are not achieved.

Total compensation awarded

For	2012			2011	
	Unrestricted	Deferred	Total	Unrestricted	Deferred
Fixed compensation (CHF million)					
Salaries	6,063	–	6,063	6,319	–
Social security	769	–	769	865	–
Other	837 ¹	–	837	874 ¹	–
Total fixed compensation	7,669	–	7,669	8,058	–
Variable incentive compensation (CHF million)					
Unrestricted cash	1,202	–	1,202	1,519	–
Share awards	6	950 ²	956	11	438
Performance share awards	–	660	660	–	516
Plus Bond awards	–	187	187	–	–
2011 Partner Asset Facility awards	–	–	–	–	499 ³
Restricted Cash Awards	–	299	299	–	–
Other cash awards	–	119	119	–	5
Total variable incentive compensation	1,208	2,215	3,423	1,530	1,458
Other variable compensation (CHF million)					
Cash severance awards	251	–	251 ⁴	405	–
Sign-on awards	10	79	89	25	142
Cash-based commissions	157	–	157	143	–
Total other variable compensation	418	79	497	573	142
Total compensation awarded (CHF million)	9,295	2,294	11,589	10,161	1,600
Total compensation awarded	9,295	2,294	11,589	10,161	1,600
of which guaranteed bonuses	–	–	69 ⁵	–	–
					172 ⁵

¹ Includes pension and other post-retirement expense of CHF 532 million and CHF 610 million in 2012 and 2011, respectively. ² Includes the notional value of CHF 38 million of share awards that was reallocated to Plus Bond awards as a part of the voluntary employee reallocation offer that took place subsequent to the grant date. ³ Represents the fair value of the 2011 Partner Asset Facility awards as of the grant date. The notional value was CHF 751 million. ⁴ Includes CHF 215 million and CHF 182 million relating to cash severance awards for terminations effective as of December 31, 2012 and 2011, respectively. ⁵ Awarded to 205 and 332 employees in 2012 and 2011, respectively. Guaranteed bonuses may be awarded as variable incentive compensation or sign-on awards.

All variable compensation was approved by the Board, based on the Compensation Committee's recommendation and the thorough assessment of the Group's performance in 2012. In addition, other factors were taken into consideration, such as the overall economic and competitive environment, the capital and risk position of the Group and returns to shareholders. Total compensation awarded for 2012, which reflected the solid performance of the Group in 2012 in a challenging market environment, was CHF 11.6 billion, down 1% compared

to 2011, and up 3% on an average basis per person, reflecting the net decline of 2,300 employees throughout the year. The overall variable incentive compensation awarded for 2012 was CHF 3.4 billion, up 15% compared to 2011. Of the total variable incentive compensation awarded across the Group for 2012, 65% was deferred and subject to future performance, market and clawback criteria. A total of 42,482 employees received some form of variable incentive compensation for 2012, of which 523 were classified as MRTC.

Number of employees awarded variable and other compensation

	Other MRTC ¹ employees	2012 Total	Other MRTC ² employees	2011 Total
Number of employees awarded variable compensation				
Variable compensation	523	41,959	42,482	487
of which unrestricted cash	235	39,935	40,170	470
of which share awards	508	7,084	7,592	163
of which performance share awards	481	1,234	1,715	455
of which Plus Bond awards	298	1,976	2,274	—
of which 2011 Partner Asset Facility awards	—	—	—	442
of which Restricted Cash Awards	285	1,976	2,261	—
or which other cash awards	41	48	89	—
				139
				139
Number of employees awarded other variable compensation				
Cash severance awards	9	3,056	3,065 ³	2
Sign-on awards	6	190	196	5
Cash-based commissions	0	370	370	3
Guaranteed bonuses	5	200	205	7
				325
				332

¹ Excludes individuals who may have been classified as material risk takers and controllers according to regulatory requirements of jurisdictions outside of Switzerland, particularly US-based revenue producers in Investment Banking and branch managers of the US Wealth Management Clients business within the Private Banking & Wealth Management division, who were classified as covered employees by the US Federal Reserve, and other UK employees. ² Excludes individuals who may have been classified as material risk takers and controllers according to regulatory requirements of jurisdictions outside of Switzerland (e.g., US, UK). ³ Includes employees who received cash severance awards for terminations of employment as of December 31, 2012 and 2011.

Compensation awarded to MRTC

The 523 employees classified as MRTC were awarded total compensation of CHF 1,282 million for 2012 and variable incentive compensation of CHF 993 million for 2012, of which

CHF 914 million, or 92%, was deferred. MRTC received 50% of their deferred compensation for 2012 in the form of performance share awards, which are subject to clawback provisions.

Compensation awarded to MRTC

For	Unrestricted	Deferred	2012 Total	Unrestricted	Deferred	2011 Total
Fixed compensation (CHF million)						
Total fixed compensation	275	-	275	231	-	231
Variable incentive compensation (CHF million)						
Unrestricted cash	77	-	77	136	-	136
Share awards	-	313	313	-	73	73
Performance share awards	-	404	404	-	278	278
Plus Bond awards	-	107	107	-	-	-
2011 Partner Asset Facility awards	-	-	-	-	201	201
Restricted Cash Awards	-	57	57	-	-	-
Other cash awards	2	33	35	-	-	-
Total variable incentive compensation	79	914	993	136	552	688
Other variable compensation (CHF million)						
Cash severance awards	5	-	5	5	-	5
Sign-on awards	0	9	9	2	0	2
Cash-based commissions	0	-	0	2	-	2
Total other variable compensation	5	9	14	9	-	9
Total compensation (CHF million)						
Total compensation	359	923	1,282	376	552	928
of which guaranteed bonuses ¹	1	4	5	4	10	14

¹ Guaranteed bonuses may be awarded as variable incentive compensation or sign-on awards.

Group compensation and benefits expense

Compensation and benefits expense recognized for a given year in the consolidated statement of operations includes salaries, variable compensation, the amortization of share-based and other awards that were granted as deferred variable compensation in prior years, benefits and employer taxes on compensation. Variable compensation mainly reflects the unrestricted performance-based compensation for the current year and deferred variable compensation, as well as severance, sign-on and commission payments. Deferred variable compensation granted for the current year is expensed in future periods and subject to restrictive features such as continued employment with the Group, vesting, forfeiture, clawback and blocking rules.

Compensation expense for share-based and other awards that were granted as deferred variable compensation in prior years is recognized in accordance with the specific terms and conditions of each respective award and is primarily recognized over the future requisite service and vesting period,

which is determined by the individual respective plan, retirement eligibility of employees, moratorium periods and certain other terms. Compensation expense for share-based and other awards that were granted as deferred variable compensation in prior years also includes the current estimated outcome of applicable performance criteria, estimated future forfeitures and mark-to-market adjustments for certain awards that are still outstanding.

In 2012, there was a 5% decrease in compensation and benefits expense primarily due to lower variable compensation expense and lower salaries, reflecting lower headcount, partly offset by severance and other compensation expense associated with our cost efficiency measures.

The amounts shown below for severance payments in 2012 and 2011 were paid to 3,065 and 1,699 individuals, respectively, and the amounts awarded for sign-on payments in 2012 and 2011 were awarded to 196 and 44 individuals, respectively.

Group compensation and benefits expense

in	2012			2011	
December 31	Current compensation	Deferred compensation	Total	Current compensation	Deferred compensation
Fixed compensation expense (CHF million)					
Salaries	6,063	–	6,063	6,319	–
Social security ¹	769	–	769	865	–
Other	837 ²	–	837	874 ²	–
Total fixed compensation expense	7,669	–	7,669	8,058	–
Variable incentive compensation expense (CHF million)					
Unrestricted cash	1,202	–	1,202	1,519	–
Share awards	6	786 ³	792	11	767 ³
Performance share awards	–	366	366	–	–
Plus Bond awards	187 ⁴	–	187	–	–
2011 Partner Asset Facility awards ⁵	–	677	677	–	–
Adjustable Performance Plan share awards	–	74	74	–	–
Adjustable Performance Plan cash awards	–	286	286	–	1,106
Restricted Cash Awards	–	165	165	–	253
Scaled Incentive Share Units	–	97	97	–	415
Incentive Share Units	–	62	62	–	174
2008 Partner Asset Facility awards ⁵	–	173	173	–	3
Other cash awards	–	362	362	–	334
Total variable incentive compensation expense	1,395	3,048	4,443	1,530	3,052
Other variable compensation expense (CHF million)					
Severance payments	251	–	251	405	–
Sign-on payments	10	–	10	25	–
Commissions	157	–	157	143	–
Total other variable compensation expense	418	–	418	573	–
Total compensation expense (CHF million)					
Total compensation expense	9,482	3,048	12,530 ⁶	10,161	3,052
					13,213 ⁶

¹ Represents the Group's portion of employees' mandatory social security. ² Includes pension and other post-retirement expense of CHF 532 million and CHF 610 million in 2012 and 2011, respectively. ³ Includes CHF 32 million and CHF 43 million of expenses associated with other share awards granted in 2012 and 2011, respectively. ⁴ The Plus Bond awards granted to Investment Banking employees were fully vested and expensed on December 31, 2012. Changes in the underlying fair value of the instruments may have an impact on deferred compensation expense in future periods. ⁵ Includes the change in the underlying fair value of the indexed assets during the period. ⁶ Includes severance and other compensation expense relating to headcount reductions of CHF 456 million and CHF 715 million in 2012 and 2011, respectively.

Group estimated unrecognized compensation expense

The following table shows the estimated unrecognized compensation expense for deferred compensation awards granted for 2012 and prior years outstanding as of December 31, 2012 and comparative information for 2011. These estimates

were based on the fair value of each award on the grant date taking into account the current estimated outcome of relevant performance criteria and estimated future forfeitures. No estimate has been included for future mark-to-market adjustments.

Group estimated unrecognized compensation expense

in	Deferred compensation			Deferred compensation		
			2012			2011
	For 2012	For prior-year awards	Total	For 2011	For prior-year awards	Total
Estimated unrecognized compensation expense (CHF million)						
Share awards	935	706 ¹	1,641	464	1,100 ¹	1,564
Performance share awards	677	161	838	546	—	546
Plus Bond awards	37 ²	—	37	—	—	—
2011 Partner Asset Facility awards	—	—	—	540	—	540
Adjustable Performance Plan share awards	—	42	42	—	—	—
Adjustable Performance Plan cash awards	—	54	54	—	569 ³	569
Restricted Cash Awards	299	—	299	—	167	167
Scaled Incentive Share Units	—	73	73	—	211	211
Incentive Share Units	—	—	—	—	85	85
Other cash awards	118	72	190	5	87	92
Estimated unrecognized compensation expense	2,066	1,108	3,174	1,555	2,219	3,774

¹ Includes CHF 47 million and CHF 93 million of estimated unrecognized compensation expense associated with other share awards which were granted to new employees in 2012 and 2011, respectively. ² Represents the notional value of share awards reallocated to Plus Bond awards through the employee voluntary reallocation offer, with vesting in 2016, after consideration of estimated future forfeitures. ³ Includes CHF 16 million of estimated unrecognized compensation expense associated with special Adjustable Performance Plan cash awards.

- ▶ Refer to "Note 27 – Employee deferred compensation" in V – Consolidated financial statements – Credit Suisse Group for information about the fair value assumptions used to estimate the unrecognized compensation expense of unvested awards.
- ▶ Refer to "Note 7 – Share capital, conditional, conversion and authorized capital of Credit Suisse Group" in VI – Parent company financial statements – Credit Suisse Group for more information.

Impact of share-based compensation on shareholders' equity

Our shareholders' equity reflects the effect of share-based compensation. Share-based compensation expense, which is generally based on fair value at the time of grant, reduces equity; however, the recognition of the obligation to deliver shares increases equity by a corresponding amount. Equity is generally unaffected by the granting and vesting of share-based awards, including through the issuance of shares from approved conditional capital. If Credit Suisse purchases shares from the market to meet its obligation to employees, these purchased treasury shares reduce equity by the amount of the purchase price. Shareholders' equity also includes, as addi-

tional paid-in capital, the excess tax benefits/charges that arise at settlement of share-based awards.

Settlement of share delivery obligation

Granting a substantial part of variable compensation in deferred share-based awards aligns the interests of employees and shareholders and meets the expectations of regulators. To avoid shareholder dilution, the Group in the past has covered its share delivery obligations by buying shares in the market. This practice has been temporarily suspended, as the Group seeks to meet the increased regulatory capital requirements under the Basel III framework and the Swiss "Too Big to Fail" legislation and regulations thereunder. Consequently, in 2011, we decided to start settling outstanding share-based awards primarily through the issuance of new shares from conditional capital. We intend to resume our previous practice of buying shares in the market after the Group achieves its Look-through Swiss Core Capital ratio target of 10%, which is expected by mid-2013.

- ▶ Refer to Look-through Swiss Core Capital and Total Capital ratios" in III – Treasury, Risk, Balance sheet and Off-balance sheet – Capital Management – Ratios based on new capital frameworks for more information.

Awards outstanding

Our share-based awards generally vest and settle over three years, subject to service and/or performance conditions. As of the end of 2012, we had the following types of awards outstanding:

- Performance share awards: 23 million awards are subject to explicit performance-related clawback provisions in relation to divisional performance or reported ROE;
- Other share-based awards; includes 56 million share awards and a population of other awards relating to prior years that are no longer part of our current compensation plans, consisting of 10 million Scaled Incentive Share Units and 3 million Incentive Share Units, as well as 5 million share options that we expect to settle without value; and
- Converted Adjustable Performance Plan awards: 31 million awards were converted from cash-based to share-based awards. In July 2012, as part of the announced capital strengthening measures, we have launched a voluntary exchange offer under which employees could elect to convert any future payments from deferred cash compensation awards under the Adjustable Performance Plan into Adjustable Performance Plan share awards at the same price as the conversion price under MACCS that

were also issued in July. Adjustable Performance Plan awards were granted for performance in 2010 and 2009, with ratable vesting over four and three years, respectively. These awards are linked to reported ROE and divisional performance criteria.

The number of shares issued as of the end of 2012 was 1,321 million. In April 2013, we expect to issue 200 million shares as a result of the conversion of our MACCS. Additionally, we have 550 million shares available to support contingent conversion instruments (CoCos) that increase loss absorbing regulatory capital without diluting shareholders at the time of their issuance, including 499 million shares relating to buffer capital notes we placed in 2012 and 2011. In the following table, we show the number of outstanding awards as a percentage of shares issued as of year-end 2012 and in the context of our capital strategy. Excluding the converted Adjustable Performance Plan share awards, we had 97 million share-based awards outstanding, equivalent to 6.4% of shares issued, including shares subject to issuance pursuant to the terms of the MACCS. If we also consider the shares available for CoCos within the total number of shares to be issued, the number of outstanding share-based awards represents 4.7% of shares issued as of year-end 2012.

Outstanding share awards in the context of our capital strategy

	Awards outstanding in relation to shares issued, including MACCS (%) ¹	Awards outstanding in relation to shares issued, including MACCS (%) ^{1,2}	Awards outstanding in relation to shares issued, including MACCS and CoCos (%) ^{1,2}
end of 2012			
Outstanding awards in the context of our capital strategy³			
Performance share awards	23	1.5	1.1
Other share-based awards ⁴	74	4.9	3.6
Converted Adjustable Performance Plan awards ⁵	31	2.0	1.5

¹ Mandatory and contingent convertible securities were issued as part of our capital measures, which were announced in July 2012. Upon their conversion, 200 million shares will be issued in April 2013. ² For CoCos, 550 million shares are available as a contingency. ³ Does not include Plus Bond awards and 2011 Partner Asset Facility awards which may be settled in cash or shares at the Group's discretion. ⁴ Includes share awards, Scaled Incentive Share Units, Incentive Share Units and share options. ⁵ Former cash-based awards that were converted into share awards as part of our capital measures announced in July 2012.

Subsequent activity and share issuance

For performance in 2012, we granted 26 million new performance share awards and 38 million new share awards in early 2013. In the same period, we settled 38 million deferred awards from prior years, consisting of 5 million performance share awards, 22 million other share-based awards and 11 million converted Adjustable Performance Plan share awards.

To meet our obligations, we issued 19 million shares in early 2013, 39 million shares in 2012 and 22 million shares in 2011, all from conditional capital. We currently have a remaining authorization to issue 3 million new shares from conditional capital.

In connection with our obligation from the converted Adjustable Performance Plan awards and consistent with our capital-efficient strategy of issuing new shares from conditional capital, the Board will propose to the AGM in April 2013 an increase of the currently available conditional capital to 30 million shares. This increase of 27 million shares represents 2.1% of shares issued as of the end of 2012, or 1.3% including MACCS and CoCos. Any further new share issuance will need AGM approval and it is not our current intention to seek this under our capital strategy.

- ▶ Refer to "Capital strategy and framework" in III – Treasury, Risk, Balance sheet and Off-Balance sheet – Treasury measurement – Capital management for more information.

Value changes of outstanding deferred awards

Employees experience changes to the values of their deferred compensation awards during the vesting period due to both implicit and explicit value changes. Implicit value changes primarily reflect market driven effects, such as changes in the

Group share price, changes in the value of the underlying PAF, PAF2 and Plus Bond assets or foreign exchange rates. Explicit value changes reflect risk adjustments triggered by clawback provisions related to negative performance in the performance share awards (applies to managing directors and MRTC), positive or negative performance for the Adjustable Performance Plan share awards or the general malus provisions in all deferred awards (applies to all employees). The final value of an award will only be determined at settlement.

The following table provides a comparison of the fair values of outstanding deferred compensation awards as of the beginning and the end of 2012, indicating the value of changes due to implicit and explicit adjustments. For 2012, the change in fair value for all outstanding deferred compensation awards was primarily due to implicit adjustments driven by the changes in the Group share price, changes in the value of the underlying PAF and PAF2 assets and the foreign exchange rate movements during the period.

Fair value of outstanding deferred compensation awards

in / end	Change in value			
	2011	Implicit	Explicit	2012
Share-based awards (CHF per unit)				
Incentive Share Units granted for 2009	22.1	0.2	0.0	22.3
Scaled Incentive Share Units granted for 2009	22.1	0.2	0.0	22.3
Share awards granted for 2010 ¹	22.1	0.2	0.0	22.3
Share awards granted for 2011 ²	21.9	0.4	0.0	22.3
Performance share awards granted for 2011 ³	21.9	0.4	0.0	22.3
Adjustable Performance Plan share awards converted in 2012	16.3 ³	6.0	1.0	23.3
Cash-based awards (CHF per unit)				
2008 Partner Asset Facility awards (PAF)	1.55	0.25	0.00	1.80
Adjustable Performance Plan cash awards granted for 2009	1.18	(0.03)	0.04	1.19
Adjustable Performance Plan cash awards granted for 2010	1.05	(0.03)	0.04	1.06
2011 Partner Asset Facility awards (PAF2) ⁴	0.65	0.25	0.00	0.90
Plus Bond awards granted for 2012 ⁵	–	–	–	1.00

¹ Represents awards granted in January 2011 for 2010. ² Represents awards granted in January 2012 for 2011. ³ Represents the value of the Adjustable Performance Plan share awards that were converted in August 2012 from Adjustable Performance Plan cash awards granted in 2011 for 2010 and granted in 2010 for 2009. ⁴ Represents the fair value of the 2011 Partner Asset Facility awards that were granted in the first quarter of 2012. ⁵ Represents the fair value of the Plus Bond awards that were granted to certain employees in the Investment Banking division and were fully vested in December 2012.

Discontinued compensation plans

While we believe that the evolution of our compensation instruments over recent years provides a track record of innovation and responsiveness, we also acknowledge that the complexity of our compensation instruments gave internal and external stakeholders concerns with regard to excess potential

leverage and transparency. These issues were taken into account as we have discontinued compensation instruments with leverage components and have provided more comprehensive disclosure on our compensation practices and plans in recent years.

A summary of the principal forms of awards granted in prior years, which have since been discontinued but are still vesting, is shown in the following overview.

- ▶ Refer to "Note 27 – Employee deferred compensation" in V – Consolidated financial statements – Credit Suisse Group for more information.

Principal outstanding compensation plans

2011 Partner Asset Facility (PAF)	Adjustable Performance Plan awards	Scaled Incentive Share Unit (SISU)	2008 Partner Asset Facility (PAF)
<p>Basis Cash-based, deferred variable compensation</p> <p>Vesting start 2012</p> <p>Vesting end March 31, 2012</p> <p>Applied to Performance in year 2011, which included managing directors and directors and certain members of the Executive Board.</p> <p>General award conditions The contractual term of a PAF award is four years, but it may be extended to nine years at the election of either the Group or the holders acting collectively. PAF2 units are essentially fixed income structured notes that are exposed to a portion of the credit risk that arises in the Group's derivative activities. The value of the award (for both the interest accrual and the final redemption) will be reduced if the amount of realized credit losses from a specific reference portfolio exceeds a pre-defined threshold. The Group will bear the first USD 500 million of such losses and the PAF2 holders will bear any losses in excess of USD 500 million, up to the full amount of the deferred compensation awarded.</p> <p>Other award conditions or restrictions PAF2 holders will receive a semi-annual cash interest payment equivalent to an annual return of 5% (CHF-denominated awards) or 6.5% (USD-denominated awards) applied to the then current balance of the units. The Group can settle the PAF2 units in cash or an equivalent value in shares at its discretion. PAF2 holders are subject to a non-compete/non-solicit provision.</p> <p>Program objective/rationale PAF awards provided employees with a fixed income strategy while transferring risk from the Group to employees thereby contributing to risk reduction and capital efficiency.</p>	<p>Basis Cash and share-based, deferred variable compensation</p> <p>Vesting start 2010-2011</p> <p>Vesting end 2013-2015</p> <p>Applied to Performance in 2009-2010, which included the Executive Board, managing directors and directors.</p> <p>General award conditions Adjustable Performance Plan awards link awards to future performance through positive and negative adjustments. Vesting ratably over a three-year period for 2009 awards and a four-year period for 2010 awards.</p> <p>Other award conditions or restrictions For revenue-generating employees in the divisions, Adjustable Performance Plan awards are linked to the financial performance of the specific business areas in which the employees work and the Group ROE. For employees in Shared Services and other support functions and all Executive Board members, the awards are linked to the Group's adjusted profit or loss and the Group ROE.</p> <p>Program objective/rationale Promoting retention of Executive Board members, managing directors and directors.</p>	<p>Basis Share-based, deferred variable compensation</p> <p>Vesting start 2010</p> <p>Vesting end 2014</p> <p>Applied to Performance in 2009, which included half of the variable compensation awarded to all managing directors and directors across all divisions.</p> <p>General award conditions Vesting ratably over a four-year period.</p> <p>Other award conditions or restrictions An SISU is similar to other share-based awards, but offers additional upside depending on the development of the Group share price and the Group reported ROE.</p> <p>Program objective/rationale Promoting retention of managing directors and directors.</p> <p>Incentive Share Unit (ISU)</p> <p>Basis Share-based, deferred variable compensation</p> <p>Vesting start 2010</p> <p>Vesting end 2013</p> <p>Applied to Performance in 2009 for all employees.</p> <p>General award conditions Vesting ratably over a three-year period.</p> <p>Other award conditions or restrictions An ISU is similar to other share-based awards, but offers additional upside depending on the development of the Group share price.</p> <p>Program objective/rationale An ISU links employee performance awards to the long-term performance of the Group, with an additional incentive to increase Group share value for the benefit of employees and shareholders.</p>	<p>Basis Cash-based, deferred variable compensation</p> <p>Vesting start 2008. 66.7% vested upon grant</p> <p>Vesting end 33.3% vested in March 2009</p> <p>Applied to Performance in year 2008, which included all managing directors and directors in Investment Banking.</p> <p>General award conditions The contractual term of a PAF award is eight years. PAF awards are indexed to, and represent a first-loss interest in, a specified pool of illiquid assets (Asset Pool) that originated in Investment Banking. The notional value of the Asset Pool was based on the fair market value of the assets within the Asset Pool as of December 31, 2008, and those assets cannot be substituted throughout the contractual term of the award or until liquidated.</p> <p>Other award conditions or restrictions PAF holders will receive a semi-annual cash interest payment of the London Interbank Offered Rate plus 250 basis points applied to the notional value of the PAF award granted throughout the contractual term of the award. They will participate in the potential gains on the Asset Pool if the assets within the pool are liquidated at prices above the initial fair market value. If the assets within the Asset Pool are liquidated at prices below the initial fair market value, the PAF holders will bear the first loss on the Asset Pool.</p> <p>Program objective/rationale PAF awards were designed to incentivize senior managers in Investment Banking to effectively manage assets which were a direct result of risk taking in Investment Banking during this period. As a result of the PAF program, a significant portion of risk positions associated with the Asset Pool has been transferred to the employees and removed from the Group's risk-weighted assets, resulting in a reduction in capital usage.</p>

V

Consolidated financial statements – Credit Suisse Group

- 223 Report of the Statutory Auditor
- 225 Consolidated financial statements
- 233 Notes to the consolidated
financial statements
(see the following page for a detailed list)
- 379 Controls and procedures
- 380 Report of the Independent
Registered Public Accounting Firm

Consolidated financial statements

- 225 Consolidated statements of operations
- 225 Consolidated statements of comprehensive income
- 226 Consolidated balance sheets
- 228 Consolidated statements of changes in equity
- 231 Consolidated statements of cash flows

Notes to the consolidated financial statements

- 233 1 Summary of significant accounting policies
- 242 2 Recently issued accounting standards
- 244 3 Business developments and subsequent events
- 245 4 Discontinued operations
- 245 5 Segment information
- 248 6 Net interest income
- 248 7 Commissions and fees
- 249 8 Trading revenues
- 250 9 Other revenues
- 250 10 Provision for credit losses
- 251 11 Compensation and benefits
- 251 12 General and administrative expenses
- 252 13 Earnings per share
- 253 14 Securities borrowed, lent and subject to repurchase agreements
- 254 15 Trading assets and liabilities
- 255 16 Investment securities
- 257 17 Other investments
- 258 18 Loans, allowance for loan losses and credit quality
- 266 19 Premises and equipment
- 266 20 Goodwill
- 268 21 Other intangible assets
- 269 22 Other assets and other liabilities
- 270 23 Deposits
- 270 24 Long-term debt
- 272 25 Accumulated other comprehensive income and additional share information
- 273 26 Tax
- 278 27 Employee deferred compensation
- 286 28 Related parties
- 290 29 Pension and other post-retirement benefits
- 300 30 Derivatives and hedging activities
- 309 31 Guarantees and commitments
- 316 32 Transfers of financial assets and variable interest entities
- 327 33 Financial instruments
- 354 34 Assets pledged and collateral
- 355 35 Capital adequacy
- 356 36 Assets under management
- 357 37 Litigation
- 364 38 Significant subsidiaries and equity method investments
- 366 39 Subsidiary guarantee information
- 375 40 Credit Suisse Group parent company
- 375 41 Significant valuation and income recognition differences between US GAAP and Swiss GAAP bank law (true and fair view)
- 378 42 Risk assessment



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Report of the Statutory Auditor on the Consolidated Financial Statements to the General Meeting of Shareholders of

Credit Suisse Group AG, Zurich

As statutory auditor, we have audited the accompanying consolidated financial statements of Credit Suisse Group AG and subsidiaries (the "Group"), which comprise the consolidated balance sheets as of December 31, 2012 and 2011, and the related consolidated statements of operations, changes in equity, comprehensive income and cash flows, and notes for each of the years in the three-year period ended December 31, 2012.

Board of Directors' Responsibility

The board of directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The board of directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Swiss law and Swiss Auditing Standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position as of December 31, 2012 and 2011, and the results of operations and cash flows for each of the years in the three-year period ended December 31, 2012, in accordance with U.S. generally accepted accounting principles and comply with Swiss law.



Report on Other Legal and Regulatory Requirements

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

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

We recommend that the consolidated financial statements submitted to you be approved.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Group's internal control over financial reporting as of December 31, 2012, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated March 22, 2013 expressed an unqualified opinion on the effectiveness of the Group's internal control over financial reporting.

KPMG AG

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

Simon Ryder
Licensed Audit Expert
Auditor in Charge

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

Anthony Anzevino
Global Lead Partner

Zurich, Switzerland
March 22, 2013

Consolidated financial statements

Consolidated statements of operations

	Reference to notes	in		
		2012	2011	2010
Consolidated statements of operations (CHF million)				
Interest and dividend income	6	22,105	23,002	25,533
Interest expense	6	(14,955)	(16,569)	(18,992)
Net interest income	6	7,150	6,433	6,541
Commissions and fees	7	13,073	12,952	14,078
Trading revenues	8	1,195	5,020	9,338
Other revenues	9	2,548	1,820	1,429
Net revenues		23,966	26,225	31,386
Provision for credit losses	10	170	187	(79)
Compensation and benefits	11	12,530	13,213	14,599
General and administrative expenses	12	7,310	7,372	7,231
Commission expenses		1,775	1,992	2,148
Total other operating expenses		9,085	9,364	9,379
Total operating expenses		21,615	22,577	23,978
Income from continuing operations before taxes		2,181	3,461	7,487
Income tax expense	26	496	671	1,548
Income from continuing operations		1,685	2,790	5,939
Income/(loss) from discontinued operations, net of tax	4	0	0	(19)
Net income		1,685	2,790	5,920
Net income attributable to noncontrolling interests		336	837	822
Net income attributable to shareholders		1,349	1,953	5,098
of which from continuing operations		1,349	1,953	5,117
of which from discontinued operations		0	0	(19)
Basic earnings per share (CHF)				
Basic earnings per share from continuing operations	13	0.82	1.37	3.93
Basic earnings/(loss) per share from discontinued operations	13	0.00	0.00	(0.02)
Basic earnings per share	13	0.82	1.37	3.91
Diluted earnings per share (CHF)				
Diluted earnings per share from continuing operations	13	0.81	1.36	3.91
Diluted earnings/(loss) per share from discontinued operations	13	0.00	0.00	(0.02)
Diluted earnings per share	13	0.81	1.36	3.89

Consolidated statements of comprehensive income

	in	2012	2011	2010
Comprehensive income (CHF million)				
Net income		1,685	2,790	5,920
Gains/(losses) on cash flow hedges		37	(33)	8
Foreign currency translation		(1,114)	(263)	(3,579)
Unrealized gains/(losses) on securities		(15)	(18)	7
Actuarial gains/(losses)		(50)	(615)	(245)
Net prior service cost		248	395	13
Other comprehensive income/(loss), net of tax		(894)	(534)	(3,796)
Comprehensive income		791	2,256	2,124
Comprehensive income attributable to noncontrolling interests		211	882	78
Comprehensive income attributable to shareholders		580	1,374	2,046

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

Consolidated balance sheets

	Reference to notes	end of	
		2012	2011
Assets (CHF million)			
Cash and due from banks		61,763	110,573
of which reported at fair value		569	–
of which reported from consolidated VIEs		1,750	1,396
Interest-bearing deposits with banks		1,945	2,272
of which reported at fair value		627	405
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	14	183,455	236,963
of which reported at fair value		113,664	158,673
of which reported from consolidated VIEs		117	19
Securities received as collateral, at fair value		30,045	30,191
of which encumbered		17,767	20,447
Trading assets, at fair value	15	256,399	279,553
of which encumbered		70,948	73,749
of which reported from consolidated VIEs		4,697	6,399
Investment securities	16	3,498	5,160
of which reported at fair value		3,498	5,158
of which reported from consolidated VIEs		23	41
Other investments	17	12,022	13,226
of which reported at fair value		8,994	9,751
of which reported from consolidated VIEs		2,289	2,346
Net loans	18	242,223	233,413
of which reported at fair value		20,000	20,694
of which encumbered		535	471
of which reported from consolidated VIEs		6,053	5,940
allowance for loan losses		(922)	(910)
Premises and equipment	19	5,618	7,193
of which reported from consolidated VIEs		581	646
Goodwill	20	8,389	8,591
Other intangible assets	21	243	288
of which reported at fair value		43	70
Brokerage receivables		45,768	43,446
Other assets	22	72,912	78,296
of which reported at fair value		37,275	35,765
of which encumbered		1,495	2,255
of which reported from consolidated VIEs		14,536	13,002
Total assets		924,280	1,049,165

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

Consolidated balance sheets (continued)

	Reference to notes	end of	
		2012	2011
Liabilities and equity (CHF million)			
Due to banks		23	31,014
of which reported at fair value			3,413
Customer deposits		23	308,312
of which reported at fair value			4,643
of which reported from consolidated VIEs			247
Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions		14	132,721
of which reported at fair value			108,784
Obligation to return securities received as collateral, at fair value			30,045
Trading liabilities, at fair value		15	90,816
of which reported from consolidated VIEs			125
Short-term borrowings			18,641
of which reported at fair value			4,513
of which reported from consolidated VIEs			9,582
Long-term debt		24	148,134
of which reported at fair value			65,384
of which reported from consolidated VIEs			14,532
Brokerage payables			64,676
Other liabilities		22	57,637
of which reported at fair value			26,871
of which reported from consolidated VIEs			1,228
Total liabilities		881,996	1,008,080
Common shares			53
Additional paid-in capital			23,636
Retained earnings			28,171
Treasury shares, at cost			(459)
Accumulated other comprehensive income/(loss)		25	(15,903)
Total shareholders' equity		35,498	33,674
Noncontrolling interests			6,786
Total equity		42,284	41,085
Total liabilities and equity		924,280	1,049,165

	Reference to notes	end of	
		2012	2011
Additional share information			
Par value (CHF)		0.04	0.04
Authorized shares ¹		2,118,134,039	1,868,140,066
Issued shares	25	1,320,829,922	1,224,333,062
Treasury shares	25	(27,036,831)	(4,010,074)
Shares outstanding	25	1,293,793,091	1,220,322,988

¹ Includes issued shares and unissued shares (conditional, conversion and authorized capital).

Consolidated statements of changes in equity

	Attributable to shareholders							
	Common shares	Additional paid-in capital	Retained earnings	Treasury shares, at cost	Accumulated other comprehensive income	Total shareholders' equity	Non-controlling interests	Total equity
2012 (CHF million)								
Balance at beginning of period	49	21,796	27,053	(90)	(15,134)	33,674	7,411	41,085
Purchase of subsidiary shares from non-controlling interests, changing ownership	–	44	–	–	–	44	(4)	40
Purchase of subsidiary shares from non-controlling interests, not changing ownership ^{1,2}	–	–	–	–	–	–	(809)	(809)
Sale of subsidiary shares to noncontrolling interests, not changing ownership ²	–	–	–	–	–	–	116	116
Net income/(loss)	–	–	1,349	–	–	1,349	347 ³	1,696
Total other comprehensive income/(loss), net of tax	–	–	–	–	(769)	(769)	(125)	(894)
Issuance of common shares	4	1,926	–	–	–	1,930	–	1,930
Sale of treasury shares	–	(3)	–	8,358	–	8,355	–	8,355
Repurchase of treasury shares	–	–	–	(8,859)	–	(8,859)	–	(8,859)
Share-based compensation, net of tax	–	932 ⁴	–	132	–	1,064	–	1,064
Financial instruments indexed to own shares ⁵	–	(9)	–	–	–	(9)	–	(9)
Dividends paid	–	(1,011) ⁶	(231)	–	–	(1,242)	(54)	(1,296)
Changes in redeemable noncontrolling interests	–	(7) ⁷	–	–	–	(7)	–	(7)
Change in scope of consolidation, net	–	–	–	–	–	–	(96)	(96)
Other	–	(32)	–	–	–	(32)	–	(32)
Balance at end of period	53	23,636	28,171	(459)	(15,903)	35,498	6,786	42,284

¹ Distributions to owners in funds include the return of original capital invested and any related dividends. ² Transactions with and without ownership changes related to fund activity are all displayed under "not changing ownership". ³ Net income attributable to noncontrolling interests excludes CHF 11 million due to redeemable noncontrolling interests. ⁴ Includes a net tax benefit of CHF 41 million from the excess fair value of shares delivered over recognized compensation expense. ⁵ The Group had purchased certain call options on its own shares to economically hedge share-based compensation awards. In accordance with US GAAP, these call options were designated as equity instruments and, as such, were initially recognized in shareholders' equity at their fair values and not subsequently remeasured. ⁶ Paid out of reserves from capital contributions. ⁷ Represents the accrued portion of the redemption value of redeemable noncontrolling interests in Credit Suisse Hedging-Griffo Investimentos S.A. Refer to "Other commitments" in Note 31 – Guarantees and commitments for further information.

Consolidated statements of changes in equity (continued)

	Attributable to shareholders							
	Common shares	Additional paid-in capital	Retained earnings	Treasury shares, at cost	Accumulated other comprehensive income	Total shareholders' equity	Non-controlling interests	Total equity
2011 (CHF million)								
Balance at beginning of period	47	23,026	25,316	(552)	(14,555)	33,282	9,733	43,015
Purchase of subsidiary shares from non-controlling interests, changing ownership	–	6	–	–	–	6	(106)	(100)
Purchase of subsidiary shares from non-controlling interests, not changing ownership	–	–	–	–	–	–	(3,042)	(3,042)
Sale of subsidiary shares to noncontrolling interests, changing ownership	–	(7)	–	–	–	(7)	7	–
Sale of subsidiary shares to noncontrolling interests, not changing ownership	–	–	–	–	–	–	522	522
Net income/(loss)	–	–	1,953	–	–	1,953	788	2,741
Total other comprehensive income/(loss), net of tax	–	–	–	–	(579)	(579)	45	(534)
Issuance of common shares	2	1,125	–	–	–	1,127	–	1,127
Sale of treasury shares	–	(102)	–	11,955	–	11,853	–	11,853
Repurchase of treasury shares	–	–	–	(11,790)	–	(11,790)	–	(11,790)
Share-based compensation, net of tax	–	(145)	–	297	–	152	–	152
Financial instruments indexed to own shares	–	164	–	–	–	164	–	164
Dividends paid	–	(1,646)	(216)	–	–	(1,862)	(86)	(1,948)
Changes in redeemable noncontrolling interests	–	(625)	–	–	–	(625)	(140)	(765)
Change in scope of consolidation	–	–	–	–	–	–	(310)	(310)
Balance at end of period	49	21,796	27,053	(90)	(15,134)	33,674	7,411	41,085

Consolidated statements of changes in equity (continued)

	Attributable to shareholders							
	Common shares	Additional paid-in capital	Retained earnings	Treasury shares, at cost	Accumulated other comprehensive income	Total shareholders' equity	Non-controlling interests	Total equity
2010 (CHF million)								
Balance at beginning of period	47	24,706	25,258	(856)	(11,638)	37,517	10,811	48,328
Purchase of subsidiary shares from non-controlling interests, changing ownership	–	(20)	–	–	–	(20)	(37)	(57)
Purchase of subsidiary shares from non-controlling interests, not changing ownership	–	–	–	–	–	–	(2,059)	(2,059)
Sale of subsidiary shares to noncontrolling interests, changing ownership	–	–	–	–	–	–	1	1
Sale of subsidiary shares to noncontrolling interests, not changing ownership	–	–	–	–	–	–	1,907	1,907
Net income/(loss)	–	–	5,098	–	–	5,098	822	5,920
Cumulative effect of accounting changes, net of tax	–	–	(2,384)	–	135	(2,249)	–	(2,249)
Total other comprehensive income/(loss), net of tax	–	–	–	–	(3,052)	(3,052)	(744)	(3,796)
Issuance of common shares	–	9	–	–	–	9	–	9
Sale of treasury shares	–	19	–	24,730	–	24,749	–	24,749
Repurchase of treasury shares	–	–	–	(26,846)	–	(26,846)	–	(26,846)
Share-based compensation, net of tax	–	(1,593)	–	2,420	–	827	9	836
Financial instruments indexed to own shares	–	(95)	–	–	–	(95)	–	(95)
Dividends paid	–	–	(2,656)	–	–	(2,656)	(144)	(2,800)
Change in scope of consolidation	–	–	–	–	–	–	(911)	(911)
Other	–	–	–	–	–	–	78	78
Balance at end of period	47	23,026	25,316	(552)	(14,555)	33,282	9,733	43,015

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

Consolidated statements of cash flows

in	2012	2011	2010
Operating activities of continuing operations (CHF million)			
Net income	1,685	2,790	5,920
(Income)/loss from discontinued operations, net of tax	0	0	19
Income from continuing operations	1,685	2,790	5,939
Adjustments to reconcile net income/(loss) to net cash provided by/(used in) operating activities of continuing operations (CHF million)			
Impairment, depreciation and amortization	1,294	1,196	1,166
Provision for credit losses	170	187	(79)
Deferred tax provision/(benefit)	(226)	196	1,224
Share of net income/(loss) from equity method investments	80	(45)	(105)
Trading assets and liabilities, net	(14,348)	39,134	(12,052)
(Increase)/decrease in other assets	(1,144)	(7,750)	4,258
Increase/(decrease) in other liabilities	(4,769)	5,861	4,155
Other, net	4,584	(2,939)	3,722
Total adjustments	(14,359)	35,840	2,289
Net cash provided by/(used in) operating activities of continuing operations	(12,674)	38,630	8,228
Investing activities of continuing operations (CHF million)			
(Increase)/decrease in interest-bearing deposits with banks	184	(732)	(98)
(Increase)/decrease in central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	46,952	(15,221)	(27,518)
Purchase of investment securities	(480)	(1,542)	(2,752)
Proceeds from sale of investment securities	936	2,118	988
Maturities of investment securities	1,626	2,462	3,748
Investments in subsidiaries and other investments	(2,039)	(1,782)	(1,674)
Proceeds from sale of other investments	3,104	6,784	2,467
(Increase)/decrease in loans	(10,885)	(17,242)	3,970
Proceeds from sale of loans	1,090	689	817
Capital expenditures for premises and equipment and other intangible assets	(1,242)	(1,739)	(1,689)
Proceeds from sale of premises and equipment and other intangible assets	26	11	17
Other, net	3,683	222	275
Net cash provided by/(used in) investing activities of continuing operations	42,955	(25,972)	(21,449)

Consolidated statements of cash flows (continued)

in	2012	2011	2010
Financing activities of continuing operations (CHF million)			
Increase/(decrease) in due to banks and customer deposits	(13,055)	27,935	26,391
Increase/(decrease) in short-term borrowings	(7,840)	4,098	10,934
Increase/(decrease) in central bank funds purchased, securities sold under repurchase agreements and securities lending transactions	(39,958)	7,182	(7,097)
Issuances of long-term debt	38,405	34,234	57,910
Repayments of long-term debt	(55,936)	(37,127)	(51,390)
Issuances of common shares	1,930	1,127	9
Sale of treasury shares	8,355	11,853	24,749
Repurchase of treasury shares	(8,859)	(11,790)	(26,846)
Dividends paid/capital repayments	(1,296)	(1,948)	(2,800)
Excess tax benefits related to share-based compensation	0	0	615
Other, net	394	(2,508)	553
Net cash provided by/(used in) financing activities of continuing operations	(77,860)	33,056	33,028
Effect of exchange rate changes on cash and due from banks (CHF million)			
Effect of exchange rate changes on cash and due from banks	(1,231)	(633)	(6,155)
Net cash provided by/(used in) discontinued operations (CHF million)			
Net cash provided by/(used in) operating activities of discontinued operations	0	25	(42)
Net increase/(decrease) in cash and due from banks (CHF million)			
Net increase/(decrease) in cash and due from banks	(48,810)	45,106	13,610
Cash and due from banks at beginning of period	110,573	65,467	51,857
Cash and due from banks at end of period	61,763	110,573	65,467

Supplemental cash flow information

in	2012	2011	2010
Cash paid for income taxes and interest (CHF million)			
Cash paid for income taxes	1,073	1,099	1,041
Cash paid for interest	15,012	17,257	19,012
Assets acquired and liabilities assumed in business acquisitions (CHF million)			
Fair value of assets acquired	2,418	0	0
Fair value of liabilities assumed	2,418	0	0

Notes to the consolidated financial statements

1 Summary of significant accounting policies

The accompanying consolidated financial statements of Credit Suisse Group AG (the Group) are prepared in accordance with accounting principles generally accepted in the US (US GAAP) and are stated in Swiss francs (CHF). The financial year for the Group ends on December 31. Certain reclassifications have been made to the prior year's consolidated financial statements to conform to the current year's presentation and had no impact on net income/(loss) or total shareholders' equity.

In preparing the consolidated financial statements, management is required to make estimates and assumptions including, but not limited to, the fair value measurements of certain financial assets and liabilities, the allowance for loan losses, the evaluation of variable interest entities (VIEs), the impairment of assets other than loans, recognition of deferred tax assets, tax uncertainties, pension liabilities, as well as various contingencies. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the dates of the consolidated balance sheets and the reported amounts of revenues and expenses during the reporting period. While management evaluates its estimates and assumptions on an ongoing basis, actual results could differ materially from management's estimates. Market conditions may increase the risk and complexity of the judgments applied in these estimates.

Principles of consolidation

The consolidated financial statements include the financial statements of the Group and its subsidiaries. The Group's subsidiaries are entities in which it holds, directly or indirectly, more than 50% of the voting rights or where it exercises control. The Group consolidates limited partnerships in cases where it is the general partner or is a limited partner with substantive rights to kick out the general partner or dissolve the partnership and participate in significant decisions made in the ordinary course of business. The Group also consolidates VIEs where the Group is the primary beneficiary in accordance with Accounting Standards Codification (ASC) Topic 810 – Consolidation. The effects of material intercompany transactions and balances have been eliminated.

Where a Group subsidiary is a separate legal entity and determined to be an investment company as defined by ASC Topic 946 – Financial Services – Investment Companies, interests in other entities held by this Group subsidiary are not consolidated and are carried at fair value.

Group entities that qualify as broker-dealer entities as defined by ASC Topic 940 – Financial Services – Broker and Dealers do not consolidate investments in voting interest entities that would otherwise qualify for consolidation when the investment is held on a temporary basis for trading purposes. In addition, subsidiaries that are strategic components of a broker-dealers' operations are consolidated regardless of holding intent.

Foreign currency translation

Transactions denominated in currencies other than the functional currency of the related entity are recorded by remeasuring them in the functional currency of the related entity using the foreign exchange rate on the date of the transaction. As of the dates of the consolidated balance sheets, monetary assets and liabilities, such as receivables and payables, are reported using the year-end spot foreign exchange rates. Foreign exchange rate differences are recorded in the consolidated statements of operations. Non-monetary assets and liabilities are recorded using the historic exchange rate.

For the purpose of consolidation, the assets and liabilities of Group companies with functional currencies other than Swiss francs are translated into Swiss franc equivalents using year-end spot foreign exchange rates, whereas revenues and expenses are translated using the weighted average foreign exchange rate for the year. Translation adjustments arising from consolidation are included in accumulated other comprehensive income/(loss) (AOCI) within total shareholders' equity.

Fair value measurement and option

The fair value measurement guidance establishes a single authoritative definition of fair value and sets out a framework for measuring fair value. The fair value option creates an alternative measurement treatment for certain financial assets and financial liabilities. The fair value option can be elected at initial acquisition of the eligible item or at the date when the Group enters into an agreement which gives rise to an eligible item (e.g., a firm commitment or a written loan commitment). If not elected at initial recognition, the fair value option can be applied to an item upon certain triggering events that give rise to a new basis of accounting for that item. The application of the fair value option to a financial asset or a financial liability does not change its classification on the face of the balance sheet and the election is irrevocable. Changes in fair value resulting from the election are recorded in trading revenues.

- ▶ Refer to "Fair value option" in Note 33 – Financial instruments for further information.

Cash and due from banks

Cash and due from banks consists of currency on hand, demand deposits with banks or other financial institutions and cash equivalents. Cash equivalents are defined as short-term, highly liquid instruments with original maturities of three months or less, which are held for cash management purposes.

Reverse repurchase and repurchase agreements

Purchases of securities under resale agreements (►reverse repurchase agreements) and securities sold under agreements to repurchase substantially identical securities (►repurchase agreements) do not constitute economic sales and are therefore treated as collateralized financing transactions and are carried in the consolidated balance sheet at the amount of cash disbursed or received, respectively. Reverse repurchase agreements are recorded as collateralized assets while repurchase agreements are recorded as liabilities, with the underlying securities sold continuing to be recognized in trading assets or investment securities. The fair value of securities to be repurchased and resold is monitored on a daily basis, and additional collateral is obtained as needed to protect against credit exposure.

Assets and liabilities recorded under these agreements are accounted for on one of two bases, the accrual basis or the fair value basis. Under the accrual basis, interest earned on reverse repurchase agreements and interest incurred on repurchase agreements are reported in interest and dividend income and interest expense, respectively. The fair value basis of accounting may be elected pursuant to ASC Topic 825 – Financial Instruments, and any resulting change in fair value is reported in trading revenues. Accrued interest income and expense are recorded in the same manner as under the accrual method. The Group has elected the fair value basis of accounting on some of its agreements.

Reverse repurchase and repurchase agreements are netted if they are with the same counterparty, have the same maturity date, settle through the same clearing institution and are subject to the same master netting agreement.

Securities lending and borrowing transactions

Securities borrowed and securities loaned that are cash-collateralized are included in the consolidated balance sheets at amounts equal to the cash advanced or received. If securities received in a securities lending and borrowing transaction as collateral may be sold or repledged, they are recorded as securities received as collateral in the consolidated balance sheet and a corresponding liability to return the security is recorded. Securities lending transactions against non-cash collateral in which the Group has the right to resell or repledge

the collateral received are recorded at the fair value of the collateral initially received. For securities lending transactions, the Group receives cash or securities collateral in an amount generally in excess of the market value of securities lent. The Group monitors the fair value of securities borrowed and loaned on a daily basis with additional collateral obtained as necessary.

Fees and interest received or paid are recorded in interest and dividend income and interest expense, respectively, on an accrual basis. In the case where the fair value basis of accounting is elected, any resulting change in fair value is reported in trading revenues. Accrued interest income and expense are recorded in the same manner as under the accrual method.

Transfers of financial assets

The Group transfers various financial assets, which may result in the sale of these assets to special purpose entities (SPEs), which in turn issue securities to investors. The Group values its beneficial interests at fair value using quoted market prices, if such positions are traded on an active exchange or financial models that incorporate observable and unobservable inputs.

- ▶ Refer to “[Note 32 – Transfers of financial assets and variable interest entities](#)” for further information on the Group’s transfer activities.

Trading assets and liabilities

Trading assets and liabilities include debt and equity securities, derivative instruments, certain loans held in broker-dealer entities, commodities and precious metals. Items included in the trading portfolio are carried at fair value and classified as held for trading purposes based on management’s intent. Regular-way security transactions are recorded on a trade-date basis. Unrealized and realized gains and losses on trading positions are recorded in trading revenues.

Derivatives

Freestanding derivative contracts are carried at fair value in the consolidated balance sheets regardless of whether these instruments are held for trading or risk management purposes. Commitments to originate mortgage loans that will be held for sale are considered ►derivatives for accounting purposes. When derivative features embedded in certain contracts that meet the definition of a derivative are not considered clearly and closely related to the host contract, either the embedded feature is accounted for separately at fair value or the entire contract, including the embedded feature, is accounted for at fair value. In both cases, changes in fair value are recorded in the consolidated statements of operations. If separated for measurement purposes, the derivative is recorded in the same

line item in the consolidated balance sheets as the host contract.

Derivatives classified as trading assets and liabilities include those held for trading purposes and those used for risk management purposes that do not qualify for hedge accounting. Derivatives held for trading purposes arise from proprietary trading activity and from customer-based activity. Realized gains and losses, changes in unrealized gains and losses and interest flows are included in trading revenues. Derivative contracts designated and qualifying as fair value hedges, cash flow hedges or net investment hedges are reported as other assets or other liabilities.

The fair value of exchange-traded derivatives is typically derived from observable market prices and/or observable market parameters. Fair values for over-the-counter (OTC) derivatives are determined on the basis of proprietary models using various input parameters. Derivative contracts are recorded on a net basis per counterparty, where an enforceable master netting agreement exists. Where no such agreement exists, fair values are recorded on a gross basis.

Where hedge accounting is applied, the Group formally documents all relationships between hedging instruments and hedged items, including the risk management objectives and strategy for undertaking hedge transactions. At inception of a hedge and on an ongoing basis, the hedge relationship is formally assessed to determine whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items attributable to the hedged risk. The Group discontinues hedge accounting prospectively in the following circumstances:

- (i) the derivative is no longer effective in offsetting changes in the fair value or cash flows of a hedged item (including forecasted transactions);
- (ii) the derivative expires or is sold, terminated or exercised;
- (iii) the derivative is no longer designated as a hedging instrument because it is unlikely that the forecasted transaction will occur; or
- (iv) the designation of the derivative as a hedging instrument is otherwise no longer appropriate.

For derivatives that are designated and qualify as fair value hedges, the carrying value of the underlying hedged items is adjusted to fair value for the risk being hedged. Changes in the fair value of these derivatives are recorded in the same line item of the consolidated statements of operations as the change in fair value of the risk being hedged for the hedged assets or liabilities to the extent the hedge is effective. The change in fair value representing hedge ineffectiveness is recorded separately in trading revenues.

When the Group discontinues fair value hedge accounting because it determines that the derivative no longer qualifies as an effective fair value hedge, the derivative will continue to be carried in the consolidated balance sheets at its fair value, and the hedged asset or liability will no longer be adjusted for changes in fair value attributable to the hedged risk. Interest-related fair value adjustments made to the underlying hedged items will be amortized to the consolidated statements of operations over the remaining life of the hedged item. Any unamortized interest-related fair value adjustment is recorded in the consolidated statements of operations upon sale or extinguishment of the hedged asset or liability, respectively. Any other fair value hedge adjustments remain part of the carrying amount of the hedged asset or liability and are recognized in the consolidated statements of operations upon disposition of the hedged item as part of the gain or loss on disposition.

For hedges of the variability of cash flows from forecasted transactions and floating rate assets or liabilities, the effective portion of the change in the fair value of a designated derivative is recorded in AOCI. These amounts are reclassified into the line item in the consolidated statements of operations in which the hedged item is recorded when the variable cash flow from the hedged item impacts earnings (for example, when periodic settlements on a variable rate asset or liability are recorded in the consolidated statements of operations or when the hedged item is disposed of). The change in fair value representing hedge ineffectiveness is recorded separately in trading revenues.

When hedge accounting is discontinued on a cash flow hedge, the net gain or loss will remain in AOCI and be reclassified into the consolidated statements of operations in the same period or periods during which the formerly hedged transaction is reported in the consolidated statements of operations. When the Group discontinues hedge accounting because it is probable that a forecasted transaction will not occur within the specified date or period plus two months, the derivative will continue to be carried in the consolidated balance sheets at its fair value, and gains and losses that were previously recorded in AOCI will be recognized immediately in the consolidated statements of operations.

For hedges of a net investment in a foreign operation, the change in the fair value of the hedging derivative is recorded in AOCI to the extent the hedge is effective. The change in fair value representing hedge ineffectiveness is recorded in trading revenues. The Group uses the forward method of determining effectiveness for net investment hedges, which results in the time value portion of a foreign currency forward being reported in AOCI to the extent the hedge is effective.

Investment securities

Investment securities include debt securities classified as held-to-maturity and debt and marketable equity securities classified as available-for-sale. Regular-way security transactions are recorded on a trade-date basis.

Debt securities where the Group has the positive intent and ability to hold such securities to maturity are classified as such and are carried at amortized cost, net of any unamortized premium or discount.

Debt and equity securities classified as available-for-sale are carried at fair value. Unrealized gains and losses, which represent the difference between fair value and amortized cost, are recorded in AOCI. Amounts reported in AOCI are net of income taxes.

Amortization of premiums or discounts is recorded in interest and dividend income using the effective yield method through the maturity date of the security.

Recognition of an impairment on debt securities is recorded in the consolidated statements of operations if a decline in fair value below amortized cost is considered other-than-temporary, that is, amounts due according to the contractual terms of the security are not considered collectible, typically due to deterioration in the creditworthiness of the issuer. No impairment is recorded in connection with declines resulting from changes in interest rates to the extent the Group does not intend to sell the investments, nor is it more likely than not that the Group will be required to sell the investments before the recovery of their amortized cost bases, which may be maturity.

Recognition of an impairment on equity securities is recorded in the consolidated statements of operations if a decline in fair value below the cost basis of an investment is considered other-than-temporary. The Group generally considers unrealized losses on equity securities to be other-than-temporary if the fair value has been below cost for more than six months or by more than 20%.

Recognition of an impairment for debt or equity securities establishes a new cost basis, which is not adjusted for subsequent recoveries.

Unrealized losses on available-for-sale securities are recognized in the consolidated statements of operations when a decision has been made to sell a security.

Other investments

Other investments include equity method investments and non-marketable equity securities such as private equity, hedge funds, and restricted stock investments, certain investments in non-marketable mutual funds for which the Group has neither significant influence nor control over the investee, and real estate held for investment.

Equity method investments are investments where the Group has the ability to significantly influence the operating and financial policies of an investee. Significant influence is typically characterized by ownership of 20% to 50% of the voting stock or in-substance common stock of a corporation or 5% or more of limited partnership interests. Equity method investments are accounted for under the equity method of accounting or the fair value option. Under the equity method of accounting, the Group's share of the profit or loss, as well as any impairment on the investee, if applicable, are reported in other revenues. Under the fair value option, changes in fair value are reported in other revenues. The Group has elected the fair value basis of accounting on some of its equity method investments.

The Group's other non-marketable equity securities are carried at cost less other-than-temporary impairment or at fair value if elected under the fair value option. Non-marketable equity securities held by the Group's subsidiaries that are determined to be investment companies as defined by ASC Topic 946 – Financial Services – Investment Companies are carried at fair value, with changes in fair value recorded in other revenues.

Equity method investments and non-marketable equity securities held by broker-dealer entities as defined by ASC Topic 940 – Financial Services – Broker and Dealers are measured at fair value and reported in trading assets when the intent of the broker-dealer entity is to hold the asset temporarily for trading purposes. Changes in fair value are reported in trading revenues.

Real estate held for investment purposes is carried at cost less accumulated depreciation and is depreciated over its estimated useful life, generally 40 to 67 years. Land is carried at historical cost and is not depreciated. These assets are tested for impairment annually, or more frequently, if events or changes in circumstances indicate that the carrying amount may not be recoverable. Recognition of an impairment on such assets establishes a new cost base, which is not adjusted for subsequent recoveries in value.

In connection with the life finance business, the Group invests in single premium immediate annuities (SPIA), which are carried at fair value with the related fair value changes reported in trading revenues. The life finance business also invests in life settlement contracts.

Loans

Loans held-to-maturity

Loans which the Group intends to hold until maturity are carried at outstanding principal balances plus accrued interest, net of the following items: unamortized premiums, discounts on purchased loans, deferred loan origination fees and direct

loan origination costs on originated loans. Interest income is accrued on the unpaid principal balance and net deferred premiums/discounts and fees/costs are amortized as an adjustment to the loan yield over the term of the related loans.

Loans are divided in two portfolio segments, "consumer" and "corporate & institutional". Consumer loans are disaggregated into the classes of mortgages, loans collateralized by securities and consumer finance. Corporate & institutional loans are disaggregated into the classes of real estate, commercial and industrial loans, financial institutions and governments and public institutions.

Lease financing transactions where the Group is the lessor are classified as loans. Unearned income is amortized to interest and dividend income over the lease term using the effective interest method.

In accordance with Group policies, impaired loans include non-performing loans, non-interest-earning loans, restructured loans and potential problem loans.

- ▶ Refer to "Note 18 – Loans, allowance for loan losses and credit quality" for further information.

Allowance for loan losses on loans held-to-maturity

The allowance for loan losses is comprised of the following components: probable credit losses inherent in the portfolio and those losses specifically identified. Changes in the allowance for loan losses are recorded in the consolidated statements of operations in provision for credit losses and in interest income (for provisions on past due interest).

The Group evaluates many factors when estimating the allowance for loan losses, including volatility of default probabilities, rating changes, the magnitude of potential loss, internal risk ratings, and geographic, industry and other economic factors. The component of the allowance representing probable losses inherent in the portfolio is for loans not specifically identified as impaired and that, on a portfolio basis, are considered to contain probable inherent loss. The estimate of this component of the allowance for the consumer loans portfolio involves applying historical and current default probabilities and historical recovery experience and related current assumptions to homogenous loans based on internal risk rating and product type. To estimate this component of the allowance for the corporate & institutional loans portfolio, the Group segregates loans by risk, industry or country rating. Excluded from this estimate process are consumer and corporate & institutional loans that have been specifically identified as impaired or are held at fair value. For lending-related commitments, a provision for losses is estimated based on historical loss and recovery experience and recorded in other liabilities. Changes in the estimate of losses for lending-related commitments are

recorded in the consolidated statements of operations in provision for credit losses.

The estimate of the component of the allowance for specifically identified credit losses on impaired loans is based on a regular and detailed analysis of each loan in the portfolio considering collateral and counterparty risk. The Group considers a loan impaired when, based on current information and events, it is probable that the Group will be unable to collect the amounts due according to the contractual terms of the loan agreement. For certain non-collateral-dependent impaired loans, an impairment is measured using the present value of estimated future cash flows, except that as a practical expedient an impairment may be measured based on a loan's observable market price. For collateral-dependent impaired loans, an impairment is measured using the fair value of the collateral.

A loan is classified as non-performing no later than when the contractual payments of principal and/or interest are more than 90 days past due except for subprime residential loans which are classified as non-performing no later than when the contractual payments of principal and/or interest are more than 120 days past due. The additional 30 days ensure that these loans are not incorrectly assessed as non-performing during the time when servicing of them typically is being transferred. However, management may determine that a loan should be classified as non-performing notwithstanding that contractual payments of principal and/or interest are less than 90 days past due or, in the case of subprime residential loans, 120 days past due. For non-performing loans, a provision is recorded in an amount equal to any accrued but unpaid interest at the date the loan is classified as non-performing, resulting in a charge to the consolidated statements of operations. In addition, the Group continues to add accrued interest receivable to the loans balance for collection purposes; however, a provision is recorded resulting in no interest income recognition. Thereafter, the outstanding principal balance is evaluated at least annually for collectibility and a provision is established as necessary.

A loan can be further downgraded to non-interest-earning when the collection of interest is considered so doubtful that further accrual of interest is deemed inappropriate. At that time, and on at least a quarterly basis thereafter depending on various risk factors, the outstanding principal balance, net of provisions previously recorded, is evaluated for collectibility and additional provisions are established as required.

Generally, non-performing loans and non-interest-earning loans may be restored to performing status only when delinquent principal and interest are brought up to date in accordance with the terms of the loan agreement and when certain performance criteria are met.

Interest collected on non-performing loans and non-interest-earning loans is accounted for using the cash basis or the cost recovery method or a combination of both.

Loans that are not already classified as non-performing or non-interest-earning but were modified in a troubled debt restructuring are reported as restructured loans. Generally, a restructured loan would have been considered impaired and an associated allowance for loan losses would have been established prior to the restructuring. Loans modified in a troubled debt restructuring are reported as restructured loans to the end of the reporting year in which the loan was modified or for as long as an allowance for loan losses based on the terms specified by the restructuring agreement is associated with the restructured loan or an interest concession made at the time of the restructuring exists. In making the determination of whether an interest rate concession has been made, market interest rates for loans with comparable risk to borrowers of the same credit quality are considered. Loans that have been restructured in a troubled debt restructuring and are performing according to the new terms continue to accrue interest. Loan restructurings may include the receipt of assets in satisfaction of the loan, the modification of loan terms (e.g., reduction of interest rates, extension of maturity dates at a stated interest rate lower than the current market rate for new loans with similar risk, or reduction in principal amounts and/or accrued interest balances) or a combination of both.

Potential problem loans are impaired loans not already classified as non-performing, non-interest earning or restructured loans where contractual payments have been received according to schedule, but where doubt exists as to the collection of future contractual payments. Potential problem loans are evaluated for impairment on an individual basis and an allowance for loan losses is established as necessary. Potential problem loans continue to accrue interest.

The amortization of net loan fees or costs on impaired loans is generally discontinued during the periods in which matured and unpaid interest or principal is outstanding. On settlement of a loan, if the loan balance is not collected in full, an allowance is established for the uncollected amount, if necessary, and the loan is then written off, net of any deferred loan fees and costs.

Write-off of a loan occurs when it is considered certain that there is no possibility of recovering the outstanding principal. Recoveries of loans previously written off are recorded based on the cash or estimated fair value of other amounts received.

- Refer to "Impaired loans" in Note 18 – Loans, allowance for loan losses and credit quality for further information on the write-off of a loan and related accounting policies.

Loans held-for-sale

Loans, which the Group has the intent to sell in the foreseeable future, are considered held-for-sale and are carried at the lower of amortized cost or market value determined on either an individual method basis, or in the aggregate for pools of similar loans if sold or securitized as a pool. Loans held-for-sale are included in other assets. Gains and losses on loans held-for-sale are recorded in other revenues.

Purchased impaired loans

Purchased loans for which it is probable at acquisition that all contractually required payments will not be received are recorded at their net purchase price and no allowances are carried over. The excess of the estimated cash flows to be collected over the amount paid is accreted into interest income over the estimated recovery period when reasonable estimates can be made about the timing and amount of recovery. The Group does not consider such loans to be impaired at the time of acquisition. Such loans are deemed impaired only if the Group's estimate of cash to be received decreases below the estimate at the time of acquisition. Increases in the estimated expected recovery is recorded as a reversal of allowances, if any, and then recognized as an adjustment of the effective yield of the loan.

Loans held at fair value under the fair value option

Loans and loan commitments for which the fair value option is elected are reported at fair value with changes in fair value reported in trading revenues. The application of the fair value option does not change the loan's classification. Loan commitments carried at fair value are recorded in other assets or other liabilities, respectively.

Premises and equipment

Premises are carried at cost less accumulated depreciation and are depreciated on a straight-line basis over their estimated useful lives, generally 40 to 67 years. Land is carried at historical cost and is not depreciated. Alterations and improvements to rented premises are depreciated on a straight-line basis over the shorter of the lease term or estimated useful life, which is not to exceed ten years. Other tangible fixed assets such as computers, machinery, furnishings, vehicles, other equipment and building improvements are depreciated using the straight-line method over their estimated useful lives, generally three to ten years.

The Group capitalizes costs relating to the acquisition, installation and development of software with a measurable economic benefit, but only if such costs are identifiable and can be reliably measured. The Group depreciates capitalized software costs on a straight-line basis over the estimated use-

ful life of the software, generally not exceeding three years, taking into consideration the effects of obsolescence, technology, competition and other economic factors.

The Group reflects finance leasing activities for which it is the lessee by recording an asset in premises and equipment and a corresponding liability in other liabilities at an amount equal to the smaller of the present value of the minimum lease payments or fair value, and the leased asset is depreciated over the shorter of the asset's estimated useful life or the lease term.

Goodwill and other intangible assets

Goodwill arises on the acquisition of subsidiaries and equity method investments. It is measured as the excess of the fair value of the consideration transferred, the fair value of any noncontrolling interest in the acquiree and the fair value of any previously held equity interest in the acquired subsidiary, over the net of the acquisition-date fair values of the identifiable assets acquired and the liabilities assumed. Goodwill is not amortized, rather it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that goodwill may be impaired. Goodwill is allocated to the Group's reporting units for the purposes of the impairment test.

Other intangible assets may be acquired individually or as part of a group of assets assumed in a business combination. Other intangible assets include but are not limited to: patents, licenses, copyrights, trademarks, branch networks, mortgage servicing rights, customer base and deposit relationships. Acquired intangible assets are initially measured at the amount of cash disbursed or the fair value of other assets distributed. Other intangible assets that have a finite useful life are amortized over that period. Other intangible assets acquired after January 1, 2002, that are determined to have an indefinite useful life, are not amortized; rather they are tested for impairment annually, or more frequently if events or changes in circumstances indicate that the indefinite intangible asset may be impaired. Mortgage servicing rights are included in non-amortizing other intangible assets and are carried at fair value, with changes in fair value recognized through earnings in the period in which they occur. Mortgage servicing rights represent the right to perform specified mortgage servicing activities on behalf of third parties. Mortgage servicing rights are either purchased from third parties or retained upon sale of acquired or originated loans.

Recognition of an impairment on tangible fixed assets and finite intangible assets

The Group evaluates premises and equipment and finite intangible assets for impairment at least annually and whenever events or changes in circumstances indicate that the carrying

amount may not be recoverable. If the asset is considered not to be recoverable, an impairment is recorded in general and administrative expenses to the extent the fair value of the asset is less than its carrying amount. Recognition of an impairment on such assets establishes a new cost base, which is not adjusted for subsequent recoveries in value.

Income taxes

Deferred tax assets and liabilities are recorded for the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities at the dates of the consolidated balance sheets and their respective tax bases. Deferred tax assets and liabilities are computed using currently enacted tax rates and are recorded in other assets and other liabilities, respectively. Income tax expense or benefit is recorded in income tax expense/(benefit), except to the extent the tax effect relates to transactions recorded directly in total shareholders' equity. Deferred tax assets are reduced by a valuation allowance, if necessary, to the amount that management believes will more likely than not be realized. Deferred tax assets and liabilities are adjusted for the effect of changes in tax laws and rates in the period in which changes are approved by the relevant authority. Deferred tax assets and liabilities are presented on a net basis for the same tax-paying component within the same tax jurisdiction.

The Group follows the guidance in ASC Topic 740 – Income Taxes, which sets out a consistent framework to determine the appropriate level of tax reserves to maintain for uncertain tax positions. The Group determines whether it is more likely than not that an income tax position will be sustained upon examination based on the technical merits of the position. Sustainable income tax positions are then measured to determine the amount of benefit eligible for recognition in the consolidated financial statements. Each such sustainable income tax position is measured at the largest amount of benefit that is more likely than not to be realized upon ultimate settlement.

Life settlement contracts

Life settlement contracts are initially recognized at the transaction price and subsequently carried at fair value unless the Group elects to apply the investment method. The contracts that are not accounted for under the investment method are carried at fair value and are recorded in trading assets.

Under the investment method, the contracts are initially recognized at the transaction price plus any directly related external costs and are recorded in other investments. Subsequently, all continuing premium payments made are capitalized unless the aggregated carrying value exceeds fair value in

which case an impairment allowance is established so that the carrying value does not exceed fair value.

Brokerage receivables and brokerage payables

The Group recognizes receivables and payables from transactions in financial instruments purchased from and sold to customers, banks, and broker-dealers. The Group is exposed to risk of loss resulting from the inability of counterparties to pay for or deliver financial instruments purchased or sold, in which case the Group would have to sell or purchase, respectively, these financial instruments at prevailing market prices. To the extent an exchange or clearing organization acts as counterparty to a transaction, credit risk is generally considered to be limited. The Group establishes credit limits for each customer and requires them to maintain margin collateral in compliance with applicable regulatory and internal guidelines. In order to conduct trades with an exchange or a third-party bank, the Group is required to maintain a margin. This is usually in the form of cash and deposited in a separate margin account with the exchange or broker. If available information indicates that it is probable that a brokerage receivable is impaired, an allowance is established. Write-offs of brokerage receivables occur if the outstanding amounts are considered uncollectible.

Other assets

Derivative instruments used for hedging

Derivative instruments are carried at fair value. The fair values of derivative instruments held for hedging are included as other assets or other liabilities in the consolidated balance sheets. The accounting treatment used for changes in fair value of hedging derivatives depends on the designation of the derivative as either a fair value hedge, cash flow hedge or hedge of a net investment in a foreign operation. Changes in fair value representing hedge ineffectiveness are reported in trading revenues.

Long-term debt

Total long-term debt is comprised of debt issuances which do not contain derivative features (vanilla debt), as well as hybrid debt instruments with embedded derivatives, which are issued as part of the Group's structured product activities. Long-term debt includes both Swiss franc and foreign currency denominated fixed and variable rate bonds.

The Group actively manages the interest rate risk on vanilla debt through the use of derivative contracts, primarily interest rate and currency swaps, in particular, fixed rate debt is hedged with receive-fixed, pay-floating interest rate swaps. The Group elected to fair value this fixed rate debt upon implementation of the fair value option on January 1, 2007, with changes in fair value recognized as a component of trading

revenues. The Group did not elect to apply the fair value option to fixed-rate debt issued by the Group since January 1, 2008 and instead applies hedge accounting per the guidance of ASC Topic 815 – Derivatives and Hedging.

The Group's long-term debt also includes various equity-linked and other indexed instruments with embedded derivative features, whose payments and redemption values are linked to commodities, stocks, indices, currencies or other assets. The Group elected to account for substantially all of these instruments at fair value. Changes in the fair value of these instruments are recognized as a component of trading revenues.

Other liabilities

Guarantees

In cases where the Group acts as a guarantor, the Group recognizes in other liabilities, at the inception of a guarantee, a liability for the fair value of the obligations undertaken in issuing such a guarantee, including its ongoing obligation to perform over the term of the guarantee in the event that certain events or conditions occur.

Pensions and other post-retirement benefits

The Group uses the projected unit credit actuarial method to determine the present value of its projected benefit obligations (PBO) and the current and past service costs or credits related to its defined benefit and other post-retirement benefit plans. The measurement date used to perform the actuarial valuation is December 31.

Certain key assumptions are used in performing the actuarial valuations. These assumptions must be made concerning the future events that will determine the amount and timing of the benefit payments and thus require significant judgment and estimates by Group management. Among others, assumptions have to be made with regard to discount rates, expected return on plan assets and salary increases.

The assumed discount rates reflect the rates at which the pension benefits could be effectively settled. These rates are determined based on yields of high-quality corporate bonds currently available and are expected to be available during the period to maturity of the pension benefits. In countries where no deep market in high-quality corporate bonds exists, the estimate is based on governmental bonds adjusted to include a risk premium reflecting the additional risk for corporate bonds.

The expected long-term rate of return on plan assets is determined on a plan-by-plan basis, taking into account asset allocation, historical rate of return, benchmark indices for similar-type pension plan assets, long-term expectations of future returns and investment strategy.

Health care cost trend rates are determined by reviewing external data and the Group's own historical trends for health

care costs. Salary increases are determined by reviewing external data and considering internal projections.

The funded status of the Group's defined benefit postretirement and pension plans is recognized in the consolidated balance sheets.

Actuarial gains and losses in excess of 10% of the greater of the PBO or the market value of plan assets and unrecognized prior service costs or credits are amortized to net periodic pension and other post-retirement cost on a straight-line basis over the average remaining service life of active employees expected to receive benefits.

The Group records pension expense for defined contribution plans when the employee renders service to the company, essentially coinciding with the cash contributions to the plans.

Share-based compensation

For all share-based awards granted to employees and existing awards modified on or after January 1, 2005, compensation expense is measured at grant date or modification date based on the fair value of the number of awards for which the requisite service is expected to be rendered and is recognized in the consolidated statements of operations over the required service period on a straight-line basis. For all outstanding unvested share-based awards as of January 1, 2005, compensation expense is measured based on the original grant date fair value of the award and is recognized over the remaining requisite service period of each award on a straight-line basis.

The Group uses the tax law ordering approach to determine the portion of the total tax expense that relates to windfall tax benefits that are to be recorded in additional paid-in capital. In addition, it elected to use the practical transition option in determining the amount of windfall tax benefits recorded in additional paid-in capital arising on awards that were fully vested prior to January 1, 2005.

Compensation expense for share-based awards that vest in annual installments (graded vesting), which only contain a service condition that affects vesting, is recognized on a straight-line basis over the service period for the entire award. However, if such awards contain a performance condition, then each installment is expensed as if it were a separate award ("front-loaded" expense recognition). Furthermore, recognition of compensation expense is accelerated to the date an employee becomes eligible for retirement. For awards granted to employees eligible for retirement prior to January 1, 2005, the Group's policy is to record compensation expense over the requisite service period.

Certain share-based awards also contain a performance condition, where the number of shares the employee is to receive is dependent on the performance (e.g., net income or

return on equity (ROE)) of the Group or a division of the Group. If the employee is also required to provide the service stipulated in the award terms, the amount of compensation expense attributed to the incremental additional units expected to be received at vesting due to this performance condition is estimated on the grant date and subsequent changes in this estimate are recorded in the consolidated statements of operations over the remaining service period.

When awards contain market conditions, where the number of shares the employee receives varies based on changes in the Group share price, the incremental amount of extra shares the employee is expected to receive due to the market condition is estimated on the grant date and the total compensation expense is not adjusted thereafter for changes in the Group share price.

Certain employees own non-substantive equity interests in the form of carried interests in private equity funds managed by the Group. Expenses recognized under these ownership interests are reflected in the consolidated statements of operations in compensation and benefits.

The Group has certain option plans outstanding, primarily related to 1999 and prior years, which include a cash settlement feature. For those plans, liability award accounting is applied until settlement of the awards.

Own shares, own bonds and financial instruments on own shares

The Group may buy and sell own shares, own bonds and financial instruments on own shares within its normal trading and market-making activities. In addition, the Group may hold its own shares to satisfy commitments arising from employee share-based compensation awards. Own shares are recorded at cost and reported as treasury shares, resulting in a reduction to total shareholders' equity. Financial instruments on own shares are recorded as assets or liabilities or as equity when the criteria for equity classification are met. Dividends received by subsidiaries on own shares and unrealized and realized gains and losses on own shares classified in total shareholders' equity are excluded from the consolidated statements of operations.

Any holdings of bonds issued by any Group entity are eliminated in the consolidated financial statements.

Net interest income

Interest income and interest expense arising from interest-bearing assets and liabilities other than those carried at fair value or the lower of cost or market are accrued, and any related net deferred premiums, discounts, origination fees or costs are amortized as an adjustment to the yield over the life of the related asset and liability. Interest from debt securities and divi-

dends on equity securities carried as trading assets and trading liabilities are recorded in interest and dividend income.

- Refer to Loans for further information on interest on loans.

Commissions and fees

Fee revenue is recognized when all of the following criteria have been met: persuasive evidence of an arrangement exists, services have been rendered, the price is fixed or determinable and collectibility is reasonably assured. Fee income can be divided into two broad categories: income earned from services that are provided over a certain period of time, for which customers are generally billed on an annual or semi-annual basis, and income earned from providing transaction-type services. Fees earned from services that are provided over a certain period of time are recognized ratably over the service period. Fees earned from providing transaction-type services are recognized when the service has been completed. Performance-linked fees or fee components are recognized at any contractual measurement date when the contractually agreed thresholds are met.

Revenues from underwriting and fees from mergers and acquisitions (M&A) and other corporate finance advisory services are recorded at the time the underlying transactions are substantially completed and there are no other contingencies associated with the fees.

Transaction-related expenses are deferred until the related revenue is recognized, assuming they are deemed direct and incremental; otherwise, they are expensed as incurred. Underwriting fees are reported net of related expenses. Expenses associated with financial advisory services are recorded in operating expenses unless reimbursed by the client.

In circumstances where the Group contracts to provide multiple products, services or rights to a counterparty, an evaluation is made as to whether separate revenue recognition events have occurred. This evaluation considers the stand-alone value of items already delivered and if there is a right of return or warranties on delivered items and services, and the probability of delivery of remaining undelivered items or services. This evaluation is made on a transaction by transaction basis.

If the criteria noted are met, then the transaction is considered a multiple-deliverable arrangement where revenue recognition is determined separately for each deliverable. The consideration received on the total arrangement is allocated to the multiple deliverables based on the selling price of each deliverable. The selling price used for each deliverable will be based on vendor-specific objective evidence if available, third-party evidence if vendor-specific objective evidence is not available, or estimated selling price if neither vendor-specific objective evidence or third-party evidence is available.

Taxes collected from customers and remitted to governmental authorities are accounted for on a net basis.

2 Recently issued accounting standards

Recently adopted accounting standards

ASC Topic 220 – Comprehensive Income

In December 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2011-12, "Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05" (ASU 2011-12), an update to ASC Topic 220 – Comprehensive Income. The amendment delays the effective date of those changes in ASU 2011-05 that relate to the presentation of reclassification adjustments. ASU 2011-12 was effective upon issuance and its adoption did not impact the Group's financial position, results of operations or cash flows.

In June 2011, the FASB issued ASU 2011-05, "Presentation of Comprehensive Income" (ASU 2011-05), an update to ASC Topic 220 – Comprehensive Income. ASU 2011-05 provides an entity with the option to present total comprehensive income either in a single continuous statement or in two separate but consecutive statements. The adoption of ASU

2011-05 on January 1, 2012 did not impact the Group's financial position, results of operations or cash flows.

ASC Topic 350 – Intangibles – Goodwill and Other

In September 2011, the FASB issued ASU 2011-08, "Testing Goodwill for Impairment" (ASU 2011-08), an update to ASC Topic 350 – Intangibles – Goodwill and Other. The amendments in ASU 2011-08 permit an entity to qualitatively assess whether the fair value of the reporting unit is less than the carrying amount. Based on the qualitative assessment, if an entity determines that it is more likely than not that the fair value of the reporting unit is less than the carrying amount, then the entity must perform step one of the goodwill impairment test by calculating the fair value of the reporting unit and comparing the fair value to the carrying amount of the reporting unit. If the carrying amount of the reporting unit exceeds its fair value, then the entity is required to perform the second step of the goodwill impairment test to measure the amount of the impairment loss, if any. The adoption of ASU 2011-08 on Jan-

uary 1, 2012 did not have a material impact on the Group's financial position, results of operations or cash flows.

ASC Topic 360 – Property, Plant and Equipment

In December 2011, the FASB issued ASU 2011-10, "Derecognition of in Substance Real Estate – a Scope Clarification, a consensus of the FASB Emerging Issues Task Force" (ASU 2011-10), an update to ASC Topic 360 – Property, Plant and Equipment. The ASU specifies that the guidance in ASC Subtopic 360-20, Property, Plant and Equipment – Real Estate Sales, would apply to an entity that ceases to have a controlling financial interest in a subsidiary that is in substance real estate as a result of default on the subsidiary's non-recourse debt. The adoption of ASU 2011-10 on July 1, 2012 did not have a material impact on the Group's financial position, results of operations or cash flows.

ASC Topic 820 – Fair Value Measurement

In May 2011, the FASB issued ASU 2011-04, "Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs" (ASU 2011-04), an update to ASC Topic 820 – Fair Value Measurement. The amendments in ASU 2011-04 include clarifications about the application of existing fair value measurement requirements and changes to principles for measuring fair value. ASU 2011-04 also requires additional disclosures about fair value measurements. The adoption of ASU 2011-04 on January 1, 2012 did not have a material impact on the Group's financial position, results of operations or cash flows.

- ▶ Refer to "Note 33 – Financial instruments" for further information.

ASC Topic 860 – Transfers and Servicing

In April 2011, the FASB issued ASU 2011-03, "Reconsideration of Effective Control for Repurchase Agreements" (ASU 2011-03), an update to ASC Topic 860 – Transfers and Servicing. Current guidance prescribes when an entity may or may not recognize a sale upon the transfer of financial assets subject to repurchase agreements. That determination is based, in part, on whether the entity has maintained effective control over the transferred financial assets. ASU 2011-03 removes from the assessment of effective control the criterion requiring the transferor to have the ability to repurchase or redeem the financial assets. The adoption of ASU 2011-03 on January 1, 2012 did not have a material impact on the Group's financial position, results of operations or cash flows.

Standards to be adopted in future periods

ASC Topic 210 – Balance Sheet

In January 2013, the FASB issued ASU 2013-01, "Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities" (ASU 2013-01), an update to ASC Topic 210 – Balance Sheet. ASU 2013-01 clarifies the scope of ASU 2011-11 and is effective for interim and annual reporting periods beginning on or after January 1, 2013. The adoption of ASU 2013-01 on January 1, 2013 did not have an impact on the Group's financial position, results of operations or cash flows.

In December 2011, the FASB issued ASU 2011-11, "Disclosures about Offsetting Assets and Liabilities" (ASU 2011-11), an update to ASC Topic 210 – Balance Sheet. ASU 2011-11 is effective for interim and annual reporting periods beginning on or after January 1, 2013. An entity is required to provide the disclosures retrospectively for all comparative periods presented. The adoption of ASU 2011-11 on January 1, 2013 did not have an impact on the Group's financial position, results of operations or cash flows.

ASC Topic 220 – Comprehensive Income

In February 2013, the FASB issued ASU 2013-02, "Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income" (ASU 2013-02), an update to ASC Topic 220 – Comprehensive Income. The amendments require an entity to provide information about the amounts reclassified out of accumulated other comprehensive income by component. ASU 2013-02 is effective for interim and annual reporting periods beginning on or after January 1, 2013. The adoption of ASU 2013-02 on January 1, 2013 did not have an impact on the Group's financial position, results of operations or cash flows.

ASC Topic 830 – Foreign Currency Matters

In March 2013, the FASB issued ASU 2013-05, "Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity" (ASU 2013-05), an update to ASC Topic 830 – Foreign Currency Matters. The amendments provide guidance for the treatment of the cumulative translation adjustment when an entity ceases to hold a controlling financial interest in a subsidiary or group of assets within a foreign entity. ASU 2013-05 is effective for interim and annual reporting periods beginning after December 15, 2013. The Group is currently evaluating the impact of adoption of ASU 2013-05 on the Group's financial position, results of operations or cash flows.

3 Business developments and subsequent events

The Group's significant divestitures and acquisitions for the years ended December 31, 2012, 2011 and 2010, respectively, as well as the Group's significant shareholders are discussed below.

Divestitures

On January 10, 2013, Credit Suisse announced that it signed an agreement to sell its ETF business, with assets under management of CHF 16.1 billion as of December 31, 2012, to BlackRock, Inc. The transaction is expected to be completed by the end of the second quarter of 2013, subject to regulatory approvals.

In July 2012, the Group sold its remaining holding in Aberdeen Asset Management (Aberdeen), resulting in a total gain of CHF 384 million that was recognized in 2012.

Mergers and acquisitions

The Group acquired the remaining equity interests in Credit Suisse Hedging-Griffo Investimentos S.A. (Hedging-Griffo) as contemplated under existing option arrangements. The costs associated with the acquisition were covered by the issuance of mandatory convertible securities as announced on July 18, 2012.

In June 2012, the Group announced the completion of its acquisition of HSBC's private banking business in Japan, which includes expanded coverage through additional offices in Osaka and Nagoya.

Credit Suisse AG merged with Clariden Leu AG on April 2, 2012, assuming all of its rights and obligations.

On April 30, 2011, the Group completed the acquisition of ABN AMRO Bank's (formerly Fortis Bank Nederland) PFS hedge fund administration business, a global leader in hedge fund administration services.

On March 24, 2011, Credit Suisse Group AG owned 100% of the share capital of Neue Aargauer Bank AG after the cancellation of remaining shares pursuant to Art. 33 of the Swiss Federal Act on Stock Exchanges and Securities Trading entered into force.

In 2010, the Group acquired a significant noncontrolling interest of York Capital Management (York), a global hedge fund manager, based in New York. Under the terms of the transaction, the Group paid an initial USD 425 million (CHF 419 million) for its interest in York. The transaction also provides for earn-out payments based on 5-year financial performance by York as well as non-compete arrangements for the chief executive officer (CEO), chief investment officer and other senior York principals.

Joint ventures

On November 6, 2012, Credit Suisse AG and Qatar Holding LLC announced that they signed an agreement to form an asset management joint venture, Aventicum Capital Management (Aventicum). Aventicum will operate out of two hubs including a Doha-based business, focused on investment strategies in the Middle East, Turkey and other frontier markets and an international business, based outside of the region. The Doha-based business will launch in early 2013, with the launch of the international business following later in the year.

Capital measures

In July 2012, the Group raised CHF 3.8 billion mandatory and contingent convertible securities (MACCS) that are mandatorily convertible into 233.5 million shares at a conversion price of CHF 16.29 per share on March 29, 2013 (subject to early conversion upon certain contingency and viability events), with settlement and delivery of shares in early April 2013. Strategic and institutional investors purchased CHF 2.0 billion of MACCS and shareholders exercised preferential subscription rights for CHF 1.8 billion of MACCS. The MACCS will be accounted for as debt until conversion into equity, utilizing authorized capital.

In July 2012, the Group exchanged a portion of US dollar-denominated existing tier 1 capital notes issued in 2008 (hybrids) into high trigger tier 1 buffer capital notes (BCN), thereby accelerating an exchange initially scheduled for October 2013. The conversion floor price of the BCN delivered in the exchange (as well as the remaining BCN scheduled to be delivered in 2013) has been adjusted to the conversion price of the MACCS described above. This acceleration did not have any impact on reported balance sheet balances as BCN have been recognized on the balance sheet since the BCN commitment agreement in February 2011.

In July 2012, a voluntary exchange offer was completed, under which certain employees elected to convert any future cash payments from deferred compensation awards under the Adjustable Performance Plan awards for shares at the same price as the conversion price under the MACCS.

Subsequent event

On March 13, 2013, certain Group entities entered into agreements with bond investors of affiliates of National Century Financial Enterprises, Inc. (NCFE) to end all bond investor litigation against Credit Suisse. As a result of this settlement, the Group increased existing NCFE-related litigation provisions

by CHF 227 million, resulting in an after tax charge of CHF 134 million in respect of its previously reported 2012 financial results.

- ▶ Refer to "Note 37 – Litigation" for further information on the NCFE-related litigation.

Significant shareholders

In a disclosure notification that the Group published on July 24, 2012, the Group was notified that as of July 18, 2012, The Olayan Group, through its registered entity Crescent Holding GmbH, held 78.4 million, or 6.1%, of the registered

Group shares issued as of the date of the notified transaction. No further disclosure notification was received from The Olayan Group relating to holdings of registered Group shares in 2012.

In a disclosure notification that the Group published on April 30, 2011, the Group was notified that as of April 21, 2011, Qatar Holding LLC held 73.2 million shares, or 6.2%, of the registered Group shares issued as of the date of the notified transaction. No disclosure notifications were received from Qatar Holding LLC relating to holdings of registered Group shares in 2012.

4 Discontinued operations

On December 31, 2008, the Group signed an agreement to sell part of its traditional investments business in Asset Management to Aberdeen. The transaction was completed with the final closing on July 1, 2009. As part of the sale of the business, the Group purchased certain assets in the amount of CHF 114 million in the first quarter of 2010 in accordance with contractual obligations and recognized losses of CHF 19 million that were included in discontinued operations in 2010. The remaining balance of the assets purchased in the first quarter of 2010 was sold, or matured in the first quarter of 2011.

The results of operations of the business sold have been reflected in income/(loss) from discontinued operations in the consolidated statements of operations for the relevant periods presented. The assets and liabilities of the business sold were presented as assets of discontinued operations held-for-sale and liabilities of discontinued operations held-for-sale, respectively, in the consolidated balance sheet beginning in the fourth quarter of 2008. Assets and liabilities are reclassified as held-for-sale in the period in which the disposal determination is made, and prior periods are not reclassified.

5 Segment information

The Group is a global financial services company domiciled in Switzerland. The Group's business consists of two segments: Private Banking & Wealth Management and Investment Banking. The Group's results reflect the integration of its previously reported Private Banking and Asset Management divisions into a single, new Private Banking & Wealth Management division and the transfer of the majority of its securities trading and sales business in Switzerland from Investment Banking into Private Banking & Wealth Management. This reorganization was effective November 30, 2012. Prior periods have been restated to conform to the current presentation. The two segments are complemented by Shared Services, which provides support in the areas of finance, operations, human resources, legal and compliance, risk management and IT.

The segment information reflects the Group's reportable segments as follows:

- Private Banking & Wealth Management offers comprehensive advice and a wide range of financial solutions to private, corporate and institutional clients. The Private Banking & Wealth Management division comprises the Wealth Management Clients, Corporate & Institutional Clients and Asset Management businesses. Wealth Management Clients serves ◉ultra-high-net-worth and ◉high-net-worth individuals around the globe and private clients in Switzerland. Corporate & Institutional Clients serves the needs of corporations and institutional clients, mainly in Switzerland. Asset Management offers a wide range of investment products and solutions across asset classes and for all investment styles, serving governments, institutions, corporations and individuals worldwide.
- Investment Banking offers investment banking and securities products and services to corporate, institutional and government clients around the world. Its products and

services include debt and equity underwriting, sales and trading, M&A advice, divestitures, corporate sales, restructuring and investment research.

Corporate Center includes parent company operations such as Group financing, expenses for projects sponsored by the Group and certain expenses that have not been allocated to the segments. In addition, Corporate Center includes consolidation and elimination adjustments required to eliminate inter-company revenues and expenses.

Noncontrolling interest-related revenues and expenses resulting from the consolidation of certain private equity funds and other entities in which the Group does not have a significant economic interest (SEI) in such revenues and expenses are reported as noncontrolling interests without SEI. The consolidation of these entities does not affect net income attributable to shareholders as the amounts recorded in net revenues and total operating expenses are offset by corresponding amounts reported as noncontrolling interests. In addition, the Group's tax expense is not affected by these revenues and expenses.

Revenue sharing and cost allocation

Responsibility for each product is allocated to a segment, which records all related revenues and expenses. Revenue-sharing and service level agreements govern the compensation received by one segment for generating revenue or providing services on behalf of another. These agreements are negotiated periodically by the relevant segments on a product-by-product basis.

The aim of revenue-sharing and cost allocation agreements is to reflect the pricing structure of unrelated third-party transactions.

Corporate services and business support in finance, operations, human resources, legal and compliance, risk manage-

ment and IT are provided by the Shared Services area. Shared Services costs are allocated to the segments and Corporate Center based on their requirements and other relevant measures.

Funding

The Group centrally manages its funding activities. New securities for funding and capital purposes are issued primarily by Credit Suisse AG, the Swiss bank subsidiary of the Group (the Bank). The Bank lends funds to its operating subsidiaries and affiliates on both a senior and subordinated basis, as needed, the latter typically to meet capital requirements, or as desired by management to capitalize on opportunities. Capital is distributed to the segments considering factors such as regulatory capital requirements, utilized economic capital and the historic and future potential return on capital.

Transfer pricing, using market rates, is used to record net revenues and expense in each of the segments for this capital and funding. The Group's funds transfer pricing system is designed to allocate to its businesses funding costs in a way that incentivizes their efficient use of funding. The Group's funds transfer pricing system is an essential tool that allocates to the businesses the short-term and long-term costs of funding their balance sheet and the costs associated with funding liquidity and balance sheet items, such as goodwill, which are beyond the control of individual businesses. This is of greater importance in a stressed capital markets environment where raising funds is more challenging and expensive. Under this system, the Group's businesses are also credited to the extent they provide long-term stable funding.

Taxes

The Group's segments are managed and reported on a pre-tax basis.

Net revenues and income/(loss) from continuing operations before taxes

in	2012	2011	2010
Net revenues (CHF million)			
Private Banking & Wealth Management	13,541	13,447	14,580
Investment Banking	12,558	10,460	15,873
Corporate Center	(2,493)	1,522	172
Noncontrolling interests without SEI	360	796	761
Net revenues	23,966	26,225	31,386
Income/(loss) from continuing operations before taxes (CHF million)			
Private Banking & Wealth Management	3,775	2,961	4,142
Investment Banking	2,002	(593)	3,594
Corporate Center	(3,898)	381	(936)
Noncontrolling interests without SEI	302	712	687
Income from continuing operations before taxes	2,181	3,461	7,487

Total assets

end of	2012	2011
Total assets (CHF million)		
Private Banking & Wealth Management	407,329	392,201
Investment Banking	658,622	790,167
Corporate Center ¹	(145,777)	(137,952)
Noncontrolling interests without SEI	4,106	4,749
Total assets	924,280	1,049,165

¹ Under the central treasury model, Group financing results in intra-Group balances between the segments. The elimination of these assets and liabilities occurs in the Corporate Center.

Net revenues and income/(loss) from continuing operations before taxes by geographic location

in	2012	2011	2010
Net revenues (CHF million)			
Switzerland	8,818	8,584	9,185
EMEA	3,297	6,490	7,411
Americas	10,015	9,417	12,844
Asia Pacific	1,836	1,734	1,946
Net revenues	23,966	26,225	31,386
Income/(loss) from continuing operations before taxes (CHF million)			
Switzerland	1,680	455	1,734
EMEA	(1,635)	1,313	1,519
Americas	2,960	2,613	5,036
Asia Pacific	(824)	(920)	(802)
Income from continuing operations before taxes	2,181	3,461	7,487

The designation of net revenues and income/(loss) from continuing operations before taxes is based on the location of the office recording the transactions. This presentation does not reflect the way the Group is managed.

Total assets by geographic location

end of	2012	2011
Total assets (CHF million)		
Switzerland	199,595	214,552
EMEA	222,483	277,783
Americas	421,418	469,294
Asia Pacific	80,784	87,536
Total assets	924,280	1,049,165

The designation of total assets by region is based upon customer domicile.

6 Net interest income

in	2012	2011	2010
Net interest income (CHF million)			
Loans	4,876	4,889	5,268
Investment securities	64	97	95
Trading assets	11,945	11,695	14,056
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	2,940	3,265	2,666
Other	2,280	3,056	3,448
Interest and dividend income	22,105	23,002	25,533
Deposits	(1,353)	(1,694)	(1,601)
Short-term borrowings	(184)	(69)	(63)
Trading liabilities	(6,833)	(7,125)	(9,011)
Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions	(1,677)	(1,621)	(1,637)
Long-term debt	(4,632)	(5,659)	(6,333)
Other	(276)	(401)	(347)
Interest expense	(14,955)	(16,569)	(18,992)
Net interest income	7,150	6,433	6,541

7 Commissions and fees

in	2012	2011	2010
Commissions and fees (CHF million)			
Lending business	1,513	1,296	1,455
Investment and portfolio management	4,039	4,070	4,316
Other securities business	99	90	75
Fiduciary business	4,138	4,160	4,391
Underwriting	1,561	1,479	2,125
Brokerage	3,695	4,066	3,953
Underwriting and brokerage	5,256	5,545	6,078
Other services	2,166	1,951	2,154
Commissions and fees	13,073	12,952	14,078

8 Trading revenues

in	2012	2011	2010
Trading revenues (CHF million)			
Interest rate products	2,707	6,794	5,866
Foreign exchange products	559	(4,433)	2,258
Equity/index-related products	139	1,644	2,211
Credit products	(3,306)	522	(1,644)
Commodity, emission and energy products	198	361	323
Other products	898	132	324
Trading revenues	1,195	5,020	9,338

Represents revenues on a product basis which are not representative of business results within segments, as segment results utilize financial instruments across various product types.

Trading revenues includes revenues from trading financial assets and liabilities as follows:

- Equities;
- Commodities;
- Listed and OTC derivatives;
- Derivatives linked to funds of hedge funds and providing financing facilities to funds of hedge funds;
- Market making in the government bond and associated OTC derivative swap markets;
- Domestic, corporate and sovereign debt, convertible and non-convertible preferred stock and short-term securities such as floating rate notes and commercial paper (CP);
- Market making and positioning in foreign exchange products;
- Credit derivatives on investment grade and high yield credits;
- Trading and securitizing all forms of securities that are based on underlying pools of assets; and
- Life settlement contracts.

Trading revenues also includes changes in the fair value of financial assets and liabilities elected to fair value under US GAAP. The main components include certain instruments from the following categories:

- Central bank funds purchased/sold;
- Securities purchased/sold under resale/repurchase agreements;
- Securities borrowing/lending transactions;
- Loans and loan commitments; and
- Customer deposits, short-term borrowings and long-term debt.

Managing the risks

As a result of the Group's broad involvement in financial products and markets, its trading strategies are correspondingly diverse and exposures are generally spread across a diversified range of risk factors and locations. The Group uses an economic capital limit structure to limit overall risk taking. The level of risk incurred by its divisions is further restricted by a variety of specific limits, including consolidated controls over trading exposures. Also, as part of its overall risk management, the Group holds a portfolio of economic hedges. Hedges are impacted by market movements, similar to trading securities, and may result in gains or losses on the hedges which offset losses or gains on the portfolios they were designed to economically hedge. The Group manages its trading risk with regard to both market and credit risk. For market risk, it uses tools capable of calculating comparable exposures across its many activities, as well as focused tools that can specifically model unique characteristics of certain instruments or portfolios.

The principal measurement methodology for trading assets, as well as most instruments for which the fair value option was elected, is value-at-risk. The Group holds securities as collateral and enters into credit default swaps (CDS) to mitigate the credit risk on these products.

9 Other revenues

in	2012	2011	2010
Other revenues (CHF million)			
Noncontrolling interests without SEI	336	701	737
Loans held-for-sale	(37)	(4)	(84)
Long-lived assets held-for-sale	458	(40)	(176)
Equity method investments	150	141	209
Other investments	749	457	170
Other	892	565	573
Other revenues	2,548	1,820	1,429

10 Provision for credit losses

in	2012	2011	2010
Provision for credit losses (CHF million)			
Provision for loan losses	159	141	(93)
Provision for lending-related and other exposures	11	46	14
Provision for credit losses	170	187	(79)

11 Compensation and benefits

in	2012	2011	2010
Compensation and benefits (CHF million)			
Salaries and variable compensation	10,924	11,474	12,481
Social security	769	865	928
Other ¹	837	874	1,190
Compensation and benefits ²	12,530	13,213	14,599

¹ Includes pension and other post-retirement expense of CHF 532 million, CHF 610 million, CHF 483 million in 2012, 2011 and 2010, respectively, and the UK levy on variable compensation of CHF 404 million in 2010. ² Includes severance and other compensation expense relating to headcount reductions of CHF 456 million and CHF 715 million in 2012 and 2011, respectively.

Plus Bond

As part of the 2012 annual compensation, the Group awarded a portion of variable compensation to managing directors and directors in Investment Banking for services performed in 2012 in the form of Plus Bond awards.

Plus Bond units are cash-based awards linked to a portfolio of asset-backed securities originated and managed in Investment Banking. These awards provide recipients with semi-annual payments and a final settlement in 2016 in cash or shares at the Group's discretion, based on the initial award value less portfolio losses after a first loss retained by the

Group. The Plus Bond unit constitutes a transfer of risk from the Group to these employees.

As of the December 31, 2012 grant date, the Plus Bond awards granted to managing directors and directors in Investment Banking had a fair value of CHF 187 million and were fully vested and expensed. Compensation expense will be updated at each reporting period date to reflect any change in the underlying fair value of the Plus Bond units until the awards are settled.

- ▶ Refer to "Note 27 – Employee deferred compensation" for further information on Plus Bond awards.

12 General and administrative expenses

in	2012	2011	2010
General and administrative expenses (CHF million)			
Occupancy expenses	1,230	1,132	1,191
IT, machinery, etc.	1,472	1,452	1,348
Provisions and losses	694	704	533
Travel and entertainment	396	443	473
Professional services	1,932	2,074	2,176
Amortization and impairment of other intangible assets	36	30	35
Other	1,550	1,537	1,475
General and administrative expenses	7,310	7,372	7,231

13 Earnings per share

in	2012	2011	2010
Net income attributable to shareholders (CHF million)			
Income from continuing operations	1,349	1,953	5,117
Income/(loss) from discontinued operations, net of tax	0	0	(19)
Net income attributable to shareholders	1,349	1,953	5,098
Preferred securities dividends	(231)	(216)	(162)
Net income attributable to shareholders for basic earnings per share	1,118	1,737	4,936
Available for common shares	1,044	1,640	4,670
Available for unvested share-based payment awards	66	97	266
Available for mandatory convertible securities ¹	8	—	—
Diluted net income attributable to shareholders (million)			
Net income attributable to shareholders for basic earnings per share	1,118	1,737	4,936
Income impact of assumed conversion on contracts that may be settled in shares or cash ²	0	—	—
Net income attributable to shareholders for diluted earnings per share	1,118	1,737	4,936
Available for common shares	1,044	1,640	4,671
Available for unvested share-based payment awards	66	97	265
Available for mandatory convertible securities ¹	8	—	—
Weighted-average shares outstanding (million)			
Weighted-average shares outstanding for basic earnings per share available for common shares	1,279.6	1,198.5	1,194.8
Dilutive contracts that may be settled in shares or cash ³	0.0	—	—
Dilutive share options and warrants	4.9	2.9	5.9
Dilutive share awards	1.8	5.3	0.4
Weighted-average shares outstanding for diluted earnings per share available for common shares⁴	1,286.3	1,206.7	1,201.1
Weighted-average shares outstanding for basic/diluted earnings per share available for unvested share-based payment awards	97.3	72.6	67.4
Weighted-average shares outstanding for basic/diluted earnings per share available for mandatory convertible securities¹	97.1	—	—
Basic earnings per share available for common shares (CHF)			
Basic earnings per share from continuing operations	0.82	1.37	3.98
Basic earnings/(loss) per share from discontinued operations	0.00	0.00	(0.02)
Basic earnings per share available for common shares	0.82	1.37	3.91
Diluted earnings per share available for common shares (CHF)			
Diluted earnings per share from continuing operations	0.81	1.36	3.91
Diluted earnings/(loss) per share from discontinued operations	0.00	0.00	(0.02)
Diluted earnings per share available for common shares	0.81	1.36	3.89

¹ Reflects MACCS issued in July 2012 that are mandatorily convertible into shares on March 29, 2013 with settlement and delivery of shares in early April 2013. ² Reflects changes in the fair value of the PAF2 units which are reflected in the net profit of the Group until the awards are finally settled. Fair value of the PAF2 units which are reflected in the net profit of the Group are not adjusted for 2012, as the effect would be antidilutive. ³ Reflects weighted-average shares outstanding on PAF2 units. Weighted-average shares on PAF2 units for 2012 were excluded from the diluted earnings per share calculation, as the effect would be antidilutive. ⁴ Weighted-average potential common shares relating to instruments that were not dilutive for the respective periods (and therefore not included in the diluted earnings per share calculation above) but could potentially dilute earnings per share in the future were 50.3 million, 37.3 million and 50.2 million for 2012, 2011 and 2010, respectively.

14 Securities borrowed, lent and subject to repurchase agreements

end of	2012	2011
Securities borrowed or purchased under agreements to resell (CHF million)		
Central bank funds sold and securities purchased under resale agreements	121,242	172,184
Deposits paid for securities borrowed	62,213	64,779
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions		
	183,455	236,963
Securities lent or sold under agreements to repurchase (CHF million)		
Central bank funds purchased and securities sold under repurchase agreements	120,164	161,220
Deposits received for securities lent	12,557	15,339
Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions		
	132,721	176,559

Repurchase and reverse repurchase agreements represent collateralized financing transactions used to earn net interest income, increase liquidity or facilitate trading activity. These instruments are collateralized principally by government securities, money market instruments and corporate bonds and have terms ranging from overnight to a longer or unspecified period of time.

In the event of counterparty default, the reverse repurchase agreement or securities lending agreement provides the Group with the right to liquidate the collateral held. In the Group's normal course of business, substantially all of the collateral received that may be sold or repledged has been sold or repledged as of December 31, 2012 and 2011.

15 Trading assets and liabilities

end of	2012	2011
Trading assets (CHF million)		
Debt securities	135,871	145,038
Equity securities ¹	74,895	66,904
Derivative instruments ²	33,208	52,548
Other	12,425	15,066
Trading assets	256,399	279,553
Trading liabilities (CHF million)		
Short positions	51,303	67,639
Derivative instruments ²	39,513	60,121
Trading liabilities	90,816	127,760

¹ Including convertible bonds. ² Amounts shown net of cash collateral receivables and payables.

Cash collateral on derivative instruments

end of	2012	2011
Cash collateral – netted (CHF million) ¹		
Cash collateral paid	36,662	37,639
Cash collateral received	33,373	36,474
Cash collateral – not netted (CHF million) ²		
Cash collateral paid	10,904	15,809
Cash collateral received	12,224	11,934

¹ Recorded as cash collateral netting on derivative instruments in Note 30 – Derivatives and hedging activities. ² Recorded as cash collateral on derivative instruments in Note 22 – Other assets and other liabilities.

16 Investment securities

	end of	2012	2011
Investment securities (CHF million)			
Debt securities held-to-maturity		0	2
Securities available-for-sale		3,498	5,158
Total investment securities		3,498	5,160

Investment securities by type

	end of	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
2012 (CHF million)					
Debt securities issued by the Swiss federal, cantonal or local governmental entities		452	31	0	483
Debt securities issued by foreign governments		1,523	82	0	1,605
Corporate debt securities		823	22	0	845
Collateralized debt obligations		448	22	0	470
Debt securities available-for-sale		3,246	157	0	3,403
Banks, trust and insurance companies		73	14	0	87
Industry and all other		8	0	0	8
Equity securities available-for-sale		81	14	0	95
Securities available-for-sale		3,327	171	0	3,498
2011 (CHF million)					
Debt securities issued by foreign governments		2	0	0	2
Debt securities held-to-maturity		2	0	0	2
Debt securities issued by the Swiss federal, cantonal or local governmental entities		321	27	0	348
Debt securities issued by foreign governments		3,211	121	12	3,320
Corporate debt securities		778	18	5	791
Collateralized debt obligations		587	20	0	607
Debt securities available-for-sale		4,897	186	17	5,066
Banks, trust and insurance companies		67	9	0	76
Industry and all other		15	1	0	16
Equity securities available-for-sale		82	10	0	92
Securities available-for-sale		4,979	196	17	5,158

Gross unrealized losses on investment securities and the related fair value

	end of	Less than 12 months		12 months or more		Total	
		Fair value	Gross unrealized losses	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses
		2011 (CHF million)					
Debt securities issued by foreign governments		100	2	40	10	140	12
Corporate debt securities		81	2	17	3	98	5
Debt securities available-for-sale		181	4	57	13	238	17

Management determined that the unrealized losses on debt securities are primarily attributable to general market interest rate, credit spread or exchange rate movements. There were no unrealized losses on investment securities in 2012. No significant impairment charges were recorded as the Group does

not intend to sell the investments, nor is it more likely than not that the Group will be required to sell the investments before the recovery of their amortized cost bases, which may be maturity.

Proceeds from sales, realized gains and realized losses from available-for-sale securities

in	Debt securities			Equity securities		
	2012	2011	2010	2012	2011	2010
Additional information (CHF million)						
Proceeds from sales	294	2,117	985	642	1	3
Realized gains	14	40	5	294	0	0
Realized losses	(2)	(22)	(11)	0	0	0

Amortized cost, fair value and average yield of debt securities

end of	Debt securities available-for-sale		
	Amortized cost	Fair value	Average yield (in %)
2012 (CHF million)			
Due within 1 year	1,109	1,121	2.54
Due from 1 to 5 years	1,452	1,544	2.98
Due from 5 to 10 years	501	538	1.62
Due after 10 years	184	200	2.26
Total debt securities	3,246	3,403	2.58

17 Other investments

end of	2012	2011
Other investments (CHF million)		
Equity method investments	2,167	2,542
Non-marketable equity securities ¹	7,296	7,879
Real estate held for investment	687	783
Life finance instruments ²	1,872	2,022
Total other investments	12,022	13,226

¹ Includes private equity, hedge funds and restricted stock investments as well as certain investments in non-marketable mutual funds for which the Group has neither significant influence nor control over the investee. ² Includes life settlement contracts at investment method and SPIA contracts.

Non-marketable equity securities held by subsidiaries that are considered investment companies are held by separate legal entities that are within the scope of ASC Topic 946 – Financial Services – Investment Companies. In addition, non-marketable equity securities held by subsidiaries that are considered broker-dealer entities are held by separate legal entities that are within the scope of ASC Topic 940 – Financial Services – Broker and Dealers. Non-marketable equity securities include investments in entities that regularly calculate net asset value (NAV) per share or its equivalent.

- Refer to "Note 33 – Financial instruments" for further information on such investments.

Substantially all non-marketable equity securities are carried at fair value. There were no non-marketable equity securities not carried at fair value that have been in a continuous unrealized loss position.

The Group performs a regular impairment analysis of real estate portfolios. The carrying values of the impaired properties were written down to their respective fair values, establishing new cost bases. For these properties, the fair values were measured based on either discounted cash flow analyses or external market appraisals. Impairments of CHF 13 million and CHF 3 million were recorded in 2012 and 2011, respectively. No impairments were recorded in 2010.

The accumulated depreciation related to real estate held for investment amounted to CHF 330 million, CHF 327 million and CHF 321 million for 2012, 2011 and 2010, respectively.

18 Loans, allowance for loan losses and credit quality

Loans are divided in two portfolio segments, "consumer" and "corporate & institutional". Consumer loans are disaggregated into the classes of mortgages, loans collateralized by securities and consumer finance. Corporate & institutional loans are disaggregated into the classes of real estate, commercial and industrial loans, financial institutions and governments and public institutions.

The determination of the loan classes is primarily driven by the customer segmentation in the two business divisions, Private Banking & Wealth Management and Investment Banking, both of which are engaged in credit activities.

The Group assigns both counterparty and transaction ratings to its credit exposures. The counterparty rating reflects the probability of default (PD) of the counterparty. The transaction rating reflects the expected loss, considering collateral, on a given transaction if the counterparty defaults. Credit risk is assessed and monitored on the single obligor and single obligation level as well as on the credit portfolio level as represented by the classes of loans. Credit limits are used to manage counterparty credit risk.

Loans

end of	2012	2011
Loans (CHF million)		
Mortgages	91,872	88,255
Loans collateralized by securities	27,363	26,461
Consumer finance	6,901	6,695
Consumer	126,136	121,411
Real estate	26,725	25,185
Commercial and industrial loans	62,709	59,998
Financial institutions	24,905	25,373
Governments and public institutions	2,729	2,390
Corporate & institutional	117,068	112,946
Gross loans	243,204	234,357
of which held at amortized cost	223,204	213,663
of which held at fair value	20,000	20,694
Net (unearned income)/deferred expenses	(59)	(34)
Allowance for loan losses	(922)	(910)
Net loans	242,223	233,413
Gross loans by location (CHF million)		
Switzerland	151,226	146,737
Foreign	91,978	87,620
Gross loans	243,204	234,357
Impaired loan portfolio (CHF million)		
Non-performing loans	859	758
Non-interest-earning loans	313	262
Total non-performing and non-interest-earning loans	1,172	1,020
Restructured loans	30	18
Potential problem loans	527	680
Total other impaired loans	557	698
Gross impaired loans	1,729	1,718

Allowance for loan losses

	2012			2011			2010
	Corporate & Consumer	institutional	Total	Corporate & Consumer	institutional	Total	Total
Allowance for loan losses (CHF million)							
Balance at beginning of period	289	621	910	279	738	1,017	1,395
Change in scope of consolidation	(18)	0	(18)	0	0	0	0
Net movements recognized in statements of operations	95	64	159	87	54	141	(93)
Gross write-offs	(105)	(96)	(201)	(124)	(175)	(299)	(294)
Recoveries	22	22	44	39	2	41	63
Net write-offs	(83)	(74)	(157)	(85)	(173)	(258)	(231)
Provisions for interest	8	21	29	2	12	14	2
Foreign currency translation impact and other adjustments, net	(3)	2	(1)	6	(10)	(4)	(56)
Balance at end of period	288	634	922	289	621	910	1,017

Allowance for loan losses and gross loans held at amortized cost by loan portfolio

	2012			2011			2010		
end of	Corporate & Consumer	institutional	Total	Corporate & Consumer	institutional	Total	Corporate & Consumer	institutional	Total
Allowance for loan losses (CHF million)									
Balance at end of period	288	634	922	289	621	910	279	738	1,017
of which individually evaluated for impairment	239	457	696	222	428	650	210	539	749
of which collectively evaluated for impairment	49	177	226	67	193	260	69	199	268
Gross loans held at amortized cost (CHF million)									
Balance at end of period	126,124	97,080	223,204	121,401	92,262	213,663	114,879	86,460	201,339
of which individually evaluated for impairment ¹	661	1,068	1,729	665	1,053	1,718	680	1,183	1,863
of which collectively evaluated for impairment	125,463	96,012	221,475	120,736	91,209	211,945	114,199	85,277	199,476

¹ Represents gross impaired loans both with and without a specific allowance.

Purchases, reclassifications and sales

	2012			2011		
in	Corporate & Consumer	institutional	Total	Corporate & Consumer	institutional	Total
Loans held at amortized cost (CHF million)						
Purchases	348	4,605	4,953	0	4,121	4,121
Reclassifications from loans held-for-sale	0	216	216	0	0	0
Reclassifications to loans held-for-sale ¹	0	1,323	1,323	0	1,363	1,363
Sales ¹	0	1,058	1,058	0	1,117	1,117

¹ All loans held at amortized cost which are sold are reclassified to loans held-for-sale on or prior to the date of the sale.

Credit quality of loans held at amortized cost

Management monitors the credit quality of loans through its credit risk management processes, which are structured to assess, quantify, measure, monitor and manage risk on a consistent basis. This process requires careful consideration of proposed extensions of credit, the setting of specific limits, monitoring during the life of the exposure, active use of credit mitigation tools and a disciplined approach to recognizing credit impairment.

Management evaluates many factors when assessing the credit quality of loans. These factors include the volatility of default probabilities, rating changes, the magnitude of potential loss, internal risk ratings, and geographic, industry and other economic factors. For the purpose of credit quality disclosures, the Group uses internal risk ratings as credit quality indicators.

The Group employs a set of credit ratings for the purpose of internally rating counterparties. Credit ratings are intended to reflect the risk of default of each obligor or counterparty. Ratings are assigned based on internally developed rating models and processes, which are subject to governance and internally independent validation procedures.

Internal ratings are assigned to all loans reflecting the Group's internal view of the credit quality of the obligor. Internal ratings may differ from a counterparty's external ratings, if one is available. Internal ratings are reviewed at least annually. For the calculation of internal risk estimates and ◊risk-weighted assets, a PD is assigned to each loan. For corporate & institutional loans excluding corporates managed on the Swiss platform, the PD is determined by the internal credit rat-

ing. The PD for each rating is calibrated based on historic default experience, using external data from Standard & Poor's, and backtested to ensure consistency with internal experience. For corporates managed on the Swiss platform and consumer loans, the PD is calculated directly by proprietary statistical rating models, which are based on internally compiled data comprising both quantitative factors (primarily loan-to-value ratio and the borrower's income level for mortgage lending and balance sheet information for corporates) and qualitative factors (e.g., credit histories from credit reporting bureaus). In this case, an equivalent rating is assigned for reporting purposes, based on the PD band associated with each rating.

◊Reverse repurchase agreements are fully collateralized and in the event of counterparty default the reverse repurchase agreement provides the Group the right to liquidate the collateral held. The Group risk manages these instruments on the basis of the value of the underlying collateral, as opposed to loans, which are risk managed on the ability of the counterparty to repay. Therefore the underlying collateral coverage is the most appropriate credit quality indicator for reverse repurchase agreements. Also, the Group has elected the ◊fair value option for the majority of its reverse repurchase agreements. As such, reverse repurchase agreements have not been included in the following tables.

The following tables present the Group's recorded investment in loans held at amortized cost by internal counterparty credit ratings that are used as credit quality indicators for the purpose of this disclosure, and a related aging analysis.

Gross loans held at amortized cost by internal counterparty rating

end of	AAA	AA	A	BBB	BB	B	CCC	CC	C	D	Total
2012 (CHF million)											
Mortgages	387	730	12,176	58,491	19,255	599	13	9	0	212	91,872
Loans collateralized by securities	79	57	948	23,357	2,728	92	6	1	0	95	27,363
Consumer finance	0	6	100	3,324	2,065	901	39	0	129	325	6,889
Consumer	466	793	13,224	85,172	24,048	1,592	58	10	129	632	126,124
Real estate	261	374	2,199	14,537	8,759	195	0	0	0	55	26,380
Commercial and industrial loans	238	325	1,580	22,040	23,070	3,467	209	1	47	763	51,740
Financial institutions	2,288	2,087	4,661	5,260	2,569	382	0	33	14	147	17,441
Governments and public institutions	131	50	360	521	127	101	229	0	0	0	1,519
Corporate & institutional	2,918	2,836	8,800	42,358	34,525	4,145	438	34	61	965	97,080
Gross loans held at amortized cost	3,384	3,629	22,024	127,530	58,573	5,737	496	44	190	1,597	223,204
Value of collateral ¹	2,918	2,616	19,526	116,583	48,342	3,210	189	44	15	791	194,234
2011 (CHF million)											
Mortgages	166	637	8,837	55,222	22,368	763	18	19	0	225	88,255
Loans collateralized by securities	1	18	397	24,089	1,793	88	0	2	0	73	26,461
Consumer finance	1	5	51	3,234	2,187	524	58	9	316	300	6,685
Consumer	168	660	9,285	82,545	26,348	1,375	76	30	316	598	121,401
Real estate	341	204	1,241	12,476	10,277	312	0	3	0	60	24,914
Commercial and industrial loans	409	242	1,755	21,182	20,091	3,128	179	27	121	714	47,848
Financial institutions	3,906	2,098	3,333	5,549	1,890	760	3	43	0	132	17,714
Governments and public institutions	119	88	355	484	160	104	470	0	0	6	1,786
Corporate & institutional	4,775	2,632	6,684	39,691	32,418	4,304	652	73	121	912	92,262
Gross loans held at amortized cost	4,943	3,292	15,969	122,236	58,766	5,679	728	103	437	1,510	213,663
Value of collateral ¹	3,938	1,751	14,176	112,505	48,100	3,171	119	86	9	871	184,726

¹ Includes the value of collateral up to the amount of the outstanding related loans. For mortgages, collateral values are generally values at the time of granting the loan.

Value of collateral

In Private Banking & Wealth Management, all collateral values for loans are regularly reviewed according to our risk management policies and directives, with maximum review periods determined by market liquidity, market transparency and appraisal costs. For example, traded securities are revalued on a daily basis and property values are appraised over a period of more than one year considering the characteristics of the borrower, current developments in the relevant real estate market and the current level of credit exposure to the borrower. If the credit exposure to a borrower has changed significantly, in volatile markets or in times of increasing general market risk, collateral values may be appraised more frequently. Management judgment is applied in assessing

whether markets are volatile or general market risk has increased to a degree that warrants a more frequent update of collateral values. Movements in monitored risk metrics that are statistically different compared to historical experience are considered in addition to analysis of externally-provided forecasts, scenario techniques and macro-economic research. For impaired loans, the fair value of collateral is determined within 90 days of the date the impairment was identified and thereafter regularly revalued by Group credit risk management (CRM) within the impairment review process.

In Investment Banking, few loans are collateral dependent. The collateral values for these loans are appraised on at least an annual basis, or when a loan-relevant event occurs.

Gross loans held at amortized cost – aging analysis

end of		Current				Past due		Total
		Up to 30 days		31–60 days	61–90 days	More than 90 days		
2012 (CHF million)								
Mortgages	91,527	156	17	11	161	345	91,872	
Loans collateralized by securities	27,034	220	3	3	103	329	27,363	
Consumer finance	6,116	420	90	52	211	773	6,889	
Consumer	124,677	796	110	66	475	1,447	126,124	
Real estate	26,221	107	2	2	48	159	26,380	
Commercial and industrial loans	50,479	720	27	138	376	1,261	51,740	
Financial institutions	17,208	53	2	34	144	233	17,441	
Governments and public institutions	1,484	35	0	0	0	35	1,519	
Corporate & institutional	95,392	915	31	174	568	1,688	97,080	
Gross loans held at amortized cost	220,069	1,711	141	240	1,043	3,135	223,204	
2011 (CHF million)								
Mortgages	88,014	48	12	6	175	241	88,255	
Loans collateralized by securities	26,226	180	11	3	41	235	26,461	
Consumer finance	5,880	496	86	50	173	805	6,685	
Consumer	120,120	724	109	59	389	1,281	121,401	
Real estate	24,830	41	3	1	39	84	24,914	
Commercial and industrial loans	46,946	454	90	50	308	902	47,848	
Financial institutions	17,504	78	2	48	82	210	17,714	
Governments and public institutions	1,779	1	0	0	6	7	1,786	
Corporate & institutional	91,059	574	95	99	435	1,203	92,262	
Gross loans held at amortized cost	211,179	1,298	204	158	824	2,484	213,663	

Impaired loans

Categories of impaired loans

In accordance with Group policies, impaired loans include non-performing loans, non-interest-earning loans, restructured loans and potential problem loans.

- Refer to "Loans" in Note 1 – Summary of significant accounting policies for further information on categories of impaired loans.

As of December 31, 2012 and 2011, loans held-to-maturity carried at amortized cost did not include any subprime residential

mortgages. Accordingly, impaired loans did not include any sub-prime residential mortgages.

In 2012 and 2011, the number of troubled debt restructurings and related financial effects and the number of defaults and related carrying values of loans, which had been restructured within the previous 12 months, were not material. As of December 31, 2012 and 2011, the Group did not have any material commitments to lend additional funds to debtors whose loan terms had been modified in troubled debt restructurings.

Gross impaired loans by category

end of	Non-performing and non-interest-earning loans			Other impaired loans			Total	
	Non-performing loans	Non-interest-earning loans	Total	Restructured loans	Potential problem loans	Total		
2012 (CHF million)								
Mortgages	154	16	170	0	69	69	239	
Loans collateralized by securities	18	74	92	0	3	3	95	
Consumer finance	315	10	325	0	2	2	327	
Consumer	487	100	587	0	74	74	661	
Real estate	46	5	51	0	15	15	66	
Commercial and industrial loans	268	170	438	30	373	403	841	
Financial institutions	58	38	96	0	65	65	161	
Corporate & institutional	372	213	585	30	453	483	1,068	
Gross impaired loans	859	313	1,172	30	527	557	1,729	
2011 (CHF million)								
Mortgages	176	14	190	1	73	74	264	
Loans collateralized by securities	27	13	40	0	46	46	86	
Consumer finance	262	28	290	0	25	25	315	
Consumer	465	55	520	1	144	145	665	
Real estate	29	7	36	0	24	24	60	
Commercial and industrial loans	215	129	344	17	454	471	815	
Financial institutions	49	65	114	0	58	58	172	
Governments and public institutions	0	6	6	0	0	0	6	
Corporate & institutional	293	207	500	17	536	553	1,053	
Gross impaired loans	758	262	1,020	18	680	698	1,718	

Write-off and recovery of loans

Write-off of a loan occurs when it is considered certain that there is no possibility of recovering the outstanding principal. In Investment Banking, a loan is written down to its net book value once the loan provision is greater than 80% of the loan notional amount, unless repayment of the loan is anticipated to occur within the next two quarters. In Private Banking & Wealth Management, write-offs are made, based on an individual counterparty assessment performed by Group CRM, if it is certain that parts of a loan will not be recoverable. For collateralized loans, the collateral is assessed and the unsecured exposure is written-off. Write-offs on uncollateralized loans are based on the borrower's ability to pay back the outstanding loan out of free cash flow. The Group evaluates the recoverability of the loans granted, if a borrower is expected

to default wholly or partly on its payment obligations or to meet these only with third-party support. Adjustments are made to reflect the estimated realizable value of the loan or any collateral. Triggers to assess the creditworthiness of a borrower to absorb the adverse developments include for example i) a default on interest or principal payments by more than 90 days, ii) a waiver of interest or principal by the Group, iii) a downgrade of the loan to non-interest-earning, iv) the collection of the debt through seizure order, bankruptcy proceedings or realization of collateral, or v) the insolvency of the borrower. Based on such assessment, Group CRM evaluates the need for write-offs individually and on an ongoing basis.

Recoveries of loans previously written off are recorded based on the cash or estimated fair value of other amounts received.

Gross impaired loan details

end of	Recorded investment	2012		2011	
		Unpaid principal balance	Associated specific allowance	Recorded investment	Unpaid principal balance
Gross impaired loan details (CHF million)					
Mortgages	206	197	32	217	206
Loans collateralized by securities	68	66	53	85	83
Consumer finance	302	280	154	303	288
Consumer	576	543	239	605	577
Real estate	63	55	22	46	38
Commercial and industrial loans	715	677	342	734	709
Financial institutions	157	155	93	156	154
Governments and public institutions	0	0	0	6	5
Corporate & institutional	935	887	457	942	906
Gross impaired loans with a specific allowance	1,511	1,430	696	1,547	1,483
Mortgages	33	33	—	46	46
Loans collateralized by securities	27	28	—	1	1
Consumer finance	25	25	—	13	13
Consumer	85	86	—	60	60
Real estate	3	3	—	15	15
Commercial and industrial loans	126	128	—	80	80
Financial institutions	4	4	—	16	16
Corporate & institutional	133	135	—	111	111
Gross impaired loans without specific allowance	218	221	—	171	171
Gross impaired loans	1,729	1,651	696	1,718	1,654
of which consumer	661	629	239	665	637
of which corporate & institutional	1,068	1,022	457	1,053	1,017
					428

Gross impaired loan details (continued)

	2012			2011		
	Average recorded investment	Interest income recognized	Interest income recognized on a cash basis	Average recorded investment	Interest income recognized	Interest income recognized on a cash basis
Gross impaired loan details (CHF million)						
Mortgages	217	1	1	222	1	0
Loans collateralized by securities	68	1	0	82	1	0
Consumer finance	277	3	3	276	2	1
Consumer	562	5	4	580	4	1
Real estate	58	0	0	47	1	1
Commercial and industrial loans	620	3	2	871	7	6
Financial institutions	201	2	2	160	0	0
Governments and public institutions	6	0	0	6	0	0
Corporate & institutional	885	5	4	1,084	8	7
Gross impaired loans with a specific allowance	1,447	10	8	1,664	12	8
Mortgages	40	0	0	94	0	0
Loans collateralized by securities	8	0	0	4	0	0
Consumer finance	41	0	0	19	0	0
Consumer	89	0	0	117	0	0
Real estate	13	0	0	74	5	5
Commercial and industrial loans	215	3	3	149	1	0
Financial institutions	8	0	0	19	0	0
Corporate & institutional	236	3	3	242	6	5
Gross impaired loans without specific allowance	325	3	3	359	6	5
Gross impaired loans	1,772	13	11	2,023	18	13
of which consumer	651	5	4	697	4	1
of which corporate & institutional	1,121	8	7	1,326	14	12

Allowance for specifically identified credit losses on impaired loans

The Group considers a loan impaired when, based on current information and events, it is probable that the Group will be unable to collect the amounts due according to the contractual terms of the loan agreement. The Group performs an in-depth review and analysis of impaired loans, considering factors such as recovery and exit options as well as considering collateral and counterparty risk. In general, all impaired loans are individually assessed. For consumer loans, the trigger to detect an impaired loan is non-payment of interest. Corporate & institutional loans are reviewed at least annually based on the borrower's financial statements and any indications of difficulties they may experience. Loans that are not impaired, but which are of special concern due to changes in covenants, downgrades, negative financial news and other adverse developments, are included on a watch list. All loans on the watch list are reviewed at least quarterly to determine whether they

should be moved to Group recovery management at which point they are reviewed quarterly for impairment. If an individual loan specifically identified for evaluation is considered impaired, the allowance is determined as a reasonable estimate of credit losses existing as of the end of the reporting period. Thereafter, the allowance is revalued by Group credit risk management at least annually or more frequently depending on the risk profile of the borrower or credit relevant events. For certain non-collateral-dependent impaired loans, an impairment is measured using the present value of estimated future cash flows, except that as a practical expedient an impairment may be measured based on a loan's observable market price. If the present value of estimated future cash flows is used, the impaired loan and related allowance are revalued at least quarterly to reflect passage of time. For collateral-dependent impaired loans, an impairment is measured using the fair value of the collateral.

19 Premises and equipment

end of	2012	2011
Premises and equipment (CHF million)		
Buildings and improvements	2,429	4,060
Land	501	872
Leasehold improvements	2,174	2,241
Software	5,324	4,614
Equipment	3,160	3,188
Premises and equipment	13,588	14,975
Accumulated depreciation	(7,970)	(7,782)
Total premises and equipment, net	5,618	7,193

Depreciation and impairment

in	2012	2011	2010
CHF million			
Depreciation	1,229	1,078	1,115
Impairment	17	87	16

In 2011, the estimated useful lives for leasehold and building improvements in Switzerland were increased from five to ten years, based on a change in estimate. The cumulative effect

of adopting this change in estimate on January 1, 2011 was a decrease in depreciation expense of CHF 64 million (CHF 56 million after tax).

20 Goodwill

	2012		2011	
	Private Banking & Wealth Management	Credit Suisse Group	Private Banking & Wealth Management	Credit Suisse Group
Gross amount of goodwill (CHF million)				
Balance at beginning of period	2,471	6,202	8,673	2,481
Goodwill acquired during the year	28	0	28	0
Foreign currency translation impact	(54)	(138)	(192)	(12)
Other	(36)	(2)	(38) ¹	2
Balance at end of period	2,409	6,062	8,471	2,471
Accumulated impairment (CHF million)				
Balance at beginning of period	0	82	82	0
Balance at end of period	0	82	82	0
Net book value (CHF million)				
Net book value	2,409	5,980	8,389	2,471
				6,120
				8,591

¹ Includes tax benefit adjustments arising from the amortization of tax goodwill in connection with the purchase of the residual minority stake in Hedging-Griffo in 2012.

In accordance with US GAAP, the Group continually assesses whether or not there has been a triggering event. As of December 31, 2012 and 2011, the Group's market capitalization was below book value.

In estimating the **fair value** of its reporting units the Group generally applied a market approach where consideration is given to price to projected earning multiples or price to book value multiples for similarly traded companies and prices paid in recent transactions that have occurred in its industry or in related industries.

In determining the estimated fair value, the Group relied upon its three-year strategic business plan which included significant management assumptions and estimates based on its view of current and future economic conditions and regulatory changes.

Based on its goodwill impairment analysis performed as of December 31, 2012, the Group concluded that the estimated fair value for the three reporting units within its Private Banking & Wealth Management segment substantially exceeded their related carrying values and no impairment was necessary as of December 31, 2012.

There was also no impairment necessary for the Group's Investment Banking reporting unit as the estimated fair value exceeded its carrying value by 10%. The goodwill allocated to this reporting unit has become more sensitive to an impairment as the valuation of the reporting unit is highly correlated with economic and financial market conditions, client trading and investing activity and the regulatory environment in which it operates. The Group engaged the services of an independent valuation specialist to assist in the valuation of the reporting

unit as of December 31, 2012 using a combination of the market approach and income approach. Under the market approach, consideration is given to price to projected earnings multiples or price to book value multiples for similarly traded companies and prices paid in recent transactions that have occurred in its industry or in related industries. Under the income approach, a discount rate was applied that reflects the risk and uncertainty related to the reporting unit's projected cash flows.

The results of the impairment evaluation of the Investment Banking reporting unit's goodwill would be significantly impacted by adverse changes in the underlying parameters used in the valuation process. If actual outcomes adversely differ by a sufficient margin from its best estimates of the key economic assumptions and associated cash flows applied in the valuation of the reporting unit, the Group could potentially incur material impairment charges in the future with respect to the CHF 5,980 million of goodwill recorded in Investment Banking.

As a result of acquisitions, the Group has recorded goodwill as an asset in its consolidated balance sheets, the most significant component of which arose from the acquisition of Donaldson, Lufkin & Jenrette Inc. in 2000. During 2012, the Group completed the acquisition of HSBC's private banking business in Japan that generated goodwill upon consolidation. During 2011, there were no acquisitions that generated goodwill upon consolidation.

Goodwill was negatively impacted by foreign exchange fluctuations in goodwill denominated in US dollars in 2012.

21 Other intangible assets

	2012			2011		
	Gross carrying amount	Accumulated amortization	Net carrying amount	Gross carrying amount	Accumulated amortization	Net carrying amount
end of						
Other intangible assets (CHF million)						
Tradenames/trademarks	25	(21)	4	26	(21)	5
Client relationships	314	(146)	168	369	(193)	176
Other	8	(2)	6	7	(1)	6
Total amortizing other intangible assets	347	(169)	178	402	(215)	187
Non-amortizing other intangible assets	65	–	65	101	–	101
of which mortgage servicing rights, at fair value	43	–	43	70	–	70
Total other intangible assets	412	(169)	243	503	(215)	288

Additional information

in	2012	2011	2010
Aggregate amortization and impairment (CHF million)			
Aggregate amortization	28	30	34
Impairment	7	0	1

Estimated amortization

Estimated amortization (CHF million)	
2013	25
2014	24
2015	23
2016	19
2017	19

22 Other assets and other liabilities

end of	2012	2011
Other assets (CHF million)		
Cash collateral on derivative instruments	10,904	15,809
Cash collateral on non-derivative transactions	1,995	2,083
Derivative instruments used for hedging	3,930	3,706
Assets held-for-sale	20,343	21,205
of which loans ¹	19,894	20,457
of which real estate	442	732
Assets held for separate accounts	13,414	14,407
Interest and fees receivable	5,861	6,090
Deferred tax assets	7,102	8,939
Prepaid expenses	538	601
Failed purchases	2,699	1,513
Other	6,126	3,943
Other assets	72,912	78,296
Other liabilities (CHF million)		
Cash collateral on derivative instruments	12,224	11,934
Cash collateral on non-derivative transactions	1,246	1,002
Derivative instruments used for hedging	1,182	1,998
Provisions ²	1,362	1,113
of which off-balance sheet risk	60	65
Liabilities held for separate accounts	13,414	14,407
Interest and fees payable	6,752	7,142
Current tax liabilities	863	767
Deferred tax liabilities	130	429
Failed sales	4,336	6,888
Other	16,128	17,537
Other liabilities	57,637	63,217

¹ Included as of December 31, 2012 and 2011 were CHF 3,730 million and CHF 6,299 million, respectively, in restricted loans, which represented collateral on secured borrowings, and CHF 922 million and CHF 1,386 million, respectively, in loans held in trusts, which were consolidated as a result of failed sales under US GAAP. ² Includes provisions for bridge commitments.

23 Deposits

	2012			2011		
end of	Switzer- land	Foreign	Total	Switzer- land	Foreign	Total
Deposits (CHF million)						
Non-interest-bearing demand deposits	8,282	4,521	12,803	11,446	4,218	15,664
Interest-bearing demand deposits	132,393	24,976	157,369	113,403	19,626	133,029
Savings deposits	60,103	44	60,147	54,395	38	54,433
Time deposits	10,786	98,221	109,007 ¹	16,841	133,581	150,422 ¹
Total deposits	211,564	127,762	339,326 ²	196,085	157,463	353,548 ²
of which due to banks	—	—	31,014	—	—	40,147
of which customer deposits	—	—	308,312	—	—	313,401

The designation of deposits in Switzerland versus foreign deposits is based upon the location of the office where the deposit is recorded.

¹ Included CHF 108,887 million and CHF 149,985 million as of December 31, 2012 and 2011, respectively, of the Swiss franc equivalent of individual time deposits greater than USD 100,000 in Switzerland and foreign offices. ² Not included as of December 31, 2012 and 2011 were CHF 67 million and CHF 51 million, respectively, of overdrawn deposits reclassified as loans.

24 Long-term debt

end of	2012	2011
Long-term debt (CHF million)		
Senior	115,861	123,632
Subordinated	17,741	24,165
Non-recourse liabilities from consolidated VIEs	14,532	14,858
Long-term debt	148,134	162,655
of which reported at fair value	65,384	70,366
of which structured notes	36,637	35,726

Structured notes by product

end of	2012
Structured notes (CHF million)	
Equity	23,761
Fixed income	6,559
Emerging markets ¹	3,304
Credit	1,893
Other	1,120
Total structured notes	36,637

¹ Transactions where the return is based on a referenced underlying or counterparty specific to emerging markets.

Total long-term debt is comprised of debt issuances managed by Treasury which do not contain derivative features (vanilla debt), as well as hybrid debt instruments with embedded derivatives, which are issued as part of the Group's struc-

tured product activities. Long-term debt includes both Swiss franc and foreign exchange denominated fixed and variable rate bonds.

The interest rate ranges presented in the table below are based on the contractual terms of the Group's vanilla debt. Interest rate ranges for future coupon payments on structured products for which fair value has been elected are not included in the table below as these coupons are dependent

upon the embedded derivative and prevailing market conditions at the time each coupon is paid. In addition, the effects of derivatives used for hedging are not included in the interest rate ranges on the associated debt.

Long-term debt by maturities

end of	2013	2014	2015	2016	2017	Thereafter	Total
Group parent company (CHF million)							
Senior debt							
Fixed rate	–	–	–	–	–	376	376
Interest rate (in %) ¹	–	–	–	–	–	7.3	–
Subordinated debt							
Fixed rate	–	–	29	–	32	–	61
Interest rates (in %) ¹	–	–	8.5	–	7.0	–	–
Subtotal – Group parent company	–	–	29	–	32	376	437
Subsidiaries (CHF million)							
Senior debt							
Fixed rate	14,815	11,637	14,333	4,018	8,983	16,120	69,906
Variable rate	12,807	8,179	5,940	4,497	4,530	9,626	45,579
Interest rates (range in %) ¹	0.0–13.6	0.0–13.0	0.0–12.5	0.3–10.2	0.4–5.1	0.0–8.2	–
Subordinated debt							
Fixed rate	2,465	144	414	1,830	979	11,578	17,410
Variable rate	–	–	19	–	46	205	270
Interest rates (range in %) ¹	3.7–13.2	9.3	2.8–10.3	8.2	1.0–8.5	0.0–13.2	–
Non-recourse liabilities from consolidated VIEs							
Fixed rate	218	2	815	89	–	92	1,216
Variable rate	153	478	468	748	34	11,435	13,316
Interest rates (range in %) ¹	0.6–0.8	0.7–13.2	0.0–12.6	0.0–12.8	2.0	0.0–10.9	–
Subtotal – Subsidiaries	30,458	20,440	21,989	11,182	14,572	49,056	147,697
Total long-term debt	30,458	20,440	22,018	11,182	14,604	49,432	148,134
of which structured notes	7,655	7,505	5,730	3,793	3,395	8,559	36,637

¹ Excludes structured notes for which fair value has been elected as the related coupons are dependent upon the embedded derivatives and prevailing market conditions at the time each coupon is paid.

The Group and the Bank maintain a shelf registration statement with the US Securities and Exchange Commission (SEC), which allows them to issue, from time to time, senior and subordinated debt securities, warrants and related guarantees. The shelf registration statement also allows certain subsidiaries of the Group to issue exchangeable or convertible debt securities which are guaranteed by the Group and are exchangeable or convertible into ordinary shares of the Group.

- Refer to "Note 39 – Subsidiary guarantee information" for further information on the subsidiary guarantees.

The Group maintains a euro medium-term note program that allows it, certain finance subsidiaries (guaranteed by the Group) and the Bank to issue senior debt securities notes.

Credit Suisse Group Finance (Guernsey) Limited, a finance subsidiary of the Group, maintains a JPY 500 billion Samurai shelf registration statement that allows it to issue, from time to time, senior and subordinated debt securities, guaranteed by the Group.

25 Accumulated other comprehensive income and additional share information

Accumulated other comprehensive income

	Gains/ (losses) on cash flow hedges	Cumulative translation adjustments	Unrealized gains/ (losses) on securities	Actuarial gains/ (losses)	Net prior service credit/ (cost)	Accumu- lated other compre- hensive income
2012 (CHF million)						
Balance at beginning of period	(66)	(11,778)	99	(3,751)	362	(15,134)
Increase/(decrease)	7	(1,040)	227	(291)	319	(778)
Increase/(decrease) due to equity method investments	30	0	0	0	0	30
Reclassification adjustments, included in net income	0	51	(242)	241	(71)	(21)
Balance at end of period	(29)	(12,767)	84	(3,801)	610	(15,903)
2011 (CHF million)						
Balance at beginning of period	(33)	(11,470)	117	(3,136)	(33)	(14,555)
Increase/(decrease)	(5)	(324)	6	(720)	383	(660)
Increase/(decrease) due to equity method investments	(1)	0	0	0	0	(1)
Reclassification adjustments, included in net income	(27)	16	(24)	105	12	82
Balance at end of period	(66)	(11,778)	99	(3,751)	362	(15,134)
2010 (CHF million)						
Balance at beginning of period	(41)	(8,770)	110	(2,891)	(46)	(11,638)
Increase/(decrease)	46	(2,822)	0	(338)	0	(3,114)
Increase/(decrease) due to equity method investments	(15)	0	1	0	0	(14)
Reclassification adjustments, included in net income	(23)	(13)	6	93	13	76
Cumulative effect of accounting changes, net of tax	0	135	0	0	0	135
Balance at end of period	(33)	(11,470)	117	(3,136)	(33)	(14,555)

Refer to "Note 26 – Tax" and "Note 29 – Pension and other post-retirement benefits" for income tax expense/(benefit) on the movements of accumulated other comprehensive income.

Additional share information

	2012	2011	2010
Common shares issued			
Balance at beginning of period	1,224,333,062	1,186,174,442	1,185,370,182
Issuance of common shares	96,496,860	38,158,620	804,260
of which share-based compensation	38,812,660	21,664,747	804,260
Balance at end of period	1,320,829,922	1,224,333,062	1,186,174,442
Treasury shares			
Balance at beginning of period	(4,010,074)	(12,228,377)	(16,159,287)
Sale of treasury shares	394,686,376	367,978,216	526,878,697
Repurchase of treasury shares	(423,704,092)	(366,790,491)	(569,477,317)
Share-based compensation	5,990,959	7,030,578	46,529,530
Balance at end of period	(27,036,831)	(4,010,074)	(12,228,377)
Common shares outstanding			
Common shares outstanding	1,293,793,091 ¹	1,220,322,988 ²	1,173,946,065

¹ At par value CHF 0.04 each, fully paid. In addition to the treasury shares, a maximum of 771,499,654 unissued shares (conditional, conversion and authorized capital) were available for issuance without further approval of the shareholders. 732,326,910 of these shares are reserved for buffer capital notes and mandatory and contingent convertible securities. ² At par value CHF 0.04 each, fully paid. In addition to the treasury shares, a maximum of 643,807,004 unissued shares (conditional and authorized capital) were available for issuance without further approval of the shareholders.

26 Tax

Details of current and deferred taxes

in	2012	2011	2010
Current and deferred taxes (CHF million)			
Switzerland	140	38	81
Foreign	582	437	243
Current income tax expense	722	475	324
Switzerland	(123)	(176)	(149)
Foreign	(103)	372	1,373
Deferred income tax expense	(226)	196	1,224
Income tax expense	496	671	1,548
Income tax expense/(benefit) reported in shareholders' equity related to:			
Gains/(losses) on cash flow hedges	0	(4)	4
Cumulative translation adjustment	(12)	16	32
Unrealized gains/(losses) on securities	6	12	(2)
Actuarial gains/(losses)	1	(172)	(82)
Net prior service credit/(cost)	63	105	3
Share-based compensation and treasury shares	(50)	256	(671)

Reconciliation of taxes computed at the Swiss statutory rate

in	2012	2011	2010
Income from continuing operations before taxes (CHF million)			
Switzerland	1,680	455	1,734
Foreign	501	3,006	5,753
Income from continuing operations before taxes	2,181	3,461	7,487
Reconciliation of taxes computed at the Swiss statutory rate (CHF million)			
Income tax expense computed at the statutory tax rate of 22%	480	761	1,647
Increase/(decrease) in income taxes resulting from			
Foreign tax rate differential	275	(40)	519
Non-deductible amortization of other intangible assets and goodwill impairment	2	0	1
Other non-deductible expenses	393	447	623
Additional taxable income	11	8	22
Lower taxed income	(415)	(424)	(775)
Income taxable to noncontrolling interests	(117)	(289)	(278)
Changes in tax law and rates	182	172	119
Changes in deferred tax valuation allowance	14	471	54
Tax deductible impairments of Swiss subsidiary investments	(161)	(55)	0
Other	(168)	(380)	(384)
Income tax expense	496	671	1,548

Foreign tax rate differential

2012 included a foreign tax expense of CHF 275 million in respect of profits earned in higher tax jurisdictions, mainly Brazil and the US, partially offset by foreign tax rate differential related to profits earned in lower tax jurisdictions, mainly Guernsey and Bahamas. The total foreign tax expense of CHF 479 million is not only impacted by the foreign tax expense based on statutory tax rates but also by tax impacts related to additional reconciling items explained below.

2011 included a foreign tax rate benefit of CHF 40 million in respect of profits earned in lower tax jurisdictions, mainly Guernsey and Bahamas, partially offset by foreign tax rate differential related to profits earned in higher tax jurisdictions, mainly Brazil and the US. The foreign tax rate benefit in relation to foreign tax expense of CHF 809 million is more than offset by tax impacts related to reconciling items explained below.

Other non-deductible expenses

2012 and 2011 included non-deductible interest expenses of CHF 259 million and CHF 240 million, respectively, non-taxable offshore expenses of CHF 8 million and CHF 80 million, respectively, non-deductible bank levy costs and other non-deductible compensation expenses of CHF 57 million and CHF 49 million, respectively, and other various smaller non-deductible expenses.

Lower taxed income

2012 and 2011 included a tax benefit of CHF 29 million and CHF 52 million, respectively, related to exempt offshore income, CHF 40 million and CHF 47 million, respectively, in respect to non-taxable dividend income and CHF 11 million and CHF 47 million, respectively, related to non-taxable foreign exchange gains. In addition, 2012 and 2011 included tax benefits of CHF 100 million and CHF 42 million, respectively, related to tax credits and CHF 48 million and CHF 40 million, respectively, related to non-taxable life insurance income. 2012 also included a CHF 114 million Swiss income tax benefit as a result of foreign branch earnings beneficially impacting the earnings mix. The remaining balance included various smaller items, amongst others related to permanent tax benefits from tax deductible goodwill amortization and tax holidays.

2011 and 2010 included a tax benefit of CHF 116 million and CHF 130 million, respectively, in respect of the reversal of the deferred tax liability recorded to cover estimated recapture of loss deductions arising from foreign branches of the Bank.

2010 included a tax benefit of CHF 380 million in respect of a legal entity merger that reflected regulatory concerns about complex holding structures.

Changes in tax law and rates

2012 and 2011 included a tax expense of CHF 182 million and CHF 172 million, respectively, caused by the reduction of deferred tax assets mainly due to the impact of the change in UK corporation tax.

Changes in deferred tax valuation allowance

2012 included an increase to the valuation allowance of CHF 834 million in respect of five of the Group's operating entities, three in Europe and two in Asia, mainly relating to deferred tax assets on current year tax losses and pre-existing loss carry-forwards. 2011 included an increase to the valuation allowance of CHF 428 million in respect of three of the Group's operating entities, two in the UK and one in Asia, mainly relating to deferred tax assets on tax loss carry-forwards. 2010 included an increase to the valuation allowance of CHF 193 million in respect of one of the Group's operating entities in the UK relating to deferred tax assets on tax loss carry-forwards.

2012, 2011 and 2010 also included a tax benefit of CHF 820 million, CHF 7 million and CHF 199 million, respectively, resulting from the release of valuation allowances on deferred tax assets for one of the Group's operating entities in the US.

Other

2012 included a tax benefit of CHF 48 million relating to the re-assessment of deferred tax assets in Switzerland reflecting changes in forecasted future profitability related to such pre-existing deferred tax assets. 2012 also included a benefit of CHF 70 million relating to return to accrual adjustments following the close of a tax audit cycle and the impact of the closure of an advanced pricing agreement.

2011 included a tax benefit of CHF 261 million relating to the increase of deferred tax assets in two of the Group's operating entities, one in Switzerland (CHF 129 million) and one in the US (CHF 132 million). The increase is related to the re-measurement of existing deferred tax assets on net operating losses due to changes in the mix of the sources of income and related tax rates that these net operating losses are expected to be applied to.

2012, 2011 and 2010 included an amount of CHF 40 million, CHF 123 million and CHF 301 million, respectively, relating to the release of tax contingency accruals following the favorable resolution of tax matters.

As of December 31, 2012, the Group had accumulated undistributed earnings from foreign subsidiaries of CHF 7.3 billion. No deferred tax liability was recorded in respect of those amounts as these earnings are considered indefinitely rein-

vested. It is not practicable to estimate the amount of unrecognized deferred tax liabilities for these undistributed foreign earnings.

Details of the tax effect of temporary differences

end of	2012	2011
Tax effect of temporary differences (CHF million)		
Compensation and benefits	2,295	2,262
Loans	441	392
Investment securities	1,805	1,489
Provisions	1,760	1,943
Business combinations	0	101
Derivatives	355	395
Real estate	243	212
Net operating loss carry-forwards	5,181	7,294
Other	207	178
Gross deferred tax assets before valuation allowance	12,287	14,266
Less valuation allowance	(2,554)	(2,690)
Gross deferred tax assets net of valuation allowance	9,733	11,576
Compensation and benefits	(174)	(129)
Loans	(162)	(147)
Investment securities	(1,373)	(1,356)
Provisions	(402)	(379)
Business combinations	(20)	(227)
Derivatives	(295)	(392)
Leasing	(40)	(58)
Real estate	(78)	(82)
Other	(217)	(296)
Gross deferred tax liabilities	(2,761)	(3,066)
Net deferred tax assets	6,972	8,510

The decrease in net deferred tax assets from 2011 to 2012 of CHF 1,538 million was primarily due to the recognition of a valuation allowance against deferred tax assets, mainly in the UK and Asia, of CHF 215 million, and taxable gains on transfers of assets within the consolidated Group for which associated tax charges of CHF 1,511 million have been deferred as other assets in accordance with ASC 810-10-45-8 (Consolidation – other presentation matters, formerly Accounting Research Bulletin 51). The deferral will be amortized over a period of up to 15 years in line with ASC 810-10-45-8 principles and will be matched by future tax deductions. In addition, the decrease reflected a write-down of deferred tax assets of CHF 182 million as a result of changes to corporation tax rates in the UK and Japan and foreign exchange translation losses of CHF 211 million, which are included within the currency translation adjustments recorded in AOCI. These

decreases were partially offset by an increase in net deferred tax asset balances following a re-measurement of deferred tax balances in Switzerland and the US of CHF 529 million. The remaining movement, an increase of net deferred tax assets of CHF 52 million, mainly represents the impact of temporary differences and taxable income in 2012.

The most significant net deferred tax assets arise in the US and UK and these decreased from CHF 7,766 million, net of a valuation allowance of CHF 1,643 million as of the end of 2011 to CHF 6,007 million, net of a valuation allowance of CHF 1,454 million as of the end of 2012.

Due to uncertainty concerning its ability to generate the necessary amount and mix of taxable income in future periods, the Group recorded a valuation allowance against deferred tax assets in the amount of CHF 2.6 billion as of December 31, 2012 compared to CHF 2.7 billion as of December 31, 2011.

Amounts and expiration dates of net operating loss carry-forwards

end of 2012	Total
Net operating loss carry-forwards (CHF million)	
Due to expire within 1 year	29
Due to expire within 2 to 5 years	10,637
Due to expire within 6 to 10 years	1,996
Due to expire within 11 to 20 years	2,759
Amount due to expire	15,421
Amount not due to expire	11,797
Total net operating loss carry-forwards	27,218

Movements in the valuation allowance

in	2012	2011	2010
Movements in the valuation allowance (CHF million)			
Balance at beginning of period	2,690	2,264	2,799
Net changes	(136)	426	(535)
Balance at end of period	2,554	2,690	2,264

As part of its normal practice, the Group has conducted a detailed evaluation of its expected future results. This evaluation is dependent on management estimates and assumptions in developing the expected future results, which are based on a strategic business planning process influenced by current economic conditions and assumptions of future economic conditions that are subject to change. This evaluation took into account both positive and negative evidence related to expected future taxable income, the Group's commitment to the integrated bank model and the importance of the Investment Banking segment within the integrated bank, as well as

the changes announced in 2012 and the reduction in risk since 2008. This evaluation has indicated the expected future results that are likely to be earned in jurisdictions where the Group has significant net deferred tax assets, such as the US, the UK and Switzerland. The Group has then compared those expected future results with the applicable law governing utilization of deferred tax assets. US tax law allows for a 20-year carry-forward period for net operating losses, UK tax law allows for an unlimited carry-forward period for net operating losses and Swiss tax law allows for a seven-year carry-forward period for net operating losses.

Tax benefits associated with share-based compensation

in	2012	2011	2010
Tax benefits associated with share-based compensation (CHF million)			
Tax benefits recorded in the consolidated statements of operations	597	466	539
Windfall tax benefits/(shortfall tax charges) recorded in additional paid-in capital	41	(280)	615
Tax benefits in respect of tax on dividend equivalent payments	12	2	26

- Refer to "Note 27 – Employee deferred compensation" for further information on share-based compensation.

If, upon settlement of share-based compensation, the tax deduction exceeds the cumulative compensation cost that the Group had recognized in the consolidated financial statements, the utilized tax benefit associated with any excess deduction

is considered a "windfall" and recognized in shareholders' equity as additional paid-in capital and reflected as a financing cash inflow in the consolidated statements of cash flows. If, upon settlement the tax deduction is lower than the cumulative compensation cost that the Group had recognized in the consolidated financial statements, the tax charge associated with the lower deduction is considered a "shortfall". Tax charges

arising on shortfalls are recognized in shareholders' equity to the extent that any shortfalls are lower than the cumulative windfalls, otherwise the tax charge is recognized in the consolidated statements of operations. However, windfall deductions and dividend equivalents aggregating CHF 0.9 billion and CHF 1.1 billion for 2012 and 2011, respectively, did not result in a reduction of income taxes payable because certain entities were in a net operating loss position. When the income tax benefit of these deductions is realized, an estimated CHF 192 million tax benefit will be recorded in additional paid-in capital.

Uncertain tax positions

US GAAP requires a two-step process in evaluating uncertain income tax positions. In the first step, an enterprise determines whether it is more likely than not that an income tax position will be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. Income tax positions meeting the more-likely-than-not recognition threshold are then measured to determine the amount of benefit eligible for recognition in the consolidated financial statements. Each income tax position is measured at the largest amount of tax benefit that is more likely than not to be realized upon ultimate settlement.

Reconciliation of the beginning and ending amount of gross unrecognized tax benefits

	2012	2011	2010
Movements in gross unrecognized tax benefits (CHF million)			
Balance at beginning of period	373	578	964
Increases in unrecognized tax benefits as a result of tax positions taken during a prior period	33	54	53
Decreases in unrecognized tax benefits as a result of tax positions taken during a prior period	(58)	(177)	(286)
Increases in unrecognized tax benefits as a result of tax positions taken during the current period	39	30	39
Decreases in unrecognized tax benefits relating to settlements with tax authorities	(4)	(65)	(31)
Reductions to unrecognized tax benefits as a result of a lapse of the applicable statute of limitations	(43)	(19)	(91)
Other (including foreign currency translation)	80	(28)	(70)
Balance at end of period	420	373	578
of which, if recognized, would affect the effective tax rate	414	366	554

Interest and penalties

in	2012	2011	2010
Interest and penalties (CHF million)			
Interest and penalties recognized in the consolidated statements of operations	(13)	(19)	(43)
Interest and penalties recognized in the consolidated balance sheets	69	86	209

Interest and penalties are reported as tax expense. The Group is currently subject to ongoing tax audits and inquiries with the tax authorities in a number of jurisdictions, including the US, the UK and Switzerland. Although the timing of the completion of these audits is uncertain, it is reasonably possible that some of these audits and inquiries will be resolved within 12 months of the reporting date.

It is reasonably possible that there will be a decrease of between zero and CHF 4 million in unrecognized tax benefits within 12 months of the reporting date.

The Group remains open to examination from federal, state, provincial or similar local jurisdictions from the following years onward in these major countries: Switzerland – 2009; the UK – 2006; the US – 2006; Japan – 2005; and the Netherlands – 2005.

27 Employee deferred compensation

Payment of deferred compensation to employees is determined by the nature of the business, role, location and performance of the employee. Unless there is a contractual obligation, granting deferred compensation is solely at the discretion of senior management. Special deferred compensation granted as part of a contractual obligation is typically used to compensate new senior employees in a single year for forfeited awards from previous employers upon joining the Group. It is the Group's policy not to make multi-year guarantees.

Compensation expense recognized in the consolidated statement of operations for share-based and other awards that were granted as deferred compensation is recognized in accordance with the specific terms and conditions of each respective award and is primarily recognized over the future requisite service and vesting period, which is determined by the plan, retirement eligibility of employees, two-year moratorium periods on early retirement and certain other terms. Compensation expense for share-based and other awards that were granted as deferred compensation also includes the current estimated outcome of applicable performance criteria,

estimated future forfeitures and mark-to-market adjustments for certain cash awards that are still outstanding.

The following tables show the compensation expense for deferred compensation awards granted in 2012 and prior years that was recognized in the consolidated statements of operations during 2012, 2011, and 2010, the total shares delivered, the estimated unrecognized compensation expense for deferred compensation awards granted in 2012 and prior years outstanding as of December 31, 2012 and the remaining requisite service period over which the estimated unrecognized compensation expense will be recognized. The estimated unrecognized compensation expense was based on the fair value of each award on the grant date and included the current estimated outcome of relevant performance criteria and estimated future forfeitures but no estimate for future mark-to-market adjustments. The recognition of compensation expense for the deferred compensation awards granted in January 2013 began in 2013 and thus had no impact on the 2012 consolidated financial statements.

Deferred compensation expense

in	2012	2011	2010
Deferred compensation expense (CHF million)			
Share awards	786	767	294
Performance share awards	366	0	0
2011 Partner Asset Facility awards ¹	677	0	0
Adjustable Performance Plan share awards	74	0	0
Adjustable Performance Plan cash awards	286	1,106	963
Restricted Cash Awards	165	253	0
Scaled Incentive Share Units	97	415	561
Incentive Share Units	62	174	723
Cash Retention Awards	0	0	578
Performance Incentive Plans (PIP I and PIP II) ²	0	0	(1)
2008 Partner Asset Facility awards ¹	173	3	45
Other cash awards	362	334	422
Total deferred compensation expense	3,048	3,052	3,585
Total shares delivered (million)			
Total shares delivered	31.6	24.2	47.3

¹ Compensation expense includes the change in the underlying fair value of the indexed assets during the period. ² Includes clawbacks.

Additional information

end of	2012
Estimated unrecognized compensation expense (CHF million)	
Share awards	706
Performance share awards	161
Adjustable Performance Plan share awards	42
Adjustable Performance Plan cash awards	54
Scaled Incentive Share Units	73
Other cash awards	72
Total	1,108
Aggregate remaining weighted-average requisite service period (years)	
Aggregate remaining weighted-average requisite service period	1.5

Does not include the estimated unrecognized compensation expense relating to grants made in 2013 for 2012.

Share awards

Share awards granted in January 2013 are similar to those granted in January 2012 and are awarded to employees with total compensation above CHF/USD 250,000 or the local currency equivalent. Each share award granted entitles the holder of the award to receive one Group share, does not contain a leverage component or a multiplier effect and is subject to service conditions as it vests over three years, such that the share awards vest equally on each of the three anniversaries of the grant date. Share awards granted in January 2011 vest over a four-year period. The value of the share awards is solely dependent on the Group share price at the time of delivery.

The Group's share awards include other awards, such as blocked shares and special awards, which may be granted to new employees. Other share awards entitle the holder to receive one Group share, are subject to continued employment with the Group, contain restrictive covenants and cancellation provisions and generally vest between zero and five years.

On January 17, 2013, the Group granted 37.9 million share awards with a total value of CHF 950 million. The number of share awards was determined by dividing the deferred component of variable compensation being granted as shares by the average price of a Group share over the twelve business days ended January 16, 2013. The fair value of each share award was CHF 26.44, equivalent to the Group's closing share price on the grant date. The estimated unrecognized compensation expense of CHF 935 million was determined

based on the fair value of the award on the grant date, including the current estimate of future forfeitures, but excluding the share awards that have been reallocated to Plus Bond awards after the grant date, and will be recognized over the three-year vesting period, subject to early retirement rules. On January 19, 2012 and January 20, 2011, the Group granted 20.0 million and 34.5 million share awards with a total value of CHF 438 million and CHF 1,430 million, and a fair value of each share award granted of CHF 23.90 and CHF 42.51, respectively, equivalent to the Group's closing share price on the grant date.

In order to comply with regulatory requirements, the Group awarded an alternative form of share awards as a component of unrestricted cash to senior employees in a number of EU countries. For 2012, 2011 and 2010, these employees received 50% of the amount they otherwise would have received in cash in the form of blocked shares. The shares remain blocked for a period of time, which ranges from six months to three years, depending on the location, after which they are no longer subject to restrictions. On January 17, 2013, the Group granted 0.2 million blocked shares with a total value of CHF 6 million that vested immediately upon grant, have no future service requirements and were attributed to services performed in 2012. On January 19, 2012 and January 20, 2011, the Group granted 0.5 million and 0.8 million blocked shares with a total value of CHF 11 million and CHF 35 million, respectively.

Share award activities

	2012		2011		2010	
	Number of share awards in million	Weighted-average fair value in CHF	Number of share awards in million	Weighted-average fair value in CHF	Number of share awards in million	Weighted-average fair value in CHF
Share awards						
Balance at beginning of period	48.1	41.91	17.3	43.86	15.5	45.67
Granted	25.1	23.44	40.5	41.08	7.2	45.38
Settled	(14.9)	40.20	(7.6)	43.32	(5.0)	48.43
Forfeited	(2.5)	37.36	(2.1)	43.39	(0.4)	51.65
Balance at end of period	55.8	34.28	48.1	41.91	17.3	43.86
of which vested	3.9	–	1.8	–	1.3	–
of which unvested	51.9	–	46.3	–	16.0	–

Performance share awards

Members of the Executive Board, managing directors and all material risk takers and controllers (employees whose activities are considered to have a potentially material impact on the Group's risk profile) received a portion of their deferred variable compensation in the form of performance share awards, which are subject to explicit performance-related clawback provisions. Each performance share award granted entitles the holder of the award to receive one Group share. Performance share awards also vest over three years, such that the performance share awards vest equally on each of the three anniversaries of the grant date. Unlike the share awards, however, the outstanding performance share awards are subject to a negative adjustment in the event of a divisional loss or a negative ROE of the Group. Outstanding performance shares are subject to a negative adjustment in the event of a divisional loss, unless there is a negative ROE that would call for a negative adjustment greater than the divisional adjustment for the year, in which case the negative adjustment is based on a negative ROE. For employees in Shared Services, the negative adjustment only applies in the event of a negative ROE and is not linked to the performance of the divisions.

The performance share awards granted in 2013 are identical to those granted in 2012 with the exception of the performance criteria which, in 2012, were based on the reported ROE, compared to the performance share awards granted in 2013, which will be based upon a disclosed underlying ROE.

On January 17, 2013, the Group granted 26.4 million performance share awards with a total value of CHF 660 million. The number of performance share awards granted to employees was determined by dividing the deferred component of variable compensation being granted as performance shares by the average price of a Group share over the twelve business days ended January 16, 2013. The fair value of each performance share award was CHF 26.44, equivalent to the Group's closing share price on the grant date. The estimated unrecognized compensation expense of CHF 677 million was determined based on the fair value of the award on the grant date, including the current estimated outcome of the relevant performance criteria and estimated future forfeitures, and will be recognized over the three-year vesting period. On January 19, 2012, the Group granted 23.5 million performance share awards with a total value of CHF 516 million. The fair value of each performance share award was CHF 23.90, equivalent to the Group's closing share price on the grant date.

Performance Share award activities

	2012	
	Number of performance share awards in million	Weighted-average grant-date fair value in CHF
Performance share awards		
Balance at beginning of period		
Granted	23.7	23.90
Forfeited	(0.4)	23.90
Balance at end of period	23.3	23.90
of which vested	0.9	–
of which unvested	22.4	–

Plus Bond awards

Managing directors and directors in the Investment Banking division received a portion of their deferred variable compensation in the form of Plus Bond awards. The Plus Bond award is essentially a fixed income instrument, denominated in US dollars, which provides a coupon payment that is commensurate with market-based pricing. Plus Bond award holders are entitled to receive semi-annual cash payments on their adjusted award amounts at the rate of ◊London Interbank Offered Rate (LIBOR) plus 7.875% per annum until settlement. The Plus Bond will settle in the summer of 2016 based on the amount of the initial award less portfolio losses, if any, in excess of a first loss portion retained by the Group of USD 600 million. The value of the Plus Bond awards is based on the performance of a portfolio of unrated and sub-investment-grade asset-backed securities that are held in inventory by various trading desks of the Investment Banking division. While the Plus Bond award is a cash-based instrument, the Group reserves the right to settle the award in Group shares based on the share price at the time of final distribution. In addition, subject to oversight procedures, the Group retains the right to prepay all or a portion of the Plus Bond award in cash at any time and, in the event of certain regulatory developments or changes on capital treatment, exchange the award into Group shares. The Plus Bond award plan contributes to a reduction of the Group's ◊risk-weighted assets and constitutes a risk transfer from the Group to the Plus Bond award holders.

The Plus Bonds provided to Investment Banking employees had a fair value of CHF 187 million and were fully vested and expensed on the grant date of December 31, 2012.

Managing directors and directors outside of the Investment Banking division were given the opportunity in early 2013 to voluntarily reallocate a portion of the share award component

of their deferred awards into the Plus Bond award. The Plus Bond awards resulting from the voluntary reallocation offer had a notional value of CHF 38 million, will vest on the third anniversary of the grant date in January 17, 2016 and will be expensed over the vesting period.

Restricted Cash Awards

Managing directors and directors in the Investment Banking division received the cash component of their variable compensation in the form of Restricted Cash Awards. These awards are cash payments made on the grant date, but are subject to a pro-rata repayment by the employee in the event of voluntary resignation or termination for cause within three years of the award grant. The Restricted Cash Award is reported as part of the deferred compensation award for the Group even though the award is fully settled at grant date. The expense recognition will occur over the three-year vesting period, subject to service conditions.

On January 17, 2013, the Group granted Restricted Cash Awards with a total value of CHF 299 million. The unrecognized compensation expense of CHF 299 million was determined based on the fair value of the award on the grant date and will be recognized over the three-year vesting period. On January 20, 2011, the Group granted Restricted Cash Awards with a total value of CHF 465 million.

2011 Partner Asset Facility

As part of the 2011 annual compensation process, the Group awarded a portion of their deferred variable compensation for senior employees in the form of 2011 Partner Asset Facility (PAF2) units. PAF2 units are essentially fixed income structured notes that are exposed to a portion of the credit risk that arises in the Group's ◊derivative activities, including both current and possible future swaps and other derivative transac-

tions. The value of the award (for both the interest accrual and the final redemption) will be reduced if the amount of realized credit losses from a specific reference portfolio exceeds a pre-defined threshold. The Group will bear the first USD 500 million of such losses and the PAF2 holders will bear any losses in excess of USD 500 million, up to the full amount of the deferred compensation awarded. As a result, the PAF2 plan is a transfer of risk from the Group to employees.

Employees at the managing director and director levels, including certain members of the Executive Board, received PAF2 awards. The PAF2 awards vested in the first quarter of 2012. All PAF awards are subject to non-compete and non-solicit provisions that expire equally on each of the first three anniversaries of the grant date.

The PAF2 units have a stated maturity of four years, but may be extended to nine years at the election of either the Group or the holders acting collectively. This election will not be made later than the end of the third year following the grant date. PAF2 units are denominated in Swiss francs and US dollars. Holders will receive a semi-annual cash interest payment equivalent to an annual return of 5% (CHF-denominated awards) or 6.5% (USD-denominated awards) applied to the then current balance of the PAF2 units. At maturity, PAF2 holders will receive a final settlement in an amount equal to the original award value less any losses. The Group can settle the PAF2 units in cash or an equivalent value in shares at its discretion.

In January 2012, the Group awarded PAF2 units with a fair value of CHF 499 million and the associated compensation expenses were fully expensed in the first quarter of 2012, as the awards were fully vested as of March 31, 2012. Compensation expense will continue to be updated at each reporting period date to reflect any change in the underlying fair value of the PAF2 awards until the awards are finally settled.

Adjustable Performance Plan awards

The Adjustable Performance Plan is a deferred compensation plan for the Executive Board, managing directors and directors. The Group introduced and granted Adjustable Performance Plan cash awards as part of deferred compensation for 2009 (2009 Adjustable Performance Plan) and 2010 (2010 Adjustable Performance Plan).

The 2009 Adjustable Performance Plan cash awards are fully vested and were fully expensed as of December 31, 2012 and will be delivered in the first half of 2013.

The 2010 Adjustable Performance Plan cash awards vest over a four-year period, with the final payout value subject to an upward or downward adjustment, depending on the financial performance of the specific business areas and the Group ROE. The adjustments are determined on an annual basis, increasing or decreasing the outstanding balances by a percentage equal to the reported ROE, unless the division that granted the awards incurs a pre-tax loss. In this case, outstanding awards in that division will be subject to a negative adjustment of 15% for every CHF 1 billion of loss, unless a negative ROE applies for that year and is greater than the divisional adjustment. For employees in Shared Services and other support functions, as well as for all Executive Board members, all outstanding 2010 Adjustable Performance Plan cash awards are linked to the Group's adjusted profit or loss and the Group ROE, but are not dependent upon the adjusted profit or loss of the business areas that they support.

On January 20, 2011, the Group granted Adjustable Performance Plan cash awards with a total value of CHF 1,102 million.

In July 2012, the Group executed a voluntary exchange offer, under which employees had the right to voluntarily convert all or a portion of their respective unvested Adjustable Performance Plan cash awards into Adjustable Performance Plan share awards at a conversion price of CHF 16.29. Adjustable Performance Plan holders elected to convert CHF 498 million of their Adjustable Performance Plan cash awards into the new Adjustable Performance Plan share awards during the election period, which represented an approximate conversion rate of 50%. Each Adjustable Performance Plan share award had a grant-date fair value of CHF 16.79 and contains the same contractual term, vesting period, performance criteria and other terms and conditions as the original Adjustable Performance Plan cash award.

Upon conversion, CHF 453 million of the liability related to Adjustable Performance Plan cash awards that were converted into the Adjustable Performance Plan share awards was reclassified to total shareholders' equity.

Adjustable Performance Plan share award activities

	2012	Number of APP share awards in million
Adjustable Performance Plan share awards		
Balance at beginning of period	-	
Granted	31.0	
Forfeited	(0.2)	
Balance at end of period	30.8	
of which vested	0.3	
of which unvested	30.5	

Scaled Incentive Share Unit

The Scaled Incentive Share Unit (SISU) plan is a share-based, long-term incentive plan for managing directors and directors. SISUs were granted in January 2010 as part of the 2009 deferred compensation. SISUs are similar to Incentive Share Units (ISUs) (refer to Incentive Share Unit below) except with a four-year vesting period, subject to early retirement rules, and the leverage component contains an additional performance condition which could increase or decrease the number of any additional shares. The SISU base unit vests equally on each of the four anniversaries of the grant date, whereas the SISU leverage unit will only vest on the fourth anniversary of the grant date. The new performance condition links the final delivery of additional shares to an average of the reported ROE. If the average ROE over the four-year vesting period is higher than a pre-set target established as of the grant date, the number of additional shares calculated by reference to the

average Group share price increase will be adjusted positively, and if it is below the target, the number of additional shares will be adjusted negatively, but not below zero. The final number of additional shares to be delivered at the end of the four-year vesting period will be determined first on the basis of the Group share price development (share price multiplier) and then on the basis of the average ROE development (ROE multiplier). Group shares are delivered shortly after the SISU base component and SISU leverage component vest.

On January 21, 2010, the Group granted 21.1 million SISUs. The fair value of the 2010 SISU base unit was CHF 50.30 and the fair value of the 2010 SISU leverage units was CHF 13.44. The number of additional shares per SISU was capped at a maximum of three times the grant date value, with a delivery of no more than three shares, prior to the application of the scaling factor, which can be as high as up to 2.5.

Scaled Incentive Share Unit activities

	2012	2011	2010
SISU awards (million)			
Balance at beginning of period	14.7	20.4	-
Granted	-	-	21.1 ¹
Settled	(4.9)	(5.1)	(0.2)
Forfeited	(0.2)	(0.6)	(0.5)
Balance at end of period	9.6	14.7	20.4
of which vested	1.7	1.0	0.2
of which unvested	7.9	13.7	20.2

¹ Includes SISUs granted in January and throughout the year.

Incentive Share Unit

ISUs were the main form of share-based deferred compensation for all employees from 2006 to 2009. For 2009, ISUs were used for the deferred compensation awards granted to employees up to and including vice presidents. An ISU is similar to a share, but offers additional upside depending on the development of the Group share price, compared to predefined targets set on the grant date. For each ISU granted, the employee will receive at least one Group share (ISU base unit) over a three-year vesting period and could receive additional shares (ISU leverage unit) at the end of the three-year vesting period. The number of ISU leverage units to be converted to additional shares is calculated by multiplying the total number of ISU base units granted, less forfeitures, by a share price multiplier. The share price multiplier is determined based on the actual increase in the weighted-average monthly share price during the contractual term of the award versus the share price on the grant date. The ISU base unit vests

equally on each of the three anniversaries of the grant date, whereas the ISU leverage unit will only vest on the third anniversary of the grant date. Group shares are delivered shortly after the ISU base units and the ISU leverage units vest.

On January 21, 2010, the Group granted 6.0 million ISUs. The fair value of the 2010 ISU base units was CHF 50.30 and the fair value of the 2010 ISU leverage units was CHF 13.45. For the ISUs granted in January 2010, the number of additional shares per ISU was capped at a maximum of three times the grant value, with a delivery of no more than five shares.

In 2012, the ISU leverage units granted in 2009 were settled with a value for each outstanding leverage unit equivalent to 0.986 Group shares. In 2011, the ISU leverage units granted in 2008 were settled but did not have a value at settlement as the Group share price performance was below the minimum predefined target of CHF 58.45.

Incentive Share Unit activities

	2012	2011	2010
ISU awards (million)			
Balance at beginning of period	13.3	37.7	41.5
Granted	–	–	6.0 ¹
Settled	(8.8)	(23.3)	(8.4)
Forfeited	(0.9)	(1.1)	(1.4)
Balance at end of period	3.6	13.3	37.7
of which vested	0.4	1.4	3.9
of which unvested	3.2	11.9	33.8

¹ Includes ISUs granted in January and throughout the year.

Cash Retention Awards

For 2008, managing directors across all divisions, all directors in Investment Banking and, to the extent the cash component of compensation exceeded CHF 300,000, directors in Private Banking, Asset Management and Shared Services received deferred compensation in the form of Cash Retention Awards. These Cash Retention Awards payments, which were made in the first quarter of 2009, were subject to vesting ratably over a two-year period and other conditions, and any unvested Cash Retention Awards would have had to be repaid if a claw-back event, such as voluntary termination of employment, occurs. These awards were fully vested in January 2011.

2008 Partner Asset Facility

As part of the 2008 annual compensation process, the Group granted employees in Investment Banking with a corporate title of managing director or director the majority of the deferred compensation in the form of 2008 Partner Asset Facility (PAF)

awards, denominated in US dollars. The PAF awards are indexed to, and represent a first-loss interest in, a specified pool of illiquid assets (Asset Pool) that originated in Investment Banking.

The notional value of the Asset Pool was based on the fair market value of the assets within the Asset Pool on December 31, 2008, and those assets will remain static throughout the contractual term of the award or until liquidated. The PAF holders will participate in the potential gains on the Asset Pool if the assets within the pool are liquidated at prices above the initial fair market value. If the assets within the Asset Pool are liquidated at prices below the initial fair market value, the PAF holders will bear the first loss on the Asset Pool. As a result, a significant portion of risk positions associated with the Asset Pool has been transferred to the employees and removed from the Group's risk-weighted assets, resulting in a reduction in capital usage.

The PAF awards, which have a contractual term of eight years, are fully vested. All PAF awards remain subject to non-

compete and non-solicit provisions that expire equally on each of the first three anniversaries of the grant date. Each PAF holder will receive a semi-annual cash interest payment of LIBOR plus 250 basis points applied to the notional value of the PAF award granted throughout the contractual term of the award. Beginning in the fifth year after the grant date, the PAF holders will receive an annual cash payment equal to 20% of the notional value of the PAF awards if the fair market value of the Asset Pool in that year has not declined below the initial fair market value of the Asset Pool. In the final year of the contractual term, the PAF holders will receive a final settlement in cash equal to the notional value, less all previous cash payments made to the PAF holder, plus any related gains or less any related losses on the liquidation of the Asset Pool.

In June 2012 and December 2011, existing PAF holders were given a voluntary election to make a value-for-value exchange of their existing PAF awards for a new PAF award linked to an expanded portfolio of reference assets. The new PAF awards are subject to the same contractual term, vesting period, performance criteria, settlement and other terms and conditions as the original PAF awards and constitute an additional risk transfer to employees on the expanded portfolio of assets that was removed from the Group's risk-weighted assets, resulting in a reduction in capital usage. As of the June 2012 and December 2011 election dates, approximately 41% and 35%, respectively, of employees holding PAF awards elected to exchange their existing PAF awards for the new PAF awards. Compensation expense for the new PAF awards will be updated at each reporting period date to reflect any change in the underlying fair value of the expanded portfolio of reference assets in

addition to the original portfolio of PAF assets until the awards are finally settled. There was no impact on compensation expense on the exchange dates.

Other cash awards

Other cash awards consist of voluntary deferred compensation, proprietary trading and employee investment plans. The compensation expense related to these awards was primarily driven by mark to market and performance adjustments, as the majority of the awards are fully vested.

Share options

Options were a substantial component of the Group's share-based program prior to 2004. The Group discontinued the practice of issuing options and all of the original grants have vested. Share options were granted with an exercise price equal to the market price of Group shares on the grant date and expire after ten years.

There were no options granted during 2012, 2011 and 2010. As of December 31, 2012, there was no aggregate intrinsic value of options outstanding or exercisable, no total intrinsic value of options exercised and the weighted-average remaining contractual term was 0.2 years. As of the exercise date, the total intrinsic value of options exercised during 2011 and 2010 was CHF 1 million and CHF 8 million, respectively. There was no cash received from option exercises in 2012. Cash received from option exercises during 2011 and 2010 was CHF 2 million and CHF 32 million, respectively. In January 2013, 4.8 million options expired.

Share option activities

	2012		2011		2010	
	Number of share options in million	Weighted- average exercise price in CHF	Number of share options in million	Weighted- average exercise price in CHF	Number of share options in million	Weighted- average exercise price in CHF
Share options						
Balance at beginning of period	16.9	51.00	29.8	64.58	34.9	63.49
Exercised	0.0	0.00	(0.1)	31.78	(0.8)	40.12
Expired	(11.6)	59.36	(12.8)	82.61	(4.3)	60.37
Balance at end of period	5.3	32.59	16.9	51.00	29.8	64.58
of which exercisable at end of period	5.3	32.59	16.9	51.00	29.8	64.58

Fair value assumptions for share-based compensation

The Group's current share-based awards do not require fair value modeling, as they are either based on market information or Group performance, which is linked to ROE and divisional pre-tax income.

In estimating the fair value of other share-based compensation awards, where an observable independent quoted market price is not available, the fair value is calculated on the grant date based on valuation techniques and/or option-pricing models that most accurately reflect the substantive characteristics of the instrument being valued. The underlying assumptions used in the models are determined based on management's assessment of the current market and historical information available on the grant date that marketplace participants would likely use in determining an exchange price for the instruments.

The inputs for expected volatility used in estimating fair values were based upon the implied market volatility of traded

options on Group shares, the historical volatility of the Group shares and other relevant factors that indicate how the future is expected to differ from the past. The expected dividend cash flows were based on a future dividend cash flow assumption which was based on market expectations. The expected risk-free interest rate was based on the current LIBOR rate on the grant date that corresponds with the expected term of the award. LIBOR rates were used as a proxy for risk-free interest rates because zero-coupon government issues do not exist in Switzerland. The expected term represents the period of time that the awards were expected to be outstanding and was generally based on the contractual term of each instrument.

The following table illustrates the significant assumptions used to estimate the fair value of SISUs and ISUs granted in 2010, based on the annual deferred compensation process.

Significant fair value assumptions

in	2010	
	SISU	ISU
Significant fair value assumptions		
Expected volatility, in %	33.42	33.52
Expected dividend cash flows, in CHF		
2010	1.45	1.45
2011	1.55	1.55
2012	1.65	1.65
2013	1.75	–
Expected risk-free interest rate, in %	1.26	1.00
Expected term, in years	4	3

Delivered shares

In the past, the Group typically met its obligations to deliver share awards under its compensation programs by purchasing treasury shares in the market and by entering into third-party

hedge instruments. During 2012 and 2011, the Group settled outstanding share-based compensation awards primarily through the issuance of new shares from conditional capital.

28 Related parties

Executive Board and Board of Directors Compensation

- Refer to "Note 3 – Compensation to members of the Executive Board and the Board of Directors" in VI – Parent company financial statements – Credit Suisse Group for additional information on compensation to members of the Executive Board and the Board of Directors.

Executive Board and Board of Directors loans

in	2012	2011	2010
Loans to members of the Executive Board (CHF million)			
Balance at beginning of period	22 ¹	18	19
Additions	3	5	5
Reductions	(17)	(1)	(6)
Balance at end of period	8 ¹	22	18
Loans to members of the Board of Directors (CHF million)			
Balance at beginning of period	34 ²	35	25
Additions	12	2	14
Reductions	(5)	(3)	(4)
Balance at end of period	41 ²	34 ²	35

¹ The number of individuals with outstanding loans at the beginning and end of the year was six and three, respectively. ² The number of individuals with outstanding loans at the beginning and end of the year was seven and five, respectively.

Executive Board and Board of Directors loans

A large majority of loans outstanding to members of the Executive Board and the Board of Directors are mortgages or loans against securities. Such loans are made to Executive Board and Board of Directors members on the same terms available to third-party clients or, in the case of loans to members of the Executive Board, pursuant to widely available employee benefit plans. The highest loan outstanding was CHF 4 million to Eric Varvel as of December 31, 2012.

All mortgage loans to members of the Executive Board are granted either with variable or fixed interest rates over a certain period. Typically, fixed-rate mortgages are granted for periods of up to ten years. Interest rates applied are based on refinancing costs plus a margin and interest rates and other terms are consistent with those applicable to other employees. Loans against securities are granted at interest rates and on terms applicable to such loans granted to other employees. When granting a loan to these individuals, the same credit approval and risk assessment procedures apply as for loans to other employees. Unless otherwise noted, all loans to Executive Board members were made in the ordinary course of business and substantially on the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons and in consideration of the terms which apply to all Group employees, and did not involve more than the normal risk of collectability or present other unfavorable features.

Members of the Board of Directors with loans do not benefit from employee conditions, but are subject to conditions applied to clients with a comparable credit standing. Members of the Board of Directors who were previously employees of the Group may still have outstanding loans, which were extended to them at the time that employee conditions applied

to them. Unless otherwise noted, all loans to members of the Board of Directors were made in the ordinary course of business and substantially on the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons, and did not involve more than the normal risk of collectability or present other unfavorable features. In addition to the loans included in the "Executive Board and Board of Directors loans" table, the Group or any of its banking subsidiaries may enter into financing and other banking agreements with companies in which current members of the Board of Directors have a significant influence as defined by the SEC, such as holding executive and/or board level roles in these companies. Unless otherwise noted, loans extended by the Group to such companies are also made in the ordinary course of business and at prevailing market conditions.

Banking relationships

The Group is a global financial services provider. Many of the members of the Executive Board and the Board of Directors or companies associated with them maintain banking relationships with the Group. The Group or any of its banking subsidiaries may from time to time enter into financing and other banking agreements with companies in which current members of the Executive Board or the Board of Directors have a significant influence as defined by the SEC, such as holding executive and/or board level roles in these companies. With the exception of the transactions described below, relationships with members of the Executive Board and the Board of Directors and such companies are in the ordinary course of business and are entered into on an arm's length basis. Also, unless otherwise noted, all loans to members of the Executive Board, members of the Board of Directors or companies asso-

ciated with them were made in the ordinary course of business, were made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons, and did not involve more than the normal risk of collectability or present other unfavorable features. As of December 31, 2012, 2011 and 2010, there was no loan exposure to such related parties that was not made in the ordinary course of business and at prevailing market conditions.

Related party transactions

Exchange of Tier 1 Capital Notes into Tier 1 Buffer Capital Notes

In February 2011, the Group entered into definitive agreements with entities affiliated with Qatar Investment Authority (QIA) and The Olayan Group (the Investors), each of which has significant holdings of Group shares and other Group financial products, to issue tier 1 buffer capital notes (Tier 1 BCN). Under the agreements, the Investors agreed to purchase USD 3.45 billion Tier 1 BCN and CHF 2.5 billion Tier 1 BCN in exchange for their holdings of USD 3.5 billion 11% tier 1 capital notes and CHF 2.5 billion 10% tier 1 capital notes issued in 2008 (Tier 1 Capital Notes), or in the event that the Tier 1 Capital Notes have been redeemed in full, for cash. At that time, the purchase or exchange was expected to occur no earlier than October 23, 2013, the first call date of the Tier 1 Capital Notes. In July 2012, we entered into an amendment agreement with an entity affiliated with The Olayan Group for the immediate exchange of USD 1.725 billion of their existing Tier 1 Capital Notes into an equivalent principal amount of Tier 1 BCN, thereby accelerating the exchange initially scheduled for October 2013. The accelerated exchange of some of the outstanding Tier 1 Capital Notes was one of a number of capital strengthening measures that the Group announced in July 2012.

Under their terms, the Tier 1 BCN will be converted into Group ordinary shares if the Group's reported common equity tier 1 (CET1) ratio, as determined under the Basel Committee on Banking Supervision (BCBS) regulations as of the end of any calendar quarter, falls below 7% (or any lower applicable minimum threshold), unless the Swiss Financial Market Supervisory Authority (FINMA), at the Group's request, has agreed on or prior to the publication of the Group's quarterly results that actions, circumstances or events have restored, or will imminently restore, the ratio to above the applicable threshold. The Tier 1 BCN will also be converted if FINMA determines that conversion is necessary, or that we require public sector capital support, to prevent the Group from becoming insolvent, bankrupt or unable to pay a material amount of the Group's debts, or other similar circumstances.

In addition, conversion of the Tier 1 BCN held by The Olayan Group will be triggered if, in the event of a request by FINMA for an interim report prior to the end of any calendar quarter, the Group's reported CET1 ratio, as of the end of any such interim period, falls below 5%. The conversion price will be the higher of a given floor price per share (subject to customary adjustments) or the daily volume weighted average sales price of the Group's ordinary shares over a five-day period preceding the notice of conversion. In connection with the July 2012 exchange, the conversion floor price of the Tier 1 BCN delivered in the exchange as well as the remaining Tier 1 BCN scheduled to be delivered in October 2013 was adjusted to match the conversion price of the MACCS described below. The Tier 1 BCN are deeply subordinated, perpetual and callable by the Group no earlier than 2018 and in certain other circumstances with FINMA approval. Interest is payable on the USD 3.45 billion Tier 1 BCN and CHF 2.5 billion Tier 1 BCN at fixed rates of 9.5% and 9.0%, respectively, and will reset after the first call date. Interest payments will generally be discretionary (unless triggered), subject to suspension in certain circumstances and non-cumulative.

At the time of the original transaction, the Group determined that this was a material transaction and deemed the Investors to be related parties of the Group's Board of Directors members Mr. Al Thani and Mr. Syriani, respectively, for purposes of evaluating the terms and corporate governance of the original transaction. At that time, the Board of Directors (except for Mr. Al Thani and Mr. Syriani, who abstained from participating in the determination process) determined that the terms of the original transaction, given its size, the nature of the contingent buffer capital, for which there was no established market, and the terms of the Tier 1 Capital Notes issued in 2008 and held by the Investors, were fair.

Issuance of mandatory and contingent convertible securities

In July 2012, the Group issued CHF 3.8 billion MACCS that are mandatorily convertible into 233.5 million shares at a conversion price of CHF 16.29 per share on March 29, 2013 (subject to early conversion upon certain contingency and viability events), with settlement and delivery of shares in early April 2013. Strategic and institutional investors purchased CHF 2.0 billion of MACCS and shareholders exercised preferential subscription rights for CHF 1.8 billion of MACCS. The conversion price of CHF 16.29 per share corresponded to 95% of the volume weighted average market price for the two trading days preceding the transaction. Investors in the MACCS included entities affiliated with the Investors, which also have been deemed by the Group to be related parties of the Group's Board of Directors' members, Mr. Al Thani and

Mr. Syriani, respectively. The issuance of the MACCS was one of a number of capital strengthening measures executed by the Group in 2012. In addition to the Investors, a number of other investors of the Group purchased the MACCS, including Norges Bank and the Capital Group Companies, Inc., which, like the Investors, have significant holdings of Group shares. The terms and conditions for the conversion of the MACCS are equally applicable to all purchasers.

Plus Bonds

The Group provided members of the Executive Board who did not participate in the structuring of the instrument the opportunity to invest their own funds in Plus Bond instruments with substantially the same terms as the Plus Bond awards granted to certain employees as deferred variable compensation for 2012. As a result, certain Executive Board members acquired an aggregate of CHF 9 million in Plus Bond instruments in February 2013.

Loan to Arcapita Bank

In February 2012, the Group downgraded to impaired status a loan with an outstanding principal amount of USD 30 million to Arcapita Bank B.S.C. (Arcapita Bank), an international investment firm headquartered in Bahrain. The financing provided to Arcapita Bank was extended in 2007 on arm's length terms and, at the time, did not involve more than the normal risk of collectability or present other unfavorable features.

Arcapita Bank may be deemed to be a related party entity of the Group because its Board of Directors' member Mr. Al Thani is also a member of the board of directors of Arcapita Bank. Mr. Al Thani joined the Arcapita Bank board of directors in October 2008 and the Group's Board of Directors in 2010, in both cases after the loan was extended. Arcapita Bank filed for Chapter 11 bankruptcy in the US in March 2012, and the Group subsequently sold its USD 30 million credit position to an unrelated third party. As of December 31, 2012, the Group had no credit exposure to Arcapita Bank.

Liabilities due to own pension funds

Liabilities due to the Group's own defined benefit pension funds as of December 31, 2012 and 2011 of CHF 3,232 million and CHF 2,790 million, respectively, are reflected in various liability accounts in the Group's consolidated balance sheets. In December 2011, the Group's Swiss pension fund invested CHF 350 million into mandatory convertible securities issued by Credit Suisse Group Finance (Guernsey) Limited, an unconsolidated SPE wholly owned by the Group. The mandatory convertible securities contained a 2% coupon and converted into 16.5 million Group shares at maturity in December 2012. In addition, other unconsolidated SPEs wholly owned by the Group had liabilities to the pension funds of the Group with notional values of CHF 78 million and CHF 26 million as of December 31, 2012 and 2011, respectively.

Loans outstanding made by the Group or any subsidiaries to equity method investees

in	2012	2011	2010
Loans outstanding made by the Group or any subsidiaries to equity method investees (CHF million)			
Balance at beginning of period	13	45	83
Net borrowings/(repayments)	(1)	(32)	(38)
Balance at end of period	12	13	45

29 Pension and other post-retirement benefits

Pension plans

The Group has defined benefit pension plans, defined contribution pension plans and other post-retirement defined benefit plans. The Group's principal plans are located in Switzerland, the US and the UK.

Defined benefit pension plans are pension plans that define specific benefits for an employee upon that employee's retirement. These benefits are determined by taking into account the employee's salary, years of service and age of retirement. A defined benefit pension plan does not provide participants with an individual account and generally pay the benefits as an annuity. Retirees neither bear the actuarial risk (that is, the risk that the PBO will be higher than expected and/or that the retiree may outlive their retirement income), or bear the investment risk (that is, that assets invested and associated returns will be insufficient to meet the expected benefits due to low or negative returns on contributions).

Defined contribution plans provide each participant with an individual account. The benefits to be provided to a participant are solely based on the contributions made to that employee's account and are affected by income, expenses and gains and losses allocated to the account. As such, there are no stipulations of a defined annuity benefit at retirement and the participants bear the full actuarial as well as investment risk. In Switzerland, due to a minimum guaranteed rate of return defined by law, the employer continues to bear a financial risk and as a result such plans are treated as defined benefit plans under US GAAP.

Swiss pension plans

The Group's Swiss pension plans cover its employees in Switzerland and are set up as trusts domiciled in Zurich. On January 1, 2010, in addition to the annuity section (defined benefit), a new savings section (defined contribution) was introduced in the Swiss main plan and a partial changeover from the annuity section to the savings section has been processed. Furthermore, on December 20, 2011, the Group announced the complete changeover to the savings section of the plan and the discontinuance of the annuity section, effective as of January 1, 2013. For accounting purposes, both the annuity section and the savings section of the Swiss pension plan are treated as defined benefit plans under US GAAP. The

plan provides benefits in the event of retirement, death and disability and meets or exceeds the minimum benefits required under Swiss law. As of December 31, 2012 and 2011, the Group's pension plan in Switzerland comprised 80% and 81%, respectively, of all the Group's employees participating in defined benefit plans and 83% and 84%, respectively, of the fair value of plan assets and 83% of the pension benefit obligation of the Group's defined benefit plans.

In the annuity section of the plan, employee contributions were calculated as a percentage of the employees' salary level varying between 9.0% and 12.5% depending on the employees' age and funding level. The Group's contributions were at least 200% of the employees' contributions for the Group's main pension plan.

In the savings section of the plan, employee contributions depend on their age and are determined as a percentage of the pensionable salary. The employees can select between three different levels of contributions which vary between 5% and 14% depending on their age. The Group's contribution varies between 7.5% and 25% of the pensionable salary depending on the employees' age.

International pension plans

Various pension plans, including both defined benefit and defined contribution pension plans, cover the Group's employees in non-Swiss locations. These plans provide benefits in the event of retirement, death, disability or employment termination. Retirement benefits under the plans depend on age, contributions and salary. The Group's funding policy with respect to these plans is consistent with local government and tax requirements. The assumptions used are based on local economic conditions.

Other post-retirement defined benefit plans

In the US, the Group's plans provide post-retirement benefits other than pension benefits that primarily focus on health and welfare benefits for certain retired employees. In exchange for the current services provided by the employee, the Group promises to provide health and welfare benefits after the employee retires. The Group's obligation for that compensation is incurred as employees render the services necessary to earn their post-retirement benefits.

Pension costs

The net periodic pension cost for defined benefit pension and other post-retirement defined benefit plans is the cost of the respective plan for a period during which an employee renders services. The actual amount to be recognized is determined

using an actuarial formula which considers, among other factors, current service cost, interest cost, expected return on plan assets and the amortization of both prior service cost/(credit) and actuarial losses/(gains) recognized in AOCI.

Components of total pension costs

in							Defined benefit pension plans	Other post-retirement defined benefit plans		
	Switzerland			International						
	2012	2011	2010	2012	2011	2010		2012	2011	
Total pension costs (CHF million)										
Service costs on benefit obligation	347	319	269	30	33	30	1	0	1	
Interest costs on benefit obligation	378	416	453	127	123	134	8	7	9	
Expected return on plan assets	(617)	(668)	(637)	(164)	(160)	(163)	0	0	0	
Amortization of recognized prior service cost/(credit)	(52)	17	17	(1)	0	1	(2)	(2)	(2)	
Amortization of recognized actuarial losses/(gains)	144	84	86	74	51	36	13	9	6	
Net periodic pension costs	200	168	188	66	47	38	20	14	14	
Settlement losses/(gains)	90	0	1	0	0	(2)	0	0	0	
Curtailment losses/(gains)	(35)	1	0	0	0	0	0	0	0	
Special termination benefits	19	10	2	0	0	0	0	0	0	
Total pension costs	274	179	191	66	47	36	20	14	14	

Total pension costs reflected in compensation and benefits – other for 2012, 2011 and 2010 were CHF 360 million, CHF 240 million and CHF 241 million, respectively.

Since the second quarter of 2011, as part of its strategic plan, the Group launched a number of cost efficiency measures including headcount reduction. This resulted in a curtailment gain of CHF 35 million and a curtailment loss of CHF 1 million in 2012 and 2011, respectively, reflecting the immediate recognition of a credit relating to the years of service no longer expected to be rendered, and in additional costs of CHF 90 million in 2012 in relation to the settlement of the pension obligation for employees in Switzerland who have been effectively terminated. Special termination benefit costs of CHF 19 million and CHF 10 million have been recognized in 2012 and 2011, respectively, relating to early retirements in Switzerland in the context of the cost efficiency measures. The previous headcount reduction announced in December 2008, resulted in special termination benefits of CHF 2 million

in 2010 related to the Swiss pension plans and settlement costs of CHF 1 million in 2010 in connection with our Swiss pension plan. The discontinuance of a Japanese plan in 2009 resulted in a gain of CHF 2 million in 2010 from the related settlement of the obligation.

Benefit obligation

The benefit obligation is expressed as either accumulated benefit obligation (ABO) or PBO. While the ABO refers to the actuarial present value based on employee services rendered prior to that date and takes into account current and past compensation levels, the PBO also applies an assumption as to future compensation levels.

The following table shows the changes in the PBO, the fair value of plan assets and the amounts recognized in the consolidated balance sheets for the defined benefit pension and other post-retirement defined benefit plans as well as the ABO for the defined benefit pension plans.

Obligations and funded status of the plans

			Defined benefit pension plans		Other post-retirement defined benefit plans	
	Switzerland		International		International	
in / end of	2012	2011	2012	2011	2012	2011
PBO (CHF million)¹						
Beginning of the measurement period	13,944	13,813	2,675	2,373	174	160
Plan participant contributions	231	240	0	0	0	0
Service cost	347	319	30	33	1	0
Interest cost	378	416	127	123	8	7
Plan amendments	(402)	(483)	0	(2)	0	0
Settlements	(335)	0	0	(1)	0	0
Curtailments	(64)	(51)	(12)	1	0	0
Special termination benefits	19	10	1	4	0	0
Actuarial losses/(gains)	855	302	70	199	10	15
Plans removed	0	0	(6)	0	0	0
Benefit payments	(677)	(622)	(103)	(56)	(8)	(8)
Exchange rate losses/(gains)	0	0	(9)	1	(5)	0
End of the measurement period	14,296	13,944	2,773	2,675	180	174
Fair value of plan assets (CHF million)						
Beginning of the measurement period	13,604	13,428	2,586	2,121	0	0
Actual return on plan assets	1,035	(121)	234	485	0	0
Employer contributions	482	679	158	33	8	8
Plan participant contributions	231	240	0	0	0	0
Settlements	(335)	0	0	(1)	0	0
Benefit payments	(677)	(622)	(103)	(56)	(8)	(8)
Exchange rate gains/(losses)	0	0	18	4	0	0
End of the measurement period	14,340	13,604	2,893	2,586	0	0
Funded status recognized (CHF million)						
Funded status of the plan – overfunded/(underfunded)	44	(340)	120	(89)	(180)	(174)
Total funded status recognized in the consolidated balance sheet at December 31	44	(340)	120	(89)	(180)	(174)
Total amount recognized (CHF million)						
Noncurrent assets	45	0	695	498	0	0
Current liabilities	0	0	(7)	(8)	(8)	(8)
Noncurrent liabilities	(1)	(340)	(568)	(579)	(172)	(166)
Total amount recognized in the consolidated balance sheet at December 31	44	(340)	120	(89)	(180)	(174)
ABO (CHF million)²						
End of the measurement period	13,821	13,467	2,714	2,584	0	0

¹ Including estimated future salary increases. ² Exclusive of estimated future salary increases.

US GAAP requires an employer to recognize the funded status of the defined benefit pension and other post-retirement defined benefit plans on the balance sheet. The funded status of these plans is determined as the difference between the fair value of plan assets and the PBO and may vary from year to year following any changes in the fair value of plan assets and variations of the PBO following changes in the underlying assumptions and census data. In 2012 and 2011, the curtail-

ments, settlements and special termination benefits in Switzerland, which impacted the PBO, related to the headcount reduction in the context of the cost efficiency measures. In addition, two plan amendments occurred in the Swiss pension plan over the last two years: the changeover from the annuity section to the savings section as announced on December 20, 2011, which resulted in a reduction in the PBO of CHF 515 million, and the upcoming reduction in the conversion rate,

used to determine the pension annuity, as announced on December 17, 2012, which resulted in a reduction in the PBO of CHF 402 million. In 2011, it was also decided to merge the two pension plans in Switzerland, the main plan and the supplementary plan, which resulted in a prior service cost of CHF 32 million.

The total net amount recognized in other assets – other and other liabilities – other in the consolidated balance sheets as of December 31, 2012 and 2011 was an underfunding of CHF 16 million and CHF 603 million, respectively.

In the fourth quarter of 2011, the Group made a special contribution of CHF 203 million to the Swiss pension plan. In

2013, the Group expects to contribute CHF 463 million to the Swiss and international defined benefit pension plans and CHF 8 million to other post-retirement defined benefit plans.

PBO or ABO in excess of plan assets

The following table discloses the aggregate PBO and ABO, as well as the aggregate fair value of plan assets for those plans with PBO in excess of plan assets and those plans with ABO in excess of plan assets as of December 31, 2012 and 2011, respectively.

Defined benefit pension plans in which PBO or ABO were in excess of plan assets

	PBO exceeds fair value of plan assets ¹				ABO exceeds fair value of plan assets ¹			
	Switzerland		International		Switzerland		International	
	2012	2011	2012	2011	2012	2011	2012	2011
December 31								
CHF million								
PBO	6	13,937	1,400	1,340	6	0	1,382	1,326
ABO	5	13,460	1,364	1,304	5	0	1,354	1,296
Fair value of plan assets	5	13,597	825	753	5	0	810	741

¹ Includes only those defined benefit pension plans where the PBO/ABO exceeded the fair value of plan assets.

Amount recognized in AOCI and other comprehensive income

The following table discloses the actuarial gains/(losses) and prior service credit/(cost) which were recorded in AOCI and subsequently recognized as components of net periodic pension cost.

Amounts recognized in AOCI, net of tax

	Defined benefit pension plans		Other post-retirement defined benefit plans		Total
	2012	2011	2012	2011	
end of					
Amounts recognized in AOCI (CHF million)					
Actuarial gains/(losses)	(3,748)	(3,696)	(53)	(55)	(3,801) (3,751)
Prior service credit/(cost)	607	358	3	4	610 362
Total	(3,141)	(3,338)	(50)	(51)	(3,191) (3,389)

The following tables disclose the changes in other comprehensive income due to actuarial gains/(losses) and prior service credit/(cost) recognized in AOCI during 2012 and 2011 and

the amortization of the aforementioned items as components of net periodic pension cost for these periods as well as the amounts expected to be amortized in 2013.

Amounts recognized in other comprehensive income

in	Defined benefit pension plans			Other post-retirement defined benefit plans			Total net
	Gross	Tax	Net	Gross	Tax	Net	
2012 (CHF million)							
Actuarial gains/(losses)	(437)	92	(345)	(10)	4	(6)	(351)
Prior service credit/(cost)	402	(83)	319	0	0	0	319
Amortization of actuarial losses/(gains)	218	(57)	161	13	(5)	8	169
Amortization of prior service cost/(credit)	(53)	12	(41)	(2)	1	(1)	(42)
Immediate recognition due to curtailment/settlement	131	(28)	103	0	0	0	103
Total amounts recognized in other comprehensive income	261	(64)	197	1	0	1	198
2011 (CHF million)							
Actuarial gains/(losses)	(965)	216	(749)	(15)	6	(9)	(758)
Prior service credit/(cost)	485	(102)	383	0	0	0	383
Amortization of actuarial losses/(gains)	135	(35)	100	9	(4)	5	105
Amortization of prior service cost/(credit)	17	(4)	13	(2)	1	(1)	12
Immediate recognition due to curtailment/settlement	49	(11)	38	0	0	0	38
Total amounts recognized in other comprehensive income	(279)	64	(215)	(8)	3	(5)	(220)

Amounts in AOCI, net of tax, expected to be amortized in 2013

in 2013	Defined benefit pension plans		Other post-retirement defined benefit plans
	CHF million		
Amortization of actuarial losses/(gains)		251	7
Amortization of prior service cost/(credit)		(76)	0
Total		175	7

Assumptions

The measurement of both the net periodic pension cost as well as the benefit obligation is determined using explicit assumptions, each of which individually represents the best

estimate of a particular future event. Where applicable, they should be in line with the expected market averages and benchmarks, the trend in the market and with historical rates.

Weighted-average assumptions used to determine net periodic pension cost and benefit obligation

	Defined benefit pension plans						Other post-retirement defined benefit plans		
	Switzerland			International			International		
	2012	2011	2010	2012	2011	2010	2012	2011	2010
Net benefit pension cost (%)									
Discount rate	2.8	3.1	3.5	4.8	5.5	6.0	4.7	5.5	6.1
Salary increases	1.4	2.0	2.6	4.0	4.2	4.3	–	–	–
Expected long-term rate of return on plan assets	4.3	4.8	4.8	6.4	7.3	7.2	–	–	–
Benefit obligation (%)									
Discount rate	2.2	2.8	3.1	4.5	4.8	5.5	4.3	4.7	5.5
Salary increases	1.2	1.4	2.0	4.0	4.0	4.2	–	–	–

Net periodic pension cost and benefit obligation assumptions

The assumptions used to determine the benefit obligation as of the measurement date are also used to calculate the net periodic pension cost for the 12-month period following this date. The discount rate is one of the factors used to determine the present value as of the measurement date of the future cash outflows currently expected to be required to satisfy the benefit obligations when due. The assumption pertaining to salary increases is used to calculate the PBO, which is measured using an assumption as to future compensation levels.

The expected long-term rate of return on plan assets, which is used to calculate the expected return on plan assets as a component of the net periodic pension cost, reflects the average rate of earnings expected on the funds invested or to be invested to provide for the benefits included in the PBO. In estimating that rate, appropriate consideration is given to the returns being earned by the plan assets and the rates of return expected to be available for reinvestment.

The expected long-term rate of return on plan assets is based on total return forecasts and volatility and correlation estimates. Where possible, similar, if not related, approaches are followed to forecast returns for the various asset classes. For most asset classes, clearly specified multi-linear regression models to forecast returns are used or reliance is put on traditional models such as dividend discount and fair value models.

The expected long-term rate of return on debt securities reflects both accruing interest and price returns. The probable long-term relationship between the total return and certain exogenous variables pre-defined by economic model is explicitly used, which directly links the debt securities total return forecasts to the macro-forecasts.

The expected long-term rate of return on equity securities is based on a two-stage dividend discount model, which considers analyst consensus earnings to compute a market-implied equity risk premium. Dividends are estimated using market consensus earnings and the historical payout ratio. A subsequent scenario analysis was used to stress test the level of the return.

The expected long-term rate of return on real estate is based on error correction models. The underlying economic models reflect both the rental and the capital market side of the direct real estate market. This allows for a replicable and robust forecasting methodology for expected returns on real estate equity, fund and direct market indices.

The expected long-term rate of return on private equity and hedge funds is estimated by using private equity and hedge fund benchmarks and indices. In both private equity and hedge funds, a set of factors drives or explains returns. To capture these, multiple linear regression models with lagged returns are utilized. This methodology also lends itself to the fact that these alternative investments tended to be positively correlated with current and lagged equity securities returns.

Health care cost assumptions

The health care cost trend is used to determine the appropriate other post-retirement defined benefit costs. In determining those costs, an annual weighted-average rate of 9.00% for 2012 and 2011 and 9.75% for 2010 was assumed in the cost of covered health care benefits. As of December 31, 2012, the rate is assumed to decrease gradually to 5% by 2020 and remain at that level thereafter. As of December 31, 2012, 2011 and 2010, a 1% increase in the health care cost trend rate assumption would have resulted in an increase in post-retirement expenses of CHF 1.4 million, CHF 1.3 million and CHF 1.5 million, and an increase in accumulated post-retire-

ment defined benefit obligation of CHF 27 million, CHF 23 million and CHF 26 million, respectively. A 1% decrease in the health care cost trend assumption would result in a decrease in post-retirement expenses of CHF 1.1 million, CHF 1.1 million and CHF 1.2 million, and a decrease in post-retirement defined benefit obligation of CHF 22 million, CHF 19 million and CHF 21 million as of December 31, 2012, 2011 and 2010.

Plan assets and investment strategy

Plan assets, which are assets that have been segregated and restricted to provide for plan benefits, are measured at their fair value as of the measurement date.

The Group's defined benefit pension plans employ a total return investment approach, whereby a diversified mix of debt and equity securities and alternative investments, specifically hedge funds and private equity, are used to maximize the long-term return of plan assets while incurring a prudent level of risk. The intent of this strategy is to outperform plan liabilities over the long-term in order to minimize plan expenses. Risk tolerance is established through careful consideration of plan liabilities, plan funded status and corporate financial condition. Furthermore, equity securities are diversified across Swiss and non-Swiss stocks as well as among growth, value and small and large capitalization stocks. Real estate and alternative investments, such as private equity and hedge funds, are used to enhance long-term returns while improving portfolio diversification. Derivatives may be used to hedge or increase market exposure, but are not used to leverage the portfolio beyond the market value of the underlying investments. Investment risk is measured and monitored on an ongoing basis through periodic asset/liability studies and quarterly investment portfolio reviews. To limit investment risk, the Group pension plans follow defined strategic asset allocation guidelines. Depending on the market conditions, these guidelines are even more limited on a short-term basis.

As of December 31, 2012 and 2011, the total fair value of Group debt securities included in plan assets of the Group's defined benefit pension plans was CHF 256 million and CHF 598 million, respectively, and the total fair value of Group equity securities and options was CHF 109 million and CHF 33 million, respectively.

Fair value hierarchy of plan assets

- Refer to "Fair value hierarchy" in Note 33 – Financial instruments for discussion of the fair value hierarchy.

Qualitative disclosures of valuation techniques used to measure fair value

Cash and cash equivalents

Cash and cash equivalents includes money market instruments such as bankers' acceptances, certificates of deposit, CP, book claims, treasury bills, other rights and commingled funds. Valuations of money market instruments and commingled funds are generally based on observable inputs.

Debt securities

Debt securities include government and corporate bonds which are generally quoted in active markets. Debt securities for which market prices are not available, are valued based on yields reflecting the perceived risk of the issuer and the maturity of the security, recent disposals in the market or other modeling techniques, which may involve judgment.

Equity securities

Equity securities held include common equity shares, convertible bonds and shares in investment companies and units in mutual funds. The common equity shares are generally traded on public stock exchanges for which quoted prices are regularly available. Convertible bonds are generally valued using observable pricing sources. Shares in investment companies and units in mutual funds, which are not directly quoted on a public stock exchange and/or for which a fair value is not readily determinable, are measured at fair value using NAV.

Derivatives

Derivatives include both OTC and exchange-traded derivatives. The fair value of OTC derivatives is determined on the basis of inputs that 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 since the required inputs are generally observable in the marketplace. Other more complex derivatives may use unobservable inputs. Such inputs include long-dated volatility assumptions on OTC option transactions and recovery rate assumptions for credit derivative transactions. The fair value of exchange-traded derivatives is typically derived from the observable exchange prices and/or observable inputs.

Real estate

Real estate includes direct real estate as well as investments in real estate investment companies, trusts or mutual funds. Direct real estate is initially measured at its transaction price, which is the best estimate of fair value. Thereafter, direct real estate is individually measured at fair value based on a number of factors that include any recent rounds of financing involving

third-party investors, comparable company transactions, multiple analyses of cash flows or book values, or discounted cash flow analyses. The availability of information used in these modeling techniques is often limited and involves significant judgment in evaluating these different factors over time. Real estate investment companies, trusts and mutual funds, which are not directly quoted on a public stock exchange and/or for which a fair value is not readily determinable, are measured at fair value using NAV.

Alternative investments

Private equity includes direct investments, investments in partnerships that make private equity and related investments in various portfolio companies and funds and fund of funds partnerships. Private equity consists of both publicly traded securities and private securities. Publicly traded investments that are restricted or that are not quoted in active markets are val-

ued based on publicly available quotes with appropriate adjustments for liquidity or trading restrictions made. Private equity is valued taking into account a number of factors, such as the most recent round of financing involving unrelated new investors, earnings multiple analyses using comparable companies or discounted cash flow analyses. Private equity for which a fair value is not readily determinable is measured at fair value using NAV provided by the general partner.

Hedge funds that are not directly quoted on a public stock exchange and/or for which a fair value is not readily determinable, is measured at fair value using NAV provided by the fund administrator.

Fair value of plan assets

The following tables present the plan assets measured at fair value on a recurring basis as of December 31, 2012 and 2011, for the Group's defined benefit pension plans.

Plan assets measured at fair value on a recurring basis

end of	Level 1	Level 2	Level 3	2012		2011	
				Total	Level 1	Level 2	Level 3
Plan assets at fair value (CHF million)							
Cash and cash equivalents	2,630	0	0	2,630	2,212	0	0
Debt securities	1,137	2,894	0	4,031	1,525	3,890	0
of which governments	959	28	0	987	1,410	39	0
of which corporates	178	2,866	0	3,044	115	3,851	0
Equity securities	1,821	1,651	0	3,472	1,040	1,421	0
Real estate	0	552	1,080	1,632	0	500	1,034
of which direct	0	0	1,078	1,078	0	0	1,034
of which indirect	0	552	2	554	0	500	0
Alternative investments	0	1,908	662	2,570	0	1,376	606
of which private equity	0	0	662	662	0	0	606
of which hedge funds	0	1,668	0	1,668	0	1,583	0
of which other	0	240 ¹	0	240	0	(207) ¹	0
Other investments	0	5	0	5	0	0	0
Switzerland	5,588	7,010	1,742	14,340	4,777	7,187	1,640
Cash and cash equivalents	0	394	0	394	51	18	0
Debt securities	234	985	71	1,290	130	792	90
of which governments	234	8	0	242	128	2	0
of which corporates	0	977	71	1,048	2	790	90
Equity securities	188	562	0	750	82	807	0
Real estate – indirect	0	0	89	89	0	0	84
Alternative investments	0	241	34	275	3	351	90
of which private equity	0	0	4	4	0	0	9
of which hedge funds	0	0	30	30	0	0	81
of which other	0	241 ¹	0	241	3	351 ¹	0
Other investments	0	95	0	95	0	88	0
International	422	2,277	194	2,893	266	2,056	264
Total plan assets at fair value	6,010	9,287	1,936	17,233	5,043	9,243	1,904
							16,190

¹ Primarily related to derivative instruments.

Plan assets measured at fair value on a recurring basis for level 3

						Actual return on plan assets		
	Balance at beginning of period	Transfers in	Transfers out	On assets still held at reporting date	On assets sold during the period	Purchases, sales, settlements	Foreign currency translation impact	Balance at end of period
2012 (CHF million)								
Debt securities – corporates	90	0	(28)	9	3	(3)	0	71
Real estate	1,118	0	0	50	0	3	(2)	1,169
of which direct	1,034	0	0	44	0	0	0	1,078
of which indirect	84	0	0	6	0	3	(2)	91
Alternative investments	696	0	0	(17)	3	31	(17)	696
of which private equity	615	0	0	(18)	2	82	(15)	666
of which hedge funds	81	0	0	1	1	(51)	(2)	30
Total plan assets at fair value	1,904	0	(28)	42	6	31	(19)	1,936
of which Switzerland	1,640	0	0	27	0	89	(14)	1,742
of which International	264	0	(28)	15	6	(58)	(5)	194
2011 (CHF million)								
Debt securities – corporates	122	30	(2)	(4)	5	(61)	0	90
Real estate	1,066	0	0	31	0	21	0	1,118
of which direct	1,014	0	0	20	0	0	0	1,034
of which indirect	52	0	0	11	0	21	0	84
Alternative investments	667	3	(4)	25	(2)	6	1	696
of which private equity	581	0	0	28	(5)	10	1	615
of which hedge funds	81	3	0	(3)	3	(3)	0	81
of which other	5	0	(4)	0	0	(1)	0	0
Total plan assets at fair value	1,855	33	(6)	52	3	(34)	1	1,904
of which Switzerland	1,587	0	0	47	(5)	10	1	1,640
of which International	268	33	(6)	5	8	(44)	0	264

The following table shows the plan asset allocation as of the measurement date calculated based on the fair value at that date including the performance of each asset class.

Weighted-average plan asset allocation as of the measurement date

	Switzerland		International	
	2012	2011	2012	2011
December 31				
Weighted-average plan asset allocation (%)				
Cash and cash equivalents	18.3	16.2	13.6	2.7
Debt securities	28.1	39.8	44.6	39.1
Equity securities	24.2	18.1	25.9	34.4
Real estate	11.4	11.3	3.1	3.2
Alternative investments	18.0	14.6	9.5	17.2
Insurance	0.0	0.0	3.3	3.4
Total	100.0	100.0	100.0	100.0

The following table shows the target plan asset allocation for 2013 in accordance with the Group's investment strategy. The target plan asset allocation is used to determine the expected return on plan assets to be considered in the net periodic pension costs for 2013.

Weighted-average target plan asset allocation to be applied prospectively

	Switzerland	International
2013 (%)		
Cash and cash equivalents	10	0
Debt securities	40	62
Equity securities	25	22
Real estate	10	3
Alternative investments	15	10
Insurance	0	3
Total	100	100

Estimated future benefit payments for defined benefit pension and other post-retirement defined benefit plans

	Defined benefit pension plans	Other post-retirement defined benefit plans
Estimated future benefit payments (CHF million)		
2013	942	8
2014	933	9
2015	927	9
2016	909	10
2017	888	11
For five years thereafter	4,709	57

Defined contribution pension plans

The Group contributes to various defined contribution pension plans primarily in the US and the UK as well as other countries throughout the world. During 2012, 2011 and 2010, the

Group contributed to these plans and recognized as expense CHF 221 million, CHF 246 million and CHF 263 million, respectively.

30 Derivatives and hedging activities

Derivatives are generally either privately negotiated OTC contracts or standard contracts transacted through regulated exchanges. The Group's most frequently used freestanding derivative products, entered into for trading and risk management purposes, include interest rate, credit default and cross-currency swaps, interest rate and foreign exchange options, foreign exchange forward contracts and foreign exchange and interest rate futures.

The Group also enters into contracts that are not considered derivatives in their entirety but include embedded derivative features. Such transactions primarily include issued and purchased structured debt instruments where the return may be calculated by reference to an equity security, index or third-party credit risk, or that have non-standard interest or foreign exchange terms.

On the date a derivative contract is entered into, the Group designates it as belonging to one of the following categories:

- trading activities;
- a risk management transaction that does not qualify as a hedge under accounting standards (referred to as an economic hedge);
- a hedge of the fair value of a recognized asset or liability;
- a hedge of the variability of cash flows to be received or paid relating to a recognized asset or liability or a forecasted transaction; or

- a hedge of a net investment in a foreign operation.

Trading activities

The Group is active in most of the principal trading markets and transacts in many popular trading and hedging products. As noted above, this includes the use of swaps, futures, options and structured products, such as custom transactions using combinations of derivatives, in connection with its sales and trading activities. Trading activities include market making, positioning and arbitrage activities. The majority of the Group's derivatives were used for trading activities.

Economic hedges

Economic hedges arise when the Group enters into derivative contracts for its own risk management purposes, but the contracts entered into do not qualify for hedge accounting under US GAAP. These economic hedges include the following types:

- interest rate derivatives to manage net interest rate risk on certain core banking business assets and liabilities;
- foreign exchange derivatives to manage foreign exchange risk on certain core banking business revenue and expense items, as well as on core banking business assets and liabilities;
- credit derivatives to manage credit risk on certain loan portfolios; and

- futures to manage risk on equity positions including convertible bonds.

Derivatives used in economic hedges are included as trading assets or trading liabilities in the consolidated balance sheets.

Hedge accounting

Fair value hedges

The Group designates fair value hedges as part of an overall interest rate risk management strategy that incorporates the use of derivative instruments to minimize fluctuations in earnings that are caused by interest rate volatility. In addition to hedging changes in fair value due to interest rate risk associated with fixed rate loans,  repurchase agreements and long-term debt instruments, the Group uses:

- cross-currency swaps to convert foreign-currency-denominated fixed rate assets or liabilities to floating rate functional currency assets or liabilities; and
- foreign exchange forward contracts to hedge the foreign exchange risk associated with available-for-sale securities.

Cash flow hedges

The Group designates cash flow hedges as part of its strategy to mitigate its risk to variability of cash flows on loans, deposits and other debt obligations by using interest rate swaps to convert variable rate assets or liabilities to fixed rates. The Group also uses cross-currency swaps to convert foreign-currency-denominated fixed and floating rate assets or liabilities to fixed rate assets or liabilities based on the currency profile to which the Group elects to be exposed. This includes, but is not limited to, Swiss francs and US dollars. Further, the Group uses derivatives to hedge its cash flows associated with forecasted transactions. As of the end of 2012, the maximum length of time over which the Group hedged its exposure to the variability in future cash flows for forecasted transactions, excluding those forecasted transac-

tions related to the payment of variable interest on existing financial instruments, was eight months.

Net investment hedges

The Group designates net investment hedges as part of its strategy to hedge selected net investments in foreign operations against adverse movements in foreign exchange rates, typically using forward foreign exchange contracts.

Hedge effectiveness assessment

The Group assesses the effectiveness of hedging relationships both prospectively and retrospectively. The prospective assessment is made both at the inception of a hedging relationship and on an ongoing basis, and requires the Group to justify its expectation that the relationship will be highly effective over future periods. The retrospective assessment is also performed on an ongoing basis and requires the Group to determine whether or not the hedging relationship has actually been effective. If the Group concludes, through a retrospective evaluation, that hedge accounting is appropriate for the current period, then it measures the amount of hedge ineffectiveness to be recognized in earnings.

Fair value of derivative instruments

The tables below present gross derivative replacement values by type of contract and balance sheet location and whether the derivative is used for trading purposes or in a qualifying hedging relationship. Notional amounts have also been provided as an indication of the volume of derivative activity within the Group.

Information on bifurcated embedded derivatives has not been included in this table. Under US GAAP, the Group elected to account for substantially all financial instruments with an embedded derivative that is not considered clearly and closely related to the host contract at fair value.

- ▶ Refer to "Note 33 – Financial instruments" for further information.

Fair value of derivative instruments

end of 2012	Trading			Hedging ¹		
	Positive		Negative	Positive		Negative
	Notional replacement amount	replacement value (PRV)	Notional replacement amount	replacement value (PRV)	Notional replacement amount	replacement value (PRV)
Derivative instruments (CHF billion)						
Forwards and forward rate agreements	8,055.9	2.6	2.5	0.0	0.0	0.0
Swaps	29,155.2	635.6	630.1	62.8	3.9	1.5
Options bought and sold (OTC)	3,739.9	62.4	62.6	0.0	0.0	0.0
Futures	1,145.4	0.0	0.0	0.0	0.0	0.0
Options bought and sold (exchange-traded)	952.0	0.3	0.2	0.0	0.0	0.0
Interest rate products	43,048.4	700.9	695.4	62.8	3.9	1.5
Forwards	2,133.4	21.6	21.3	19.6	0.2	0.1
Swaps	1,336.3	32.2	46.6	0.0	0.0	0.0
Options bought and sold (OTC)	985.3	9.7	10.7	0.0	0.0	0.0
Futures	14.9	0.0	0.0	0.0	0.0	0.0
Options bought and sold (exchange-traded)	3.6	0.0	0.0	0.0	0.0	0.0
Foreign exchange products	4,473.5	63.5	78.6	19.6	0.2	0.1
Forwards	29.1	0.9	1.2	0.0	0.0	0.0
Options bought and sold (OTC)	32.3	0.6	0.6	0.0	0.0	0.0
Futures	0.9	0.0	0.0	0.0	0.0	0.0
Precious metals products	62.3	1.5	1.8	0.0	0.0	0.0
Forwards	5.5	0.6	0.0	0.0	0.0	0.0
Swaps	211.0	4.6	5.8	0.0	0.0	0.0
Options bought and sold (OTC)	214.9	11.4	11.1	0.0	0.0	0.0
Futures	74.4	0.0	0.0	0.0	0.0	0.0
Options bought and sold (exchange-traded)	338.2	13.7	14.1	0.0	0.0	0.0
Equity/index-related products	844.0	30.3	31.0	0.0	0.0	0.0
Credit derivatives²	1,694.4	30.6	29.8	0.0	0.0	0.0
Forwards	2.2	0.2	0.2	0.0	0.0	0.0
Swaps	55.3	3.6	3.1	0.0	0.0	0.0
Options bought and sold (OTC)	21.9	1.0	1.0	0.0	0.0	0.0
Futures	186.7	0.0	0.0	0.0	0.0	0.0
Options bought and sold (exchange-traded)	50.4	1.6	1.7	0.0	0.0	0.0
Other products³	316.5	6.4	6.0	0.0	0.0	0.0
Total derivative instruments	50,439.1	833.2	842.6	82.4	4.1	1.6

The notional amount for derivative instruments (trading and hedging) was CHF 50,521.5 billion as of December 31, 2012.

¹ Relates to derivative contracts that qualify for hedge accounting under US GAAP. ² Primarily credit default swaps. ³ Primarily commodity, energy and emission products.

Fair value of derivative instruments (continued)

end of 2011	Trading			Hedging ¹		
	Positive		Negative	Positive		Negative
	Notional amount	replacement value (PRV)	replacement value (NRV)	Notional amount	replacement value (PRV)	replacement value (NRV)
Derivative instruments (CHF billion)						
Forwards and forward rate agreements	7,210.5	4.5	4.2	0.0	0.0	0.0
Swaps	28,754.5	658.0	650.0	71.2	3.8	2.3
Options bought and sold (OTC)	2,902.5	65.9	66.3	0.0	0.0	0.0
Futures	2,537.1	0.0	0.0	0.0	0.0	0.0
Options bought and sold (exchange-traded)	962.3	0.4	0.3	0.0	0.0	0.0
Interest rate products	42,366.9	728.8	720.8	71.2	3.8	2.3
Forwards	2,133.0	29.7	30.7	17.4	0.1	0.0
Swaps	1,230.0	34.1	51.3	0.0	0.0	0.0
Options bought and sold (OTC)	831.7	12.3	12.7	0.0	0.0	0.0
Futures	25.6	0.0	0.0	0.0	0.0	0.0
Options bought and sold (exchange-traded)	3.7	0.0	0.0	0.0	0.0	0.0
Foreign exchange products	4,224.0	76.1	94.7	17.4	0.1	0.0
Forwards	16.3	1.4	1.4	0.0	0.0	0.0
Options bought and sold (OTC)	34.7	0.9	1.0	0.0	0.0	0.0
Futures	0.1	0.0	0.0	0.0	0.0	0.0
Precious metals products	51.1	2.3	2.4	0.0	0.0	0.0
Forwards	4.1	0.9	0.0	0.0	0.0	0.0
Swaps	211.4	5.8	5.7	0.0	0.0	0.0
Options bought and sold (OTC)	241.5	14.5	14.9	0.0	0.0	0.0
Futures	57.8	0.0	0.0	0.0	0.0	0.0
Options bought and sold (exchange-traded)	366.0	18.2	21.2	0.0	0.0	0.0
Equity/index-related products	880.8	39.4	41.8	0.0	0.0	0.0
Credit derivatives ²	2,042.7	63.3	60.0	0.0	0.0	0.0
Forwards	8.7	0.9	0.8	0.0	0.0	0.0
Swaps	63.6	8.3	7.8	0.0	0.0	0.0
Options bought and sold (OTC)	29.9	2.2	1.7	0.0	0.0	0.0
Futures	177.1	0.0	0.0	0.0	0.0	0.0
Options bought and sold (exchange-traded)	63.3	3.9	3.8	0.0	0.0	0.0
Other products ³	342.6	15.3	14.1	0.0	0.0	0.0
Total derivative instruments	49,908.1	925.2	933.8	88.6	3.9	2.3

The notional amount for derivative instruments (trading and hedging) was CHF 49,996.7 billion as of December 31, 2011.

¹ Relates to derivative contracts that qualify for hedge accounting under US GAAP. ² Primarily credit default swaps. ³ Primarily commodity, energy and emission products.

Fair value of derivative instruments (continued)

	2012	2011		
	Positive replacement value (PRV)	Negative replacement value (NRV)	Positive replacement value (PRV)	Negative replacement value (NRV)
end of				
Derivative instruments (CHF billion)				
Replacement values (trading and hedging) before netting agreements	837.3	844.2	929.1	936.1
Counterparty netting ¹	(766.8)	(766.8)	(836.4)	(836.4)
Cash collateral netting ¹	(33.4)	(36.7)	(36.5)	(37.6)
Replacement values (trading and hedging) after netting agreements	37.1	40.7	56.2	62.1
of which recorded in trading assets (PRV) and trading liabilities (NRV)	33.2	39.5	52.5	60.1
of which recorded in other assets (PRV) and other liabilities (NRV)	3.9	1.2	3.7	2.0

¹ Netting was based on legally enforceable netting agreements.

Fair value hedges

in	2012	2011	2010
Gains/(losses) recognized in income on derivatives (CHF million)			
Interest rate products	834	548	564
Foreign exchange products	(13)	20	21
Total	821	568	585
Gains/(losses) recognized in income on hedged items (CHF million)			
Interest rate products	(878)	(585)	(546)
Foreign exchange products	13	(20)	(21)
Total	(865)	(605)	(567)
Details of fair value hedges (CHF million)			
Net gains/(losses) on the ineffective portion	(44)	(37)	18

Represents gains/(losses) recognized in trading revenues.

Cash flow hedges

in	2012	2011	2010
Gains/(losses) recognized in AOCI on derivatives (CHF million)			
Interest rate products	8	0	0
Foreign exchange products	30	(6)	39
Total	38	(6)	39
Gains/(losses) reclassified from AOCI into income (CHF million)			
Foreign exchange products ¹	0	31	27
Total	0	31	27

Represents gains/(losses) on effective portion.

¹ Included in commissions and fees.

The net loss associated with cash flow hedges expected to be reclassified from AOCI within the next 12 months was CHF 5 million.

Net investment hedges

in	2012	2011	2010
Gains/(losses) recognized in AOCI on derivatives (CHF million)			
Interest rate products	0	0	8
Foreign exchange products	(81)	280	1,563
Total	(81)	280	1,571
Gains/(losses) reclassified from AOCI into income (CHF million)			
Foreign exchange products ¹	75	4	(4)
Total	75	4	(4)

Represents gains/(losses) on effective portion.

¹ Included in other revenues.

The Group includes all derivative instruments not included in hedge accounting relationships in its trading activities.

- Refer to "Note 8 – Trading revenues" for gains and losses on trading activities by product type.

Disclosures relating to contingent credit risk

Certain of the Group's derivative instruments contain provisions that require it to maintain a specified credit rating from each of the major credit rating agencies. If the ratings fall below the amount specified in the contract, the counterparties to the agreements could request payment of additional collateral on those derivative instruments that are in a net liability position. Certain of the derivative contracts also provide for termination of the contract, generally upon a downgrade of either the Group or the counterparty, at the existing mark-to-market replacement value of the derivative contract.

The following table provides the Group's current net exposure from contingent credit risk relating to derivative contracts with bilateral counterparties and SPEs that include credit sup-

port agreements, the related collateral posted and the additional collateral required in a one-notch and a two-notch downgrade event, respectively. The table also includes derivative contracts with contingent credit risk features without credit support agreements that have accelerated termination event conditions. The current net exposure for derivative contracts with bilateral counterparties and contracts with accelerated termination event conditions is the aggregate fair value of derivative instruments that were in a net liability position. For SPEs, the current net exposure is the contractual amount that is used to determine the collateral payable in the event of a downgrade. The contractual amount could include both the NRV and a percentage of the notional value of the derivative.

Contingent credit risk

end of	Bilateral counterparties	Special purpose entities	Accelerated terminations	Total
2012 (CHF billion)				
Current net exposure	15.3	1.4	0.6	17.3
Collateral posted	13.4	1.4	–	14.8
Additional collateral required in a one-notch downgrade event	0.2	0.5	0.0	0.7
Additional collateral required in a two-notch downgrade event	0.4	1.5	0.5	2.4
2011 (CHF billion)				
Current net exposure	17.0	2.0	0.7	19.7
Collateral posted	14.8	1.8	–	16.6
Additional collateral required in a one-notch downgrade event	0.2	1.6	0.0	1.8
Additional collateral required in a two-notch downgrade event	0.4	3.0	0.5	3.9

Credit derivatives

Credit derivatives are contractual agreements in which the buyer generally pays a fee in exchange for a contingent payment by the seller if there is a credit event on the underlying referenced entity or asset. They are generally privately negotiated OTC contracts, with numerous settlement and payment terms, and most are structured so that they specify the occurrence of an identifiable credit event, which can include bankruptcy, insolvency, receivership, material adverse restructuring of debt or failure to meet obligations when due.

The Group enters into credit derivative contracts in the normal course of business, buying and selling protection to facilitate client transactions and as a market maker. This includes providing structured credit products for its clients to enable them to hedge their credit risk. The referenced instruments of these structured credit products are both investment grade and non-investment grade and could include corporate bonds, sovereign debt, asset-backed securities (ABS) and loans.

These instruments can be formed as single items (single-named instruments) or combined on a portfolio basis (multi-named instruments). The Group purchases protection to economically hedge various forms of credit exposure, for example, the economic hedging of loan portfolios or other cash positions. Finally, the Group also takes proprietary positions which can take the form of either purchased or sold protection.

The credit derivatives most commonly transacted by the Group are CDS and credit swaptions. CDSs are contractual agreements in which the buyer of the swap pays an upfront and/or a periodic fee in return for a contingent payment by the seller of the swap following a credit event of the referenced entity or asset. Credit swaptions are options with a specified maturity to buy or sell protection under a CDS on a specific referenced credit event.

In addition, to reduce its credit risk, the Group enters into legally enforceable netting agreements with its derivative counterparties. Collateral on these derivative contracts is usu-

ally posted on a net counterparty basis and cannot be allocated to a particular derivative contract.

Credit protection sold

Credit protection sold is the maximum potential payout, which is based on the notional value of derivatives and represents the amount of future payments that the Group would be required to make as a result of credit risk-related events. The Group believes that the maximum potential payout is not representative of the actual loss exposure based on historical experience. This amount has not been reduced by the Group's rights to the underlying assets and the related cash flows. In accordance with most credit derivative contracts, should a credit event (or settlement trigger) occur, the Group is usually liable for the difference between the credit protection sold and the recourse it holds in the value of the underlying assets. The maximum potential amount of future payments has not been reduced for any cash collateral paid to a given counterparty as such payments would be calculated after netting all derivative exposures, including any credit derivatives with that counterparty in accordance with a related master netting agreement. Due to such netting processes, determining the amount of collateral that corresponds to credit derivative exposures only is not possible.

To reflect the quality of the payment risk on credit protection sold, the Group assigns an internally generated rating to those instruments referenced in the contracts. Internal ratings are assigned by experienced credit analysts based on expert judgment that incorporates analysis and evaluation of both quantitative and qualitative factors. The specific factors analyzed, and their relative importance, are dependent on the type of counterparty. The analysis emphasizes a forward-looking approach, concentrating on economic trends and financial fundamentals, and making use of peer analysis, industry comparisons and other quantitative tools. External ratings and market information are also used in the analysis process where available.

Credit protection purchased

Credit protection purchased represents those instruments where the underlying reference instrument is identical to the reference instrument of the credit protection sold. The maximum potential payout amount of credit protection purchased for each individual identical underlying reference instrument

may be greater or lower than the notional amount of protection sold.

The Group also considers estimated recoveries that they would receive if the specified credit event occurred, including both the anticipated value of the underlying referenced asset that would, in most instances, be transferred to the Group and the impact of any purchased protection with an identical reference instrument and product type.

Other protection purchased

In the normal course of business, the Group purchases protection to offset the risk of credit protection sold that may have similar, but not identical, reference instruments, and may use similar, but not identical, products, which reduces the total credit derivative exposure. Other protection purchased is based on the notional value of the instruments.

The Group purchases its protection from banks and broker dealers, other financial institutions and other counterparties.

Fair value of credit protection sold

The fair values of the credit protection sold give an indication of the amount of payment risk, as the negative fair values increase when the potential payment under the derivative contracts becomes more probable.

Credit protection sold/purchased

The following tables do not include all credit derivatives and differ from the credit derivatives in the "Fair value of derivative instruments" table. This is due to the exclusion of certain credit derivative instruments under US GAAP, which defines a credit derivative as a derivative instrument (a) in which one or more of its underlyings are related to the credit risk of a specified entity (or a group of entities) or an index based on the credit risk of a group of entities and (b) that exposes the seller to potential loss from credit risk-related events specified in the contract.

Certain cash collateralized debt obligations (CDOs) and other instruments were excluded as they do not fall within the scope of US GAAP rules. Total return swaps (TRS) of CHF 6.0 billion and CHF 4.8 billion as of 2012 and 2011, respectively, were also excluded because a TRS does not expose the seller to potential loss from credit risk-related events specified in the contract. A TRS only provides protection against a loss in asset value and not against additional amounts as a result of specific credit events.

Credit protection sold/purchased

	Credit protection sold	Credit protection purchased	Net credit protection (sold)/ ¹ purchased	Other protection purchased	Fair value of credit protection sold
end of 2012					
Single-name instruments (CHF billion)					
Investment grade ²	(423.2)	407.6	(15.6)	67.8	2.3
Non-investment grade	(167.5)	160.0	(7.5)	18.1	0.8
Total single-name instruments	(590.7)	567.6	(23.1)	85.9	3.1
of which sovereigns	(119.4)	117.0	(2.4)	10.4	(0.7)
of which non-sovereigns	(471.3)	450.6	(20.7)	75.5	3.8
Multi-name instruments (CHF billion)					
Investment grade ²	(193.6)	173.4	(20.2)	8.8	(0.5)
Non-investment grade	(30.7)	25.4 ³	(5.3)	3.0	(2.8)
Total multi-name instruments	(224.3)	198.8	(25.5)	11.8	(3.3)
of which sovereigns	(13.5)	13.2	(0.3)	0.3	(0.1)
of which non-sovereigns	(210.8)	185.6	(25.2)	11.5	(3.2)
Total instruments (CHF billion)					
Investment grade ²	(616.8)	581.0	(35.8)	76.6	1.8
Non-investment grade	(198.2)	185.4	(12.8)	21.1	(2.0)
Total instruments	(815.0)	766.4	(48.6)	97.7	(0.2)
of which sovereigns	(132.9)	130.2	(2.7)	10.7	(0.8)
of which non-sovereigns	(682.1)	636.2	(45.9)	87.0	0.6
end of 2011					
Single-name instruments (CHF billion)					
Investment grade ²	(452.2)	432.4	(19.8)	55.6	(9.0)
Non-investment grade	(189.1)	179.4	(9.7)	16.7	(15.3)
Total single-name instruments	(641.3)	611.8	(29.5)	72.3	(24.3)
of which sovereigns	(134.8)	132.6	(2.2)	10.8	(8.1)
of which non-sovereigns	(506.5)	479.2	(27.3)	61.5	(16.2)
Multi-name instruments (CHF billion)					
Investment grade ²	(278.2)	253.1	(25.1)	14.5	(15.5)
Non-investment grade	(71.9)	64.1 ³	(7.8)	9.0	(1.7)
Total multi-name instruments	(350.1)	317.2	(32.9)	23.5	(17.2)
of which sovereigns	(18.4)	17.5	(0.9)	0.9	(1.5)
of which non-sovereigns	(331.7)	299.7	(32.0)	22.6	(15.7)
Total instruments (CHF billion)					
Investment grade ²	(730.4)	685.5	(44.9)	70.1	(24.5)
Non-investment grade	(261.0)	243.5	(17.5)	25.7	(17.0)
Total instruments	(991.4)	929.0	(62.4)	95.8	(41.5)
of which sovereigns	(153.2)	150.1	(3.1)	11.7	(9.6)
of which non-sovereigns	(838.2)	778.9	(59.3)	84.1	(31.9)

¹ Represents credit protection purchased with identical underlyings and recoveries. ² Based on internal ratings of BBB and above. ³ Includes the Clock Finance transaction.

The following table reconciles the notional amount of credit derivatives included in the table "Fair value of derivative instruments" to the table "Credit protection sold/purchased".

Credit derivatives

end of	2012	2011
Credit derivatives (CHF billion)		
Credit protection sold	815.0	991.4
Credit protection purchased	766.4	929.0
Other protection purchased	97.7	95.8
Other instruments ¹	15.3	26.5
Total credit derivatives	1,694.4	2,042.7

¹ Consists of certain cash collateralized debt obligations, total return swaps and other derivative instruments.

The segregation of the future payments by maturity range and underlying risk gives an indication of the current status of the potential for performance under the derivative contracts.

Maturity of credit protection sold

end of	Maturity less than 1 year	Maturity between 1 to 5 years	Maturity greater than 5 years	Total
2012 (CHF billion)				
Single-name instruments	130.3	351.6	108.8	590.7
Multi-name instruments	37.4	145.4	41.5	224.3
Total instruments	167.7	497.0	150.3	815.0
2011 (CHF billion)				
Single-name instruments	134.1	394.5	112.7	641.3
Multi-name instruments	58.7	202.4	89.0	350.1
Total instruments	192.8	596.9	201.7	991.4

31 Guarantees and commitments

Guarantees

In the ordinary course of business, guarantees are provided that contingently obligate Credit Suisse to make payments to third parties if the counterparty fails to fulfill its obligation under a borrowing or other contractual arrangement. The total

gross amount disclosed within the Guarantees table reflects the maximum potential payment under the guarantees. The carrying value represents the Group's current best estimate of payments that will be required under existing guarantee arrangements.

Guarantees

	Maturity less than 1 year	Maturity between 1 to 3 years	Maturity between 3 to 5 years	Maturity greater than 5 years	Total gross amount	Total net amount ¹	Carrying value	Collateral received
end of								
2012 (CHF million)								
Credit guarantees and similar instruments	10,104	1,550	334	845	12,833	12,446	167	2,166
Performance guarantees and similar instruments	5,160	1,643	970	1,758	9,531	8,793	139	3,336
Securities lending indemnifications	12,211	0	0	0	12,211	12,211	0	12,211
Derivatives ²	21,197	9,951	1,833	2,434	35,415	35,415	985	– ³
Other guarantees	4,297	689	286	147	5,419	5,397	3	2,812
Total guarantees	52,969	13,833	3,423	5,184	75,409	74,262	1,294	20,525
2011 (CHF million)								
Credit guarantees and similar instruments	3,273	2,062	1,106	907	7,348	6,613	50	2,455
Performance guarantees and similar instruments	5,598	1,674	1,317	1,715	10,304	9,394	73	3,381
Securities lending indemnifications	15,005	0	0	0	15,005	15,005	0	15,005
Derivatives ²	27,593	12,953	5,137	5,710	51,393	51,393	3,650	– ³
Other guarantees	3,972	387	422	194	4,975	4,939	4	2,268
Total guarantees	55,441	17,076	7,982	8,526	89,025	87,344	3,777	23,109

¹ Total net amount is computed as the gross amount less any participations. ² Excludes derivative contracts with certain active commercial and investment banks and certain other counterparties, as such contracts can be cash settled and the Group had no basis to conclude it was probable that the counterparties held, at inception, the underlying instruments. ³ Collateral for derivatives accounted for as guarantees is not considered significant.

Credit guarantees and similar instruments

Credit guarantees and similar instruments are contracts that require the Group to make payments should a third party fail to do so under a specified existing credit obligation. The position includes standby letters of credit, commercial and residential mortgage guarantees and other guarantees associated with VIEs.

Standby letters of credit are made in connection with the corporate lending business and other corporate activities, where the Group provides guarantees to counterparties in the form of standby letters of credit, which represent obligations to make payments to third parties if the counterparties fail to fulfill their obligations under a borrowing arrangement or other contractual obligation.

Commercial and residential mortgage guarantees are made in connection with the Group's commercial mortgage activities in the US, where the Group sells certain commercial and residential mortgages to the Federal National Mortgage Associa-

tion (FNMA) and agrees to bear a percentage of the losses triggered by the borrowers failing to perform on the mortgage. The Group also issues guarantees that require it to reimburse FNMA for losses on certain whole loans underlying mortgage-backed securities issued by FNMA, which are triggered by borrowers failing to perform on the underlying mortgages.

The Group also provides guarantees to VIEs and other counterparties under which it may be required to buy assets from such entities upon the occurrence of certain triggering events such as rating downgrades and/or substantial decreases in the fair value of those assets.

Performance guarantees and similar instruments

Performance guarantees and similar instruments are arrangements that require contingent payments to be made when certain performance-related targets or covenants are not met. Such covenants may include a customer's obligation to deliver certain products and services or to perform under a construc-

tion contract. Performance guarantees are frequently executed as part of project finance transactions. The position includes private equity fund guarantees and guarantees related to residential mortgage securitization activities.

For private equity fund guarantees, the Group has provided investors in private equity funds sponsored by a Group entity guarantees on potential obligations of certain general partners to return amounts previously paid as carried interest to those general partners if the performance of the remaining investments declines. To manage its exposure, the Group generally withholds a portion of carried interest distributions to cover any repayment obligations. In addition, pursuant to certain contractual arrangements, the Group is obligated to make cash payments to certain investors in certain private equity funds if specified performance thresholds are not met.

Further, as part of the Group's residential mortgage securitization activities in the US, the Group may guarantee the collection by the servicer and remittance to the securitization trust of prepayment penalties. The Group will have to perform under these guarantees in the event the servicer fails to remit the prepayment penalties.

Securities lending indemnifications

Securities lending indemnifications include arrangements in which the Group agreed to indemnify securities lending customers against losses incurred in the event that security borrowers do not return securities subject to the lending agreement and the collateral held is insufficient to cover the market value of the securities borrowed. As indicated in the Guarantees table, the Group was fully collateralized in respect of securities lending indemnifications.

Derivatives

Derivatives are issued in the ordinary course of business, generally in the form of written put options. Disclosures about derivative contracts are not required under US GAAP if such contracts may be cash settled and the Group has no basis to conclude it is probable that the counterparties held, at inception, the underlying instruments related to the derivative contracts. The Group has concluded that these conditions were met for certain active commercial and investment banks and certain other counterparties, and accordingly, the Group has not included such contracts as guarantees.

The Group manages its exposure to these derivatives by engaging in various hedging strategies to reduce its exposure. For some contracts, such as written interest rate caps or foreign exchange options, the maximum payout is not determinable as interest rates or exchange rates could theoretically rise without limit. For these contracts, notional amounts were disclosed in the table above in order to provide an indication

of the underlying exposure. In addition, the Group carries all derivatives at fair value in the consolidated balance sheets and has considered the performance triggers and probabilities of payment when determining those fair values. It is more likely than not that written put options that are in-the-money to the counterparty will be exercised, for which the Group's exposure was limited to the carrying value reflected in the table.

Other guarantees

Other guarantees include bankers' acceptances, residual value guarantees, deposit insurance, contingent considerations in business combinations, the minimum value of an investment in mutual funds or private equity funds and all other guarantees that were not allocated to one of the categories above.

Deposit-taking banks and securities dealers in Switzerland and certain other European countries are required to ensure the payout of privileged deposits in case of specified restrictions or compulsory liquidation of a deposit-taking bank. In Switzerland, deposit-taking banks and securities dealers jointly guarantee an amount of up to CHF 6 billion. Upon occurrence of a payout event triggered by a specified restriction of business imposed by FINMA or by the compulsory liquidation of another deposit-taking bank, the Group's contribution will be calculated based on its share of privileged deposits in proportion to total privileged deposits. Based on FINMA's estimate for the Group's banking subsidiaries in Switzerland, the Group's share in the deposit insurance guarantee program for the period July 1, 2012 to June 30, 2013 is CHF 0.7 billion. These deposit insurance guarantees were reflected in other guarantees.

PAF2 transaction

The Group's results are impacted by the risk of counterparty defaults and the potential for changes in counterparty credit spreads related to derivative trading activities of the Group. In the first quarter of 2012, the Group 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 the approximately USD 12 billion notional amount of expected positive exposure from counterparties of the Group, 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 the Group and actively managed through normal credit procedures. The mezzanine layer was hedged by transferring the risk of default and counterparty credit spread movements to eligible employees in the form of PAF2 awards, as part of their deferred compensation granted in the annual compensation process.

The model used to value the PAF2 awards is the standard Gaussian copula valuation model used for synthetic CDO

trades with adjustments necessary to incorporate the specific nature of the PAF2 transaction. The key model inputs are notional value, correlation assumption, credit spreads, liquidity and recovery rates of the portfolio, the Group's own credit spread and the maturity of the trade. In the model, the credit spreads of the counterparties determine the respective probability of default. Such probability is used to compute the expected value of the cash flows contingent on survival and on default of the counterparties in the reference portfolio. The credit spreads are sourced using observable data from CDS on the specific reference entity. Where a specific reference entity curve does not exist for a reference name in the portfolio, a proxy curve is used. The expected value of the counterparty exposure on default determines the equivalent notional value for the given name. This is computed from the effective positive exposure which is the weighted average over time of the expected exposure used by the Group for counterparty risk management. As of December 31, 2012, the carrying value of the PAF2 awards was CHF 627 million. The amount of the PAF2 awards compensation expense for the year ended December 31, 2012 was CHF 647 million and is included in the amount reflected in the "Deferred compensation expense" table in Note 27 – Employee deferred compensation, which includes deferred compensation expense for a smaller plan unrelated to the hedging aspects of this transaction.

The Group has purchased protection on the senior layer to hedge against the potential for future counterparty credit spread volatility. This was executed through a CDS, accounted for at fair value, with a third-party entity. The value of the senior layer is calculated using the same model as for the PAF2 awards. As of December 31, 2012, the CDS had a positive replacement value of CHF 8 million and was reflected in credit derivatives in the "Fair value of derivative instruments" table in Note 30 – Derivatives and hedging activities. The Group also has a credit support facility with this entity that allows the Group to provide credit support in connection with other assets that are commonly financed through the issuance of commercial paper (CP) and, in connection with the CDS, to provide immediately available funding to this entity in certain circumstances. Among others, such circumstances include: (i) a disruption of the CP market such that the entity cannot issue or roll a CP to fund the CDS payment or repay a maturing CP; (ii) the interest payable on the CP exceeds certain thresholds and the Group instructed the entity to draw on the facility instead of issuing a CP; (iii) a CP was issued by the entity to fund a CDS payment and subsequently the short-term rating of the facility provider is downgraded; or (iv) to repay any outstanding CP at the maturity date of the facility. Any funded amount may be settled by the assignment of the rights and obligations of the CDS to the Group. The credit support facility is accounted for on an accrual basis and is

reflected in credit guarantees and similar instruments in the "Guarantees" table. As of December 31, 2012, the carrying value of the credit support facility included in this table was CHF 7 million. The transaction overall is a four-year transaction, but can be extended to nine years. The Group has the right to terminate the third-party transaction for certain reasons, including certain regulatory developments.

In December 2012, the BCBS published updated regulatory guidance that makes the PAF2 transaction as currently structured ineligible for counterparty credit spread hedging under the Basel III framework. As a result of this new guidance, the Group now has the right to exercise the regulatory call to restructure or terminate the CDS and the credit support facility layer at par and terminate the mezzanine layer at fair value. The Group is evaluating restructuring the transaction in order for the PAF2 transaction as a whole to remain an eligible counterparty credit spread hedge under Basel III, or alternatively, the Group may decide to terminate the transaction in its entirety.

Representations and warranties on residential mortgage loans sold

In connection with Investment Banking's sale of US residential mortgage loans, the Group has provided certain representations and warranties relating to the loans sold. The Group has provided these representations and warranties relating to sales of loans to: the US government-sponsored enterprises Fannie Mae and Freddie Mac (GSEs); institutional investors, primarily banks; and non-agency, or private label, securitizations. The loans sold are primarily loans that the Group has purchased from other parties. The scope of representations and warranties, if any, depends on the transaction, but can include: ownership of the mortgage loans and legal capacity to sell the loans; loan-to-value ratios and other characteristics of the property, the borrower and the loan; validity of the liens securing the loans and absence of delinquent taxes or related liens; conformity to underwriting standards and completeness of documentation; and origination in compliance with law. If it is determined that representations and warranties were breached, the Group may be required to repurchase the related loans or indemnify the investors to make them whole for losses. Whether the Group will incur a loss in connection with repurchases and make whole payments depends on: the extent to which claims are made; the validity of such claims (including the likelihood and ability to enforce claims); whether the Group can successfully claim against parties that sold loans to the Group and made representations and warranties to the Group; the residential real estate market, including the number of defaults; and whether the obligations of the securitization vehicles were guaranteed or insured by third parties.

With respect to its outstanding repurchase claims balance for GSEs, private investors and non-agency securitizations, the Group is unable to estimate reasonably possible losses in excess of the amounts accrued because the Group has limited reliable information about the status of such loans following their sale. With respect to outstanding repurchase claims from private investors and non-agency securitizations, the Group is unable to estimate reasonably possible losses in excess of the

amounts accrued due to the Group's limited history of resolving such repurchase claims.

The following tables present the total amount of residential mortgage loans sold during the period from January 1, 2004 to December 31, 2012 by counterparty type and the development of outstanding repurchase claims and provisions for outstanding repurchase claims during the period from January 1, 2012 to December 31, 2012, including realized losses from the repurchase of residential mortgage loans sold.

Residential mortgage loans sold

Residential mortgage loans sold from January 1, 2004 to December 31, 2012 (USD billion)

Government-sponsored enterprises	8.2
Private investors ¹	22.6
Non-agency securitizations	130.1 ²
Total	160.9

¹ Primarily banks. ² The outstanding balance of residential mortgage loans sold was USD 27.6 billion as of December 31, 2012. The difference of the total balance of mortgage loans sold and the outstanding balance as of December 31, 2012 was attributable to borrower payments of USD 85.4 billion and losses of USD 17.1 billion due to loan defaults.

Residential mortgage loans sold – outstanding repurchase claims

	2012			2011		
	Government-sponsored enterprises	Private investors	Non-agency securitizations	Government-sponsored enterprises	Private investors	Non-agency securitizations
Outstanding repurchase claims (USD million)						
Balance at beginning of period	68	432	243	743	60	487
New claims	58	57	2,032	2,147	29	10
Claims settled through repurchases	(7)	0	(7)	(14) ²	0	(1)
Other settlements	(15)	(7)	(32)	(54) ³	(8)	0
Total claims settled	(22)	(7)	(39)	(68)	(8)	(1)
Claims rescinded	(37)	(18)	0	(55)	(13)	(64)
Transfers to/from arbitration and litigation, net ⁴	0	0	(841)	(841)	0	(1,966)
Balance at end of period	67	464	1,395	1,926	68	432

¹ All related to period July 1, 2011 to December 31, 2011. ² Settled at a repurchase price of USD 15 million and USD 5 million in 2012 and 2011, respectively. ³ Settled at USD 41 million and USD 9 million in 2012 and 2011, respectively. ⁴ Refer to "Note 37 – Litigation" for repurchase claims that are in arbitration or litigation.

Provisions for outstanding repurchase claims

	2012	2011
Provisions for outstanding repurchase claims (USD million) ¹		
Balance at beginning of period	59	29
Increase/(decrease) in provisions, net	52	47
Realized losses ²	(56) ³	(17) ⁴
Balance at end of period	55 ⁵	59 ⁵

¹ Excludes provisions for repurchase claims related to residential mortgage loans sold that are in arbitration or litigation. Refer to "Note 37 – Litigation" for further information. ² Includes indemnifications paid to resolve loan repurchase claims. ³ Primarily related to government-sponsored enterprises and non-agency securitizations. ⁴ Primarily related to government-sponsored enterprises. ⁵ Substantially all related to government-sponsored enterprises.

Representations and warranties relating to residential mortgage loans sold to non-agency securitization vehicles are more limited in scope than those relating to residential mortgage loans sold to GSEs, and it can be more difficult to establish causation and standing in making a repurchase claim for breach of representations and warranties on residential mortgage loans sold in non-agency securitizations. The Group is involved in litigation relating to representations and warranties on residential mortgage loans sold.

- ▶ Refer to "Note 37 – Litigation" for further information.

Repurchase claims on residential mortgage loans sold that are subject to arbitration or litigation proceedings, or become so during the reporting period, are not included in the Guarantees and commitments disclosure of repurchase claims and related loss contingencies and provisions but are addressed in litigation and related loss contingencies and provisions.

Repurchase claims relating to residential mortgage loans sold may increase in the future based on the large number of defaults in residential mortgages, including those sold or securitized by the Group.

Disposal-related contingencies and other indemnifications

The Group has certain guarantees for which its maximum contingent liability cannot be quantified. These guarantees are not reflected in the "Guarantees" table and are discussed below.

Disposal-related contingencies

In connection with the sale of assets or businesses, the Group sometimes provides the acquirer with certain indemnification provisions. These indemnification provisions vary by counterparty in scope and duration and depend upon the type of assets or businesses sold. They are designed to transfer the

potential risk of certain unquantifiable and unknowable loss contingencies, such as litigation, tax and intellectual property matters, from the acquirer to the seller. The Group closely monitors all such contractual agreements in order to ensure that indemnification provisions are adequately provided for in the Group's consolidated financial statements.

Other indemnifications

The Group provides indemnifications to certain counterparties in connection with its normal operating activities, for which it is not possible to estimate the maximum amount that it could be obligated to pay. As a normal part of issuing its own securities, the Group typically agrees to reimburse holders for additional tax withholding charges or assessments resulting from changes in applicable tax laws or the interpretation of those laws. Securities that include these agreements to pay additional amounts generally also include a related redemption or call provision if the obligation to pay the additional amounts results from a change in law or its interpretation and the obligation cannot be avoided by the issuer taking reasonable steps to avoid the payment of additional amounts. Since such potential obligations are dependent on future changes in tax laws, the related liabilities the Group may incur as a result of such changes cannot be reasonably estimated. In light of the related call provisions typically included, the Group does not expect any potential liabilities in respect of tax gross-ups to be material.

The Group is a member of numerous securities exchanges and clearing houses and may, as a result of its membership arrangements, be required to perform if another member defaults. The Group has determined that it is not possible to estimate the maximum amount of these obligations and believes that any potential requirement to make payments under these arrangements is remote.

Lease commitments

Lease commitments (CHF million)

2013	677
2014	593
2015	515
2016	464
2017	411
Thereafter	3,503
Future operating lease commitments	6,163
Less minimum non-cancellable sublease rentals	355
Total net future minimum lease commitments	5,808

Rental expense for operating leases

in	2012	2011	2010
Rental expense for operating leases (CHF million)			
Minimum rental expense	631	554	625
Sublease rental income	(98)	(97)	(123)
Total net expenses for operating leases	533	457	502

Operating lease commitments

The Group has contractual commitments under operating lease arrangements for certain premises and equipment. Under operating leases, the leased property is not reported on the balance sheet of the lessee. Lease payments required by the contract are generally expensed on a straight-line basis over the term of the lease. The related commitments for future rental expenses under operating leases are included in the table "Lease commitments".

From time to time, the Group may enter into sale-leaseback transactions, in which an asset is sold and immediately leased back. If specific criteria are met, such asset is derecognized from the balance sheet and an operating lease is recognized. If the present value of the lease payments is equal to or higher than 10% of the fair value of the property sold, any resulting gains up to an amount equal to the present value of the lease payments are deferred and recognized in the statement of operations over the term of the lease as a reduction of rental expense. Gains on sale-leaseback transactions for which the lease payments are lower than 10% of the fair value of the property sold or gains in excess of the fair value of the lease payments are recognized in the statements of operations upon completion of the sale.

Sale-leaseback transactions in 2012

In the first quarter of 2012, the Group sold the office complex of its European headquarters at One Cabot Street in London to OCS Investment S.à.r.l. and leased back this property under an operating lease arrangement for 22 years, with two options to extend the lease by five years each. OCS Investment S.à.r.l. is a company wholly-owned by the Qatar Investment Authority, which is a minority shareholder of the Group.

In the fourth quarter of 2012, the Group sold the Uetlihof office complex in Zurich, the Group's principal office building worldwide, to Norges Bank Investment Management and leased back this property under an operating lease arrangement for 25 years, with the option to extend the lease by up to 15 years. Norges Bank Investment Management was acting as the buyer on behalf of the Norwegian Government Pension Fund Global, which is a minority shareholder of the Group.

During 2012, the Group entered into several smaller sale-leaseback transactions in respect of own property, which were all recognized as operating lease arrangements with lease terms of between five and ten years. Total contractual rental expenses under these leases will amount to CHF 41 million.

Other commitments

	Maturity less than 1 year	Maturity between 1 to 3 years	Maturity between 3 to 5 years	Maturity greater than 5 years	Total gross amount	Total net amount ¹	Collateral received
end of							
2012 (CHF million)							
Irrevocable commitments under documentary credits	6,217	35	6	0	6,258	6,061	3,219
Loan commitments	169,462	23,574	37,690	6,384	237,110 ²	231,639	153,460
Forward reverse repurchase agreements	45,556	0	0	0	45,556	45,556	45,556
Other commitments	949	864	172	576	2,561	2,561	131
Total other commitments	222,184	24,473	37,868	6,960	291,485	285,817	202,366
2011 (CHF million)							
Irrevocable commitments under documentary credits	5,644	3	40	0	5,687	5,207	2,372
Loan commitments	157,701	19,988	35,755	7,116	220,560 ²	215,343	144,278
Forward reverse repurchase agreements	28,885	0	0	0	28,885	28,885	28,885
Other commitments	1,457	405	872	874	3,608	3,608	33
Total other commitments	193,687	20,396	36,667	7,990	258,740	253,043	175,568

¹ Total net amount is computed as the gross amount less any participations. ² Included CHF 139,709 million and CHF 138,051 million of unused credit limits as of December 31, 2012 and 2011, respectively, which were revocable at the Group's sole discretion upon notice to the client.

Irrevocable commitments under documentary credits

Irrevocable commitments under documentary credits include exposures from trade finance related to commercial letters of credit under which the Group guarantees payments to exporters against presentation of shipping and other documents.

Loan commitments

Loan commitments include unused credit facilities that can be revoked at our sole discretion upon notice to the client. A small portion of total loan commitments is related to the leveraged finance business. Commitments to originate mortgage loans that will be held for sale are considered derivatives for accounting purposes and are not included in this disclosure. Such commitments are reflected as derivatives in the consolidated balance sheets.

Forward reverse repurchase agreements

Forward reverse repurchase agreements represent transactions in which the initial cash exchange of the reverse repurchase transactions takes place on specified future dates.

Other commitments

Other commitments include private equity commitments, firm commitments in underwriting securities, commitments arising from deferred payment letters of credit and from acceptances in circulation and liabilities for call and put options on shares and other equity instruments.

In November 2007, Banco de Investimentos Credit Suisse (Brasil) S.A., a wholly owned subsidiary of Credit Suisse AG, acquired a majority interest (50% plus one share) in Hedging-Griffo and entered into option arrangements in respect of the remaining equity interests in Hedging-Griffo. In the second quarter of 2012, the Group acquired the remaining equity interests in Hedging-Griffo as contemplated under the existing option arrangements at a final purchase price of BRL 1,248 million (CHF 584 million), gaining full control and ownership of Hedging-Griffo.

- ▶ Refer to "Note 3 – Business developments and subsequent events" for further information.

32 Transfers of financial assets and variable interest entities

In the normal course of business, the Group enters into transactions with, and makes use of, SPEs. An SPE is an entity in the form of a trust or other legal structure designed to fulfill a specific limited need of the company that organized it and is generally structured to isolate the SPE's assets from creditors of other entities, including the Group. The principal uses of SPEs are to assist the Group and its clients in securitizing financial assets and creating investment products. The Group also uses SPEs for other client-driven activity, such as to facilitate financings, and Group tax or regulatory purposes.

Transfers of financial assets

Securitizations

The majority of the Group's securitization activities involve mortgages and mortgage-related securities and are predominantly transacted using SPEs. In a typical securitization, the SPE purchases assets financed by proceeds received from the SPE's issuance of debt and equity instruments, certificates, **●** commercial paper (CP) and other notes of indebtedness. These assets and liabilities are recorded on the balance sheet of the SPE and not reflected on the Group's consolidated balance sheet, unless either the Group sold the assets to the entity and the accounting requirements for sale were not met or the Group consolidates the SPE.

The Group purchases commercial and residential mortgages for the purpose of securitization and sells these mortgage loans to SPEs. These SPEs issue **●** commercial mortgage-backed securities (CMBS), **●** residential mortgage-backed securities (RMBS) and ABS that are collateralized by the assets transferred to the SPE and that pay a return based on the returns on those assets. Investors in these mortgage-backed securities or ABS typically have recourse to the assets in the SPEs, unless a third-party guarantee has been received to further enhance the creditworthiness of the assets. The investors and the SPEs have no recourse to the Group's assets. The Group is typically an underwriter of, and makes a market in, these securities.

The Group also transacts in re-securitizations of previously issued RMBS securities. Typically, certificates issued out of an existing securitization vehicle are sold into a newly created and separate securitization vehicle. Often, these re-securitizations

are initiated in order to repack an existing security to give the investor a higher rated tranche.

The Group also uses SPEs for other asset-backed financings relating to client-driven activity and for Group tax or regulatory purposes. Types of structures included in this category include **●** CDOs, leveraged finance, repack and other types of transactions, including life insurance structures, emerging market structures set up for financing, loan participation or loan origination purposes, and other alternative structures created for the purpose of investing in venture capital-like investments. CDOs are collateralized by the assets transferred to the CDO vehicle and pay a return based on the returns on those assets. Leveraged finance structures are used to assist in the syndication of certain loans held by the Group, while repack structures are designed to give a client collateralized exposure to specific cash flows or credit risk backed by collateral purchased from the Group. In these asset-backed financing structures investors typically only have recourse to the collateral of the SPE and do not have recourse to the Group's assets.

When the Group transfers assets into an SPE, it must assess whether that transfer is accounted for as a sale of the assets. Transfers of assets may not meet sale requirements if the assets have not been legally isolated from the Group and/or if the Group's continuing involvement is deemed to give it effective control over the assets. If the transfer is not deemed a sale, it is instead accounted for as a secured borrowing, with the transferred assets as collateral.

Gains and losses on securitization transactions depend, in part, on the carrying values of mortgages and CDOs involved in the transfer and are allocated between the assets sold and any beneficial interests retained according to the relative **●** fair values at the date of sale.

The Group does not retain material servicing responsibilities from securitization activities.

The following table provides the gains or losses and proceeds from the transfer of assets relating to 2012, 2011 and 2010 securitizations of financial assets that qualify for sale accounting and subsequent derecognition, along with the cash flows between the Group and the SPEs used in any securitizations in which the Group still has continuing involvement, regardless of when the securitization occurred.

Securitizations

in	2012	2011	2010
Gains and cash flows (CHF million)			
CMBS			
Net gain ¹	56	6	13
Proceeds from transfer of assets	6,156	974	523
Servicing fees	0	1	1
Cash received on interests that continue to be held	57	205	150
RMBS			
Net gain ¹	3	65	214
Proceeds from transfer of assets	15,143	30,695	52,308
Purchases of previously transferred financial assets or their underlying collateral	(25)	(4)	0
Servicing fees	3	3	6
Cash received on interests that continue to be held	554	382	488
Other asset-backed financings			
Net gain ¹	83	24	85
Proceeds from transfer of assets	591	1,268	4,376
Purchases of previously transferred financial assets or their underlying collateral ²	(621)	(256)	(2,519)
Servicing fees	0	1	0
Cash received on interests that continue to be held	1,350	701	1,539

¹ Includes underwriting revenues, deferred origination fees, gains or losses on the sale of collateral to the SPE and gains or losses on the sale of newly issued securities to third parties, but excludes net interest income on assets prior to the securitization. The gains or losses on the sale of the collateral are the difference between the fair value on the day prior to the securitization pricing date and the sale price of the loans. ² Represents market making activity and voluntary repurchases at fair value where no repurchase obligations were present.

Continuing involvement in transferred financial assets

The Group may have continuing involvement in the financial assets that are transferred to an SPE, which may take several forms, including, but not limited to, servicing, recourse and guarantee arrangements, agreements to purchase or redeem transferred assets, derivative instruments, pledges of collateral and beneficial interests in the transferred assets. Beneficial interests, which are valued at fair value, include rights to receive all or portions of specified cash inflows received by an SPE, including, but not limited to, senior and subordinated shares of interest, principal, or other cash inflows to be “passed through” or “paid through”, premiums due to guarantors, CP obligations, and residual interests, whether in the form of debt or equity.

The Group's exposure resulting from continuing involvement in transferred financial assets is generally limited to beneficial interests typically held by the Group in the form of instruments issued by SPEs that are senior, subordinated or residual tranches. These instruments are held by the Group typically in connection with underwriting or market-making

activities and are included in trading assets in the consolidated balance sheets. Any changes in the fair value of these beneficial interests are recognized in the consolidated statements of operations.

Investors usually have recourse to the assets in the SPE and often benefit from other credit enhancements, such as collateral accounts, or from liquidity facilities, such as lines of credit or liquidity put option of asset purchase agreements. The SPE may also enter into a derivative contract in order to convert the yield or currency of the underlying assets to match the needs of the SPE investors, or to limit or change the credit risk of the SPE. The Group may be the provider of certain credit enhancements as well as the counterparty to any related derivative contract.

The following table provides the outstanding principal balance of assets to which the Group continued to be exposed after the transfer of the financial assets to any SPE and the total assets of the SPE as of the end of 2012 and 2011, regardless of when the transfer of assets occurred.

Principal amounts outstanding and total assets of SPEs resulting from continuing involvement

end of	2012	2011
CHF million		
CMBS		
Principal amount outstanding	30,050	35,487
Total assets of SPE	45,407	52,536
RMBS		
Principal amount outstanding	58,112	91,242
Total assets of SPE	60,469	95,297
Other asset-backed financing activities		
Principal amount outstanding	32,805	35,233
Total assets of SPE	32,805	35,307

Principal amounts outstanding relate to assets transferred from the Group and do not include principal amounts for assets transferred from third parties.

Fair value of beneficial interests

The fair value measurement of the beneficial interests held at the time of transfer and as of the reporting date that result from any continuing involvement is determined using fair value estimation techniques, such as the present value of estimated future cash flows that incorporate assumptions that market participants customarily use in these valuation techniques. The fair value of the

assets or liabilities that result from any continuing involvement does not include any benefits from financial instruments that the Group may utilize to hedge the inherent risks.

Key economic assumptions at the time of transfer

- Refer to "Fair value measurement" in Note 33 – Financial instruments for further information on fair value hierarchy.

Key economic assumptions used in measuring fair value of beneficial interests at time of transfer

	2012	2011		
at time of transfer in	CMBS	RMBS	CMBS	RMBS
CHF million, except where indicated				
Fair value of beneficial interests	761	2,219	57	5,095
of which level 2	654	2,090	42	4,695
of which level 3	107	129	15	399
Weighted-average life, in years	8.4	5.0	7.2	5.4
Prepayment speed assumption (rate per annum), in % ¹	– ²	0.1–34.9	– ²	9.0–34.9
Cash flow discount rate (rate per annum), in % ³	0.8–10.7	0.1–25.7	2.9–10.6	0.5–71.2
Expected credit losses (rate per annum), in %	0.5–9.0	0.0–25.1	1.2–9.3	0.3–71.0

Transfers of assets in which the Group does not have beneficial interests are not included in this table.

¹ Prepayment speed assumption (PSA) is an industry standard prepayment speed metric used for projecting prepayments over the life of a residential mortgage loan. PSA utilizes the constant prepayment rate (CPR) assumptions. A 100% prepayment assumption assumes a prepayment rate of 0.2% per annum of the outstanding principal balance of mortgage loans in the first month. This increases by 0.2% thereafter during the term of the mortgage loan, leveling off to a CPR of 6% per annum beginning in the 30th month and each month thereafter during the term of the mortgage loan. 100 PSA equals 6 CPR. ² To deter prepayment, commercial mortgage loans typically have prepayment protection in the form of prepayment lockouts and yield maintenances. ³ The rate was based on the weighted-average yield on the beneficial interests.

Key economic assumptions as of the reporting date

The following table provides the sensitivity analysis of key economic assumptions used in measuring the fair value of beneficial interests held in SPEs as of the end of 2012 and 2011.

Key economic assumptions used in measuring fair value of beneficial interests held in SPEs

end of	2012			2011		
			Other asset-backed financing activities ²			Other asset-backed financing activities ²
	CMBS ¹	RMBS	CMBS ¹	RMBS		
CHF million, except where indicated						
Fair value of beneficial interests	274	1,929	692	342	2,960	1,754
of which non-investment grade	90	342	686	133	688	1,513
Weighted-average life, in years	4.0	5.2	3.6	4.1	5.3	2.5
Prepayment speed assumption (rate per annum), in % ³	–	0.1–27.6	–	–	0.1–30.0	–
Impact on fair value from 10% adverse change	–	(38.5)	–	–	(44.2)	–
Impact on fair value from 20% adverse change	–	(74.3)	–	–	(86.6)	–
Cash flow discount rate (rate per annum), in % ⁴	1.1–50.2	0.2–42.8	0.7–51.7	2.3–50.1	0.3–49.1	0.7–58.7
Impact on fair value from 10% adverse change	(14.8)	(62.8)	(1.0)	(30.5)	(94.4)	(8.2)
Impact on fair value from 20% adverse change	(19.9)	(93.5)	(1.8)	(36.2)	(151.9)	(15.9)
Expected credit losses (rate per annum), in %	0.9–49.5	0.9–42.8	0.3–51.4	1.9–49.0	0.9–48.9	5.4–31.8
Impact on fair value from 10% adverse change	(14.4)	(55.9)	(0.8)	(29.8)	(83.6)	(6.8)
Impact on fair value from 20% adverse change	(19.2)	(80.3)	(1.6)	(34.8)	(131.5)	(13.2)

¹ To deter prepayment, commercial mortgage loans typically have prepayment protection in the form of prepayment lockouts and yield maintenances. ² CDOs within this category are generally structured to be protected from prepayment risk. ³ Prepayment speed assumption (PSA) is an industry standard prepayment speed metric used for projecting prepayments over the life of a residential mortgage loan. PSA utilizes the constant prepayment rate (CPR) assumptions. A 100% prepayment assumption assumes a prepayment rate of 0.2% per annum of the outstanding principal balance of mortgage loans in the first month. This increases by 0.2% thereafter during the term of the mortgage loan, leveling off to a CPR of 6% per annum beginning in the 30th month and each month thereafter during the term of the mortgage loan. 100 PSA equals 6 CPR. ⁴ The rate is based on the weighted-average yield on the beneficial interests.

These sensitivities are hypothetical and do not reflect economic hedging activities. Changes in fair value based on a 10% or 20% variation in assumptions generally cannot be extrapolated because the relationship of the change in assumption to the change in fair value may not be linear. Also, the effect of a variation in a particular assumption on the fair value of the beneficial interests is calculated without changing any other assumption. In practice, changes in one assumption may result in changes in other assumptions (for example, increases in market interest rates may result in lower prepay-

ments and increased credit losses), which might magnify or counteract the sensitivities.

Secured borrowings

The following table provides the carrying amounts of transferred financial assets and the related liabilities where sale treatment was not achieved as of the end of 2012 and 2011.

- ▶ Refer to "Note 34 – Asset pledged and collateral" for further information.

Carrying amounts of transferred financial assets and liabilities where sale treatment was not achieved

end of	2012	2011
CHF million		
CMBS		
Other assets	467	664
Liability to SPE, included in Other liabilities	(467)	(664)
RMBS		
Other assets	0	12
Liability to SPE, included in Other liabilities	0	(12)
Other asset-backed financing activities		
Trading assets	1,171	1,851
Other assets	913	1,474
Liability to SPE, included in Other liabilities	(2,084)	(3,326)

Variable interest entities

As a normal part of its business, the Group engages in various transactions that include entities that are considered VIEs and are grouped into three primary categories: CDOs, CP conduits and financial intermediation. VIEs are SPEs that typically either lack sufficient equity to finance their activities without additional subordinated financial support or are structured such that the holders of the voting rights do not substantively participate in the gains and losses of the entity. VIEs may be sponsored by the Group, unrelated third parties or clients. Such entities are required to be assessed for consolidation, compelling the primary beneficiary to consolidate the VIE. The consolidation assessment requires an entity to determine whether it has the power to direct the activities that most significantly affect the economics of the VIE as well as whether the reporting entity has potentially significant benefits or losses in the VIE. The primary beneficiary assessment must be re-evaluated on an ongoing basis.

Application of the requirements for consolidation of VIEs may require the exercise of significant management judgment. In the event consolidation of a VIE is required, the exposure to the Group is limited to that portion of the VIE's assets attributable to any variable interest held by the Group prior to any risk management activities to hedge the Group's net exposure. Any interests held in the VIE by third parties, even though consolidated by the Group, will not typically impact its results of operations.

Transactions with VIEs are generally executed to facilitate securitization activities or to meet specific client needs, such as providing liquidity or investing opportunities, and, as part of these activities, the Group may hold interests in the VIEs. Securitization-related transactions with VIEs involve selling or purchasing assets as well as possibly entering into related derivatives with those VIEs, providing liquidity, credit or other

support. Other transactions with VIEs include derivative transactions in the Group's capacity as the prime broker. The Group also enters into lending arrangements with VIEs for the purpose of financing projects or the acquisition of assets. Typically, the VIE's assets are restricted in nature in that they are held primarily to satisfy the obligations of the entity. Further, the Group is involved with VIEs which were formed for the purpose of offering alternative investment solutions to clients. Such VIEs relate primarily to private equity investments, fund-linked vehicles or funds of funds, where the Group acts as structurer, manager, distributor, broker, market maker or liquidity provider.

As a consequence of these activities, the Group holds variable interests in VIEs. Such variable interests consist of financial instruments issued by VIEs and which are held by the Group, certain derivatives with VIEs or loans to VIEs. Guarantees issued by the Group to or on behalf of VIEs may also qualify as variable interests. For such guarantees, including derivatives that act as guarantees, the notional amount of the respective guarantees are presented to represent the exposure. In general, investors in consolidated VIEs do not have recourse to the Group in the event of a default, except where a guarantee was provided to the investors or where the Group is the counterparty to a derivative transaction involving VIEs.

Total assets of consolidated and non-consolidated VIEs for which the Group has involvement represent the total assets of the VIEs even though the Group's involvement may be significantly less due to interests held by third-party investors. The asset balances for non-consolidated VIEs where the Group has significant involvement represent the most current information available to the Group regarding the remaining principal balance of assets owned. In most cases, the asset balances represent an amortized cost basis without regards to impairment.

ments in fair value, unless fair value information is readily available.

The Group's maximum exposure to loss is different from the carrying value of the assets of the VIE. This maximum exposure to loss consists of the carrying value of the Group variable interests held as trading assets, derivatives and loans and the notional amount of guarantees to VIEs, rather than the amount of total assets of the VIEs. The maximum exposure to loss does not reflect the Group's risk management activities, including effects from financial instruments that the Group may utilize to economically hedge the risks inherent in these VIEs. The economic risks associated with VIE exposures held by the Group, together with all relevant risk mitigation initiatives, are included in the Group's risk management framework.

The Group has not provided financial or other support to consolidated or non-consolidated VIEs that it was not contractually required to provide.

Collateralized debt obligations

The Group engages in CDO transactions to meet client and investor needs, earn fees and sell financial assets. The Group may act as underwriter, placement agent or asset manager and may warehouse assets prior to the closing of a transaction. As part of its structured finance business, the Group purchases loans and other debt obligations from and on behalf of clients for the purpose of securitization. The loans and other debt obligations are sold to VIEs, which in turn issue CDOs to fund the purchase of assets such as investment grade and high yield corporate debt instruments.

Typically, the collateral manager in a managed CDO is deemed to be the entity that has the power to direct the activities that most affect the economics of the entity. In a static CDO this "power" role is more difficult to analyze and may be the sponsor of the entity or the CDS counterparty.

CDOs provide credit risk exposure to a portfolio of ABS (cash CDOs) or a reference portfolio of securities (synthetic CDOs). Cash CDO transactions hold actual securities whereas synthetic CDO transactions use CDS to exchange the underlying credit risk instead of using cash assets. The Group may also act as a derivative counterparty to the VIEs, which are typically not variable interests, and may invest in portions of the notes or equity issued by the VIEs. The CDO entities may have actively managed portfolios or static portfolios.

The securities issued by these VIEs are payable solely from the cash flows of the related collateral, and third-party creditors of these VIEs do not have recourse to the Group in the event of default.

The Group's exposure in CDO transactions is typically limited to interests retained in connection with its underwriting or

market-making activities. Unless the Group has been deemed to have "power" over the entity and these interests are potentially significant, the Group is not the primary beneficiary of the vehicle and does not consolidate the entity. The Group's maximum exposure to loss does not include any effects from financial instruments used to economically hedge the risks of the VIEs.

Commercial paper conduit

The Group continues to act as the administrator and provider of liquidity and credit enhancement facilities for one asset-backed CP conduit, Alpine, a client-focused multi-seller conduit vehicle. Alpine publishes portfolio and asset data and submits its portfolio to a rating agency for public ratings based on the cash flows of the portfolio taken as a whole. This CP conduit purchases assets, primarily loans and receivables, from clients and finances such purchases through the issuance of CP backed by these assets. For an asset to qualify for acquisition by the CP conduit, it must be rated at least investment grade after giving effect to the related asset-specific credit enhancement primarily provided by the client seller of the asset. The clients provide credit support to investors of the CP conduit in the form of over-collateralization and other asset-specific enhancements. Further, an unaffiliated investor retains a limited first-loss position in Alpine's entire portfolio. Alpine is a separate legal entity that is wholly owned by the Group. However, its assets are available to satisfy only the claims of its creditors. In addition, the Group, as administrator and liquidity and credit enhancement facilities provider, has significant exposure to and power over the activities of Alpine. Alpine is considered a VIE for accounting purposes and the Group is deemed the primary beneficiary and consolidates this entity.

The overall average maturity of the conduit's outstanding CP was approximately 27 days and 18 days as of December 31, 2012 and 2011, respectively. As of December 31, 2012 and 2011, Alpine had the highest short-term ratings from Moody's and Dominion Bond Rating Service and was rated A-1 by Standard & Poor's and F-1 by Fitch. The majority of Alpine's purchased assets were highly rated loans or receivables in the consumer sector, including auto and equipment loans or leases, student loans, advance financing receivables and credit card receivables. As of December 31, 2012 and 2011, those assets had an average rating of AA, based on the lowest of each asset's external or internal rating, and an average maturity of 2.9 years and 2.5 years as of December 31, 2012 and 2011, respectively.

The Group's commitment to this CP conduit consists of obligations under liquidity agreements and a program-wide credit enhancement agreement. The liquidity agreements are

asset-specific arrangements, which require the Group to purchase assets from the CP conduit in certain circumstances, including a lack of liquidity in the CP market such that the CP conduit cannot refinance its obligations or, in some cases, a default of an underlying asset. The Group may, at its discretion, purchase assets that fall below investment grade in order to support the CP conduit. In both circumstances, the asset-specific credit enhancements provided by the client seller of the assets and the first-loss investor's respective exposures to those assets remain unchanged. In entering into such agreements, the Group reviews the credit risk associated with these transactions on the same basis that would apply to other extensions of credit. The program-wide credit enhancement agreement with the CP conduit would absorb potential defaults of the assets, but is senior to the credit protection provided by the client seller of assets and the first-loss investor.

The Group believes that the likelihood of incurring a loss equal to the maximum exposure is remote because the assets held by the CP conduit, after giving effect to related asset-specific credit enhancement primarily provided by the clients, are classified as investment grade. The Group's economic risks associated with the purchased assets of the CP conduit are included in the Group's risk management framework including counterparty, economic capital and scenario analysis.

Financial intermediation

The Group has significant involvement with VIEs in its role as a financial intermediary on behalf of clients.

The Group considers the likelihood of incurring a loss equal to the maximum exposure to be remote because of the Group's risk mitigation efforts, including, but not limited to, economic hedging strategies and collateral arrangements. The Group's economic risks associated with consolidated and non-consolidated VIE exposures arising from financial intermediation, together with all relevant risk mitigation initiatives, are included in the Group's risk management framework.

Financial intermediation consists of securitizations, funds, loans, and other vehicles.

Securitizations

Securitizations are primarily CMBS, RMBS and ABS vehicles. The Group acts as an underwriter, market maker, liquidity provider, derivative counterparty and/or provider of credit enhancements to VIEs related to certain securitization transactions.

The maximum exposure to loss is the carrying value of the loan securities and derivative positions that are variable interests, if any, plus the exposure arising from any credit

enhancements the Group provided. The Group's maximum exposure to loss does not include any effects from financial instruments used to economically hedge the risks of the VIEs.

The activities that have the most significant impact on the securitization vehicle are the decisions relating to defaulted loans, which are controlled by the servicer. The party that controls the servicing has the ability to make decisions that significantly affect the result of the activities of the securitization vehicle. If a securitization vehicle has multiple parties that control servicing over specific assets, the Group determines it has power when it has control over the servicing of greater than 50% of the assets in the securitization vehicle. When a servicer or its related party also has an economic interest that has the potential to absorb a significant portion of the gains and/or losses, it will be deemed the primary beneficiary and consolidate the vehicle. If the Group determines that it controls the relevant servicing, it then determines if it has the obligation to absorb losses from or the right to receive benefits of the securitization vehicle that could potentially be significant to the vehicle, primarily by evaluating the amount and nature of securities issued by the vehicle that it holds. Factors considered in this analysis include the level of subordination of the securities held as well as the size of the position, based on the percentage of the class of securities and the total deal classes of securities issued. The more subordinated the level of securities held, the more likely it is that the Group will be the primary beneficiary. This consolidation analysis is performed each reporting period based on changes in inventory and the levels of assets remaining in the securitization. The Group typically consolidates securitization vehicles when it is the servicer and has holdings stemming from its role as underwriter. Short-term market making holdings in vehicles are not typically considered to be potentially significant for the purposes of this assessment.

In the case of re-securitizations of previously issued RMBS securities, the re-securitization vehicles are passive in nature and do not have any significant ongoing activities that require management, and decisions relating to the design of the securitization transaction at its inception is the key power relating to the vehicle. Activities at inception include selecting the assets and determination of the capital structure. The power over a re-securitization vehicle is typically shared between the Group and the investor(s) involved in the design and creation of the vehicle. The Group concludes that it is the primary beneficiary of a re-securitization vehicle when it owns substantially all of the bonds issued from the vehicle.

Funds

Funds include investment structures such as mutual funds, funds of funds, private equity funds and fund-linked products

where the investors' interest is typically in the form of debt rather than equity, thereby making them VIEs. The Group may have various relationships with such VIEs in the form of structurer, investment advisor, investment manager, administrator, custodian, underwriter, placement agent, market maker and/or as prime broker. These activities include the use of VIEs in structuring fund-linked products, hedge funds of funds or private equity investments to provide clients with investment opportunities in alternative investments. In such transactions, a VIE holds underlying investments and issues securities that provide the investors with a return based on the performance of those investments.

The maximum exposure to loss consists of the fair value of instruments issued by such structures that are held by the Group as a result of underwriting or market-making activities, financing provided to the vehicles and the Group's exposure resulting from principal protection and redemptions features. The investors typically retain the risk of loss on such transactions, but for certain fund types, the Group may provide principal protection on the securities to limit the investors' exposure to downside market risk. The Group's maximum exposure to loss does not include any effects from financial instruments used to economically hedge the risk of the VIEs.

Another model is used to assess funds for consolidation under US GAAP. Rather than the consolidation model which incorporates power and the potential to absorb significant risk and rewards, a previous consolidation model is used which results in the Group being the primary beneficiary and consolidating the funds if it holds more than 50% of their outstanding issuances.

Loans

Loans are single-financing vehicles where the Group provides financing for specified assets or business ventures and the respective owner of the assets or manager of the businesses

provides the equity in the vehicle. These tailored lending arrangements are established to purchase, lease or otherwise finance and manage clients' assets.

The maximum exposure to loss is the carrying value of the Group's loan exposure, which is subject to the same credit risk management procedures as loans issued directly to clients. The clients' creditworthiness is carefully reviewed, loan-to-value ratios are strictly set and, in addition, clients provide equity, additional collateral or guarantees, all of which significantly reduce the Group's exposure. The Group considers the likelihood of incurring a loss equal to the maximum exposure to be remote because of the Group's risk mitigation efforts which includes over-collateralization and effective monitoring to ensure that a sufficient loan-to-value ratio is maintained.

The third-party sponsor of the VIE will typically have control over the assets during the life structure and have the potential to absorb significant gains and losses; the Group is typically not the primary beneficiary of these structures and will not have to consolidate them. However, a change in the structure, such as a default of the sponsor, may result in the Group gaining control over the assets. If the Group's lending is significant, it may then be required to consolidate the entity.

Other

Other includes additional vehicles where the Group provides financing and trust preferred issuance vehicles. Trust preferred issuance vehicles are utilized to assist the Group in raising capital-efficient financing. The VIE issues preference shares which are guaranteed by the Group and uses the proceeds to purchase the debt of the Group. The Group's guarantee of its own debt is not considered a variable interest and, as it has no holdings in these vehicles, the Group has no maximum exposure to loss. Non-consolidated VIEs include only the total assets of trust preferred issuance vehicles, as the Group has no variable interests with these entities.

Consolidated VIEs

The Group has significant involvement with VIEs in its role as a financial intermediary on behalf of clients. The Group consolidates all VIEs related to financial intermediation for which it was the primary beneficiary.

The consolidated VIEs tables provide the carrying amounts and classifications of the assets and liabilities of consolidated VIEs as of the end of 2012 and 2011.

Consolidated VIEs in which the Group was the primary beneficiary

end of 2012	Financial intermediation						Total
	CDO	CP Conduit	Securi- tizations	Funds	Loans	Other	
Assets of consolidated VIEs (CHF million)							
Cash and due from banks	1,534	27	0	125	44	20	1,750
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	0	117	0	0	0	0	117
Trading assets	1,064	196	14	1,861	565	997	4,697
Investment securities	0	23	0	0	0	0	23
Other investments	0	0	0	0	1,712	577	2,289
Net loans	0	4,360	859	0	405	429	6,053
Premises and equipment	0	0	0	0	509	72	581
Loans held-for-sale	7,324	0	3,110	0	71	0	10,505
Other assets	45	1,637	1	4	501	1,843	4,031
Total assets of consolidated VIEs	9,967	6,360	3,984	1,990	3,807	3,938	30,046
Liabilities of consolidated VIEs (CHF million)							
Customer deposits	0	0	0	0	0	247	247
Trading liabilities	20	0	0	0	4	101	125
Short-term borrowings	0	5,776	0	3	0	3,803	9,582
Long-term debt	9,944	14	3,608	500	38	428	14,532
Other liabilities	45	6	97	7	168	905	1,228
Total liabilities of consolidated VIEs	10,009	5,796	3,705	510	210	5,484	25,714

Consolidated VIEs in which the Group was the primary beneficiary (continued)

	end of 2011	Financial intermediation						Total
		CDO	CP Conduit	Securi-tizations	Funds	Loans	Other	
Assets of consolidated VIEs (CHF million)								
Cash and due from banks		1,202	24	0	43	102	25	1,396
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions		0	19	0	0	0	0	19
Trading assets		1,207	728	18	2,681	554	1,211	6,399
Investment securities		0	41	0	0	0	0	41
Other investments		0	0	0	0	1,863	483	2,346
Net loans		0	4,720	0	0	62	1,158	5,940
Premises and equipment		0	0	0	0	564	82	646
Loans held-for-sale		7,231	0	3,941	0	2	0	11,174
Other assets		43	751	0	30	741	263	1,828
Total assets of consolidated VIEs		9,683	6,283	3,959	2,754	3,888	3,222	29,789
Liabilities of consolidated VIEs (CHF million)								
Customer deposits		0	0	0	0	0	221	221
Trading liabilities		30	0	0	0	3	1,253	1,286
Short-term borrowings		0	6,141	0	0	0	0	6,141
Long-term debt		9,383	24	4,483	276	227	465	14,858
Other liabilities		69	2	0	24	158	493	746
Total liabilities of consolidated VIEs		9,482	6,167	4,483	300	388	2,432	23,252

Non-consolidated VIEs

The non-consolidated VIEs tables provide the carrying amounts and classification of the assets and liabilities of variable interests recorded in the Group's consolidated balance sheets, maximum exposure to loss and total assets of the non-consolidated VIEs.

Maximum exposure to loss represents the variable interests of non-consolidated VIEs that are recorded by the Group (for example, direct holdings in vehicles, loans and other receivables), as well as notional amounts of guarantees and off-balance sheet commitments which are variable interests that have been extended to non-consolidated VIEs. Such amounts, particularly notional amounts of derivatives and guarantees, do not represent the anticipated losses in connection with these transactions as they do not take into consideration the effect of collateral, recoveries or the probability of loss. In addition, they exclude the effect of offsetting financial instru-

ments that are held to mitigate these risks and have not been reduced by unrealized losses previously recorded by the Group in connection with guarantees or derivatives.

Non-consolidated VIE assets are related to the non-consolidated VIEs with which the Group has variable interests. These amounts represent the assets of the entities themselves and are typically unrelated to the exposures the Group has with the entity and thus are not amounts that are considered for risk management purposes.

Certain VIEs have not been included in the following table, including VIEs structured by third parties in which the Group's interest is in the form of securities held in the Group's inventory, certain single-asset financing vehicles not sponsored by the Group to which the Group provides financing but has very little risk of loss due to over-collateralization and guarantees, failed sales where the Group does not have any other holdings and other entities out of scope.

Non-consolidated VIEs

	end of 2012	Financial intermediation					Total
		CDO	Securi-tizations	Funds	Loans	Other	
Variable interest assets (CHF million)							
Trading assets		100	3,210	1,143	868	600	5,921
Net loans		8	111	2,148	3,572	1,668	7,507
Other assets		0	17	49	0	4	70
Total variable interest assets		108	3,338	3,340	4,440	2,272	13,498
Maximum exposure to loss (CHF million)							
Maximum exposure to loss		108	14,123	3,575	4,906	3,039	25,751
Non-consolidated VIE assets (CHF million)							
Non-consolidated VIE assets		5,163	103,990	52,268	22,304	15,491	199,216
	end of 2011	Financial intermediation					Total
		CDO	Securi-tizations	Funds	Loans	Other	
Variable interest assets (CHF million)							
Trading assets		126	5,497	1,449	834	2,395	10,301
Net loans		0	123	1,627	4,742	3,257	9,749
Other assets		0	0	32	0	391	423
Total variable interest assets		126	5,620	3,108	5,576	6,043	20,473
Maximum exposure to loss (CHF million)							
Maximum exposure to loss		153	7,056	3,505	6,051	6,413	23,178
Non-consolidated VIE assets (CHF million)							
Non-consolidated VIE assets		7,093	113,845	58,815	23,633	20,748	224,134

33 Financial instruments

The disclosure of the Group's financial instruments below includes the following sections:

- Concentration of credit risk;
- Fair value measurement (including fair value hierarchy, transfers between levels; level 3 reconciliation; qualitative and quantitative disclosures of valuation techniques and nonrecurring fair value changes)
- Fair value option; and
- Disclosures about **fair value** of financial instruments not carried at fair value.

Concentrations of credit risk

Credit risk concentrations arise when a number of counterparties are engaged in similar business activities, are located in the same geographic region or when there are similar economic features that would cause their ability to meet contractual obligations to be similarly impacted by changes in economic conditions.

The Group regularly monitors the credit risk portfolio by counterparties, industry, country and products to ensure that such potential concentrations are identified, using a comprehensive range of quantitative tools and metrics. Credit limits relating to counterparties and products are managed through counterparty limits which set the maximum credit exposures the Group is willing to assume to specific counterparties over specified periods. Country limits are established to avoid any undue country risk concentration.

From an industry point of view, the combined credit exposure of the Group is diversified. A large portion of the credit exposure is with individual clients, particularly through residential mortgages in Switzerland, or relates to transactions with financial institutions. In both cases, the customer base is extensive and the number and variety of transactions are broad. For transactions with financial institutions, the business is also geographically diverse, with operations focused in the Americas, Europe and, to a lesser extent, Asia Pacific.

Fair value measurement

A significant portion of the 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 Group's financial instruments is based on quoted prices in active markets or observable inputs. These instruments include government and agency securities, certain **CP**, 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 Group holds financial instruments for which no prices are available and which have little or no observable inputs. For these instruments, the determination of fair value requires subjective assessment and judgment, depending on liquidity, pricing assumptions, the current economic and competitive environment and the risks affecting the specific instrument. In such circumstances, valuation is determined based on management's own judgments about the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. These instruments include certain OTC derivatives, including equity and credit derivatives, certain corporate equity-linked securities, mortgage-related and **CDO** securities, private equity investments, certain loans and credit products, including leveraged finance, certain syndicated loans and certain high yield bonds, and life finance instruments.

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 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 Group's and the counterparty's credit standing is considered when measuring their fair value, based on current **CDS** prices. The adjustments also take into account contractual factors designed to reduce the Group's credit exposure to a counterparty, such as collateral held and

master netting agreements. For hybrid debt instruments with embedded derivative features, the impact of changes in the Group's credit standing is considered when measuring their fair value, based on current funded debt spreads.

Based on the Group's regular review of observable parameters used in its pricing models, in 2012 the Group extended the adoption of overnight indexed swap discounting, instead of other reference rates such as LIBOR, to those businesses in fixed income where the adoption had not occurred and to certain equity derivatives, which resulted in a loss of CHF 57 million.

ASU 2011-04 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 change to the fair value measurement guidance is consistent with industry practice. As such, the Group continues to apply 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 realized under normal market conditions for the net long or net short position for a specific market risk. In addition, the Group reflects the net exposure to credit risk for its derivative instruments where the 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 levels of the fair value hierarchy are defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the 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 liabilities in markets that are not active, that is, markets in which there are few transactions for the asset or 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 that are unobservable for the asset or liability. These inputs reflect the 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 include the Group's own data. The Group's own data used to develop unobservable inputs is adjusted if information indicates that market participants would use different assumptions.

The Group records net open positions at bid prices if long, or at ask prices if short, unless the Group is a market maker in such positions, in which case mid-pricing is utilized. Fair value measurements are not adjusted for transaction costs.

Assets and liabilities measured at fair value on a recurring basis

end of 2012	Level 1	Level 2	Level 3	Netting impact ¹	Total
Assets (CHF million)					
Cash and due from banks	0	569	0	0	569
Interest-bearing deposits with banks	0	627	0	0	627
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	0	113,664	0	0	113,664
Debt	92	350	0	0	442
of which corporates	0	320	0	0	320
Equity	29,585	18	0	0	29,603
Securities received as collateral	29,677	368	0	0	30,045
Debt	55,592	74,391	5,888	0	135,871
of which foreign governments	53,918	11,032	79	0	65,029
of which corporates	1	25,932	3,192	0	29,125
of which RMBS	0	30,392	724	0	31,116
of which CMBS	0	4,335	1,023	0	5,358
of which CDO	0	2,620	447	0	3,067
Equity	66,664	7,746	485	0	74,895
Derivatives	3,428	823,016	6,650	(799,886)	33,208
of which interest rate products	703	698,297	1,859	–	–
of which foreign exchange products	1	62,717	754	–	–
of which equity/index-related products	2,538	25,820	1,920	–	–
of which credit derivatives	0	29,274	1,294	–	–
Other	7,203	2,736	2,486	0	12,425
Trading assets	132,887	907,889	15,509	(799,886)	256,399
Debt	2,066	1,168	169	0	3,403
of which foreign governments	1,583	1	21	0	1,605
of which corporates	0	720	125	0	845
of which CDO	0	447	23	0	470
Equity	4	90	1	0	95
Investment securities	2,070	1,258	170	0	3,498
Private equity	0	0	3,958	0	3,958
of which equity funds	0	0	2,633	0	2,633
Hedge funds	0	470	165	0	635
of which debt funds	0	349	84	0	433
Other equity investments	271	69	2,243	0	2,583
of which private	0	61	2,245	0	2,306
Life finance instruments	0	0	1,818	0	1,818
Other investments	271	539	8,184	0	8,994
Loans	0	13,381	6,619	0	20,000
of which commercial and industrial loans	0	6,191	4,778	0	10,969
of which financial institutions	0	5,934	1,530	0	7,464
Other intangible assets (mortgage servicing rights)	0	0	43	0	43
Other assets	5,439	26,912	5,164	(240)	37,275
of which loans held-for-sale	0	14,899	4,463	0	19,362
Total assets at fair value	170,344	1,065,207	35,689	(800,126)	471,114
Less other investments – equity at fair value attributable to noncontrolling interests	(240)	(99)	(3,292)	0	(3,631)
Less assets consolidated under ASU 2009-17 ²	0	(8,769)	(2,745)	0	(11,514)
Assets at fair value excluding noncontrolling interests and assets not consolidated under the Basel framework	170,104	1,056,339	29,652	(800,126)	455,969

¹ Derivative contracts are reported on a gross basis by level. The impact of netting represents legally enforceable netting agreements. ² Assets of consolidated VIEs that are not risk-weighted assets under the Basel framework.

Assets and liabilities measured at fair value on a recurring basis (continued)

end of 2012	Level 1	Level 2	Level 3	Netting impact ¹	Total
Liabilities (CHF million)					
Due to banks	0	3,413	0	0	3,413
Customer deposits	0	4,618	25	0	4,643
Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions	0	108,784	0	0	108,784
Debt	92	350	0	0	442
of which corporates	0	320	0	0	320
Equity	29,585	18	0	0	29,603
Obligation to return securities received as collateral	29,677	368	0	0	30,045
Debt	25,782	7,014	196	0	32,992
of which foreign governments	25,623	1,476	0	0	27,099
of which corporates	0	5,030	196	0	5,226
Equity	17,912	389	6	0	18,307
Derivatives	3,173	834,228	5,154	(803,038)	39,517
of which interest rate products	628	693,430	1,357	–	–
of which foreign exchange products	1	76,963	1,648	–	–
of which equity/index-related products	2,305	27,684	1,003	–	–
of which credit derivatives	0	28,952	819	–	–
Trading liabilities	46,867	841,631	5,356	(803,038)	90,816
Short-term borrowings	0	4,389	124	0	4,513
Long-term debt	218	55,068	10,098	0	65,384
of which treasury debt over two years	0	10,565	0	0	10,565
of which structured notes over two years	0	22,543	6,189	0	28,732
of which non-recourse liabilities	218	11,006	2,551	0	13,775
Other liabilities	0	24,399	2,848	(376)	26,871
of which failed sales	0	2,523	1,160	0	3,683
Total liabilities at fair value	76,762	1,042,670	18,451	(803,414)	334,469

¹ Derivative contracts are reported on a gross basis by level. The impact of netting represents legally enforceable netting agreements.

Assets and liabilities measured at fair value on a recurring basis (continued)

end of 2011	Level 1	Level 2	Level 3	Netting impact ¹	Total
Assets (CHF million)					
Interest-bearing deposits with banks	0	405	0	0	405
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	0	157,469	1,204	0	158,673
Debt	94	3,895	112	0	4,101
of which corporates	0	3,835	112	0	3,947
Equity	25,958	51	81	0	26,090
Securities received as collateral	26,052	3,946	193	0	30,191
Debt	82,241	52,766	10,028	0	145,035
of which foreign governments	61,507	8,123	358	0	69,988
of which corporates	340	27,622	5,076	0	33,038
of which RMBS	19,331	5,848	1,786	0	26,965
of which CMBS	0	4,556	1,517	0	6,073
of which CDO	0	6,570	727	0	7,297
Equity	57,398	9,039	467	0	66,904
Derivatives	6,455	909,156	9,587	(872,650)	52,548
of which interest rate products	2,017	724,203	2,547	–	–
of which foreign exchange products	1	75,091	1,040	–	–
of which equity/index-related products	3,929	32,734	2,732	–	–
of which credit derivatives	0	61,120	2,171	–	–
Other	9,235	3,635	2,196	0	15,066
Trading assets	155,329	974,596	22,278	(872,650)	279,553
Debt	3,649	1,315	102	0	5,066
of which foreign governments	3,302	0	18	0	3,320
of which corporates	0	748	43	0	791
of which CDO	0	566	41	0	607
Equity	9	83	0	0	92
Investment securities	3,658	1,398	102	0	5,158
Private equity	0	0	4,306	0	4,306
of which equity funds	0	0	3,136	0	3,136
Hedge funds	0	232	266	0	498
of which debt funds	0	154	172	0	326
Other equity investments	424	50	2,504	0	2,978
of which private	0	40	2,504	0	2,544
Life finance instruments	0	0	1,969	0	1,969
Other investments	424	282	9,045	0	9,751
Loans	0	13,852	6,842	0	20,694
of which commercial and industrial loans	0	7,591	4,559	0	12,150
of which financial institutions	0	5,480	2,179	0	7,659
Other intangible assets (mortgage servicing rights)	0	0	70	0	70
Other assets	5,451	23,050	7,469	(205)	35,765
of which loans held-for-sale	0	12,104	6,901	0	19,005
Total assets at fair value	190,914	1,174,998	47,203	(872,855)	540,260
Less other investments – equity at fair value attributable to noncontrolling interests	(295)	(99)	(3,944)	0	(4,338)
Less assets consolidated under ASU 2009-17 ²	0	(9,304)	(4,003)	0	(13,307)
Assets at fair value excluding noncontrolling interests and assets not consolidated under the Basel framework	190,619	1,165,595	39,256	(872,855)	522,615

¹ Derivative contracts are reported on a gross basis by level. The impact of netting represents legally enforceable netting agreements. ² Assets of consolidated VIEs that are not risk-weighted assets under the Basel framework.

Assets and liabilities measured at fair value on a recurring basis (continued)

end of 2011	Level 1	Level 2	Level 3	Netting impact ¹	Total
Liabilities (CHF million)					
Due to banks	0	2,721	0	0	2,721
Customer deposits	0	4,599	0	0	4,599
Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions	0	136,483	0	0	136,483
Debt	94	3,895	112	0	4,101
of which corporates	0	3,835	112	0	3,947
Equity	25,958	51	81	0	26,090
Obligation to return securities received as collateral	26,052	3,946	193	0	30,191
Debt	38,681	9,301	21	0	48,003
of which foreign governments	38,622	829	0	0	39,451
of which corporates	6	7,591	13	0	7,610
Equity	19,124	461	7	0	19,592
Derivatives	6,283	920,251	7,315	(873,684)	60,165
of which interest rate products	1,941	717,248	1,588	–	–
of which foreign exchange products	1	91,846	2,836	–	–
of which equity/index-related products	3,809	37,018	1,022	–	–
of which credit derivatives	0	58,497	1,520	–	–
Trading liabilities	64,088	930,013	7,343	(873,684)	127,760
Short-term borrowings	0	3,311	236	0	3,547
Long-term debt	122	57,529	12,715	0	70,366
of which treasury debt over two years	0	14,228	0	0	14,228
of which structured notes over two years	0	19,692	7,576	0	27,268
of which non-recourse liabilities	122	10,564	3,585	0	14,271
Other liabilities	0	27,536	3,891	(335)	31,092
of which failed sales	0	3,821	1,909	0	5,730
Total liabilities at fair value	90,262	1,166,138	24,378	(874,019)	406,759

¹ Derivative contracts are reported on a gross basis by level. The impact of netting represents legally enforceable netting agreements.

Transfers between level 1 and level 2

Effective January 2012, the FASB amended the disclosure requirements for the Group's reporting of transfers between level 1 and level 2. As this requirement is not retrospective, comparable data is not presented for prior periods. Previously, only significant transfers were required to be disclosed and such transfers between level 1 and level 2 were not significant in 2011.

All transfers between level 1 and level 2 are reported through the last day of the reporting period.

In 2012, transfers to level 1 out of level 2 were from trading assets and trading liabilities. The transfers were primarily in exchange traded derivative instruments as they moved closer to maturity and pricing inputs became more observable. Transfers out of level 1 to level 2 were primarily from trading assets. The transfers were primarily in RMBS in 4Q12 as pricing inputs became less observable.

Transfers between level 1 and level 2

	Transfers to level 1 out of level 1 out of level 2	Transfers to level 2
2012		
Assets (CHF million)		
Debt	318	23,632
Equity	209	650
Derivatives	5,510	20
Trading assets	6,037	24,302
Liabilities (CHF million)		
Debt	87	34
Equity	100	226
Derivatives	6,441	72
Trading liabilities	6,628	332

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

2012	Balance at beginning of period	Transfers in	Transfers out	Purchases
Assets (CHF million)				
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	1,204	0	0	0
Securities received as collateral	193	0	(188)	0
Debt	10,028	2,312	(5,035)	7,479
of which corporates	5,076	1,113	(3,609)	5,210
of which RMBS	1,786	831	(958)	937
of which CMBS	1,517	188	(262)	664
of which CDO	727	158	(121)	483
Equity	467	419	(100)	377
Derivatives	9,587	1,465	(2,175)	0
of which interest rate products	2,547	168	(686)	0
of which equity/index-related products	2,732	681	(844)	0
of which credit derivatives	2,171	592	(544)	0
Other	2,196	179	(366)	2,842
Trading assets	22,278	4,375	(7,676)	10,698
Investment securities	102	0	0	94
Equity	7,076	4	(61)	880
Life finance instruments	1,969	0	0	102
Other investments	9,045	4	(61)	982
Loans	6,842	605	(642)	509
of which commercial and industrial loans	4,559	537	(391)	275
of which financial institutions	2,179	64	(248)	218
Other intangible assets	70	0	0	11
Other assets	7,469	2,509	(2,949)	3,007
of which loans held-for-sale ²	6,901	2,471	(2,948)	2,801
Total assets at fair value	47,203	7,493	(11,516)	15,301
Liabilities (CHF million)				
Customer deposits	0	0	0	0
Obligation to return securities received as collateral	193	0	(188)	0
Trading liabilities	7,343	1,294	(1,783)	94
of which interest rate derivatives	1,588	230	(754)	0
of which foreign exchange derivatives	2,836	3	(178)	0
of which equity/index-related derivatives	1,022	132	(262)	0
of which credit derivatives	1,520	700	(571)	0
Short-term borrowings	236	23	(96)	0
Long-term debt	12,715	2,616	(4,044)	0
of which structured notes over two years	7,576	789	(1,668)	0
of which non-recourse liabilities	3,585	1,701	(2,225)	0
Other liabilities	3,891	246	(315)	321
of which failed sales	1,909	136	(47)	302
Total liabilities at fair value	24,378	4,179	(6,426)	415
Net assets/liabilities at fair value	22,825	3,314	(5,090)	14,886

¹ For all transfers to level 3 or out of level 3, the Group determines and discloses as level 3 events only gains or losses through the last day of the reporting period. ² Includes unrealized gains recorded in trading revenues of CHF 307 million primarily related to sub-prime exposures in the RMBS and CMBS businesses and market movements across the wider loans held-for-sale portfolio.

Sales	Issuances	Settlements	Trading revenues		Other revenues		Foreign currency translation impact	Balance at end of period
			On transfers in / out ¹	On all other	On transfers in / out ¹	On all other		
0	0	(1,174)	0	(28)	0	0	(2)	0
0	0	0	0	0	0	0	(5)	0
(8,826)	0	0	72	129	(4)	0	(267)	5,888
(4,745)	0	0	49	278	(4)	0	(176)	3,192
(1,924)	0	0	18	60	0	0	(26)	724
(809)	0	0	(4)	(228)	0	0	(43)	1,023
(851)	0	0	(4)	67	0	0	(12)	447
(611)	0	0	0	(63)	0	0	(4)	485
0	1,007	(3,262)	60	163	0	0	(195)	6,650
0	303	(976)	47	515	0	0	(59)	1,859
0	346	(844)	(31)	(56)	0	0	(64)	1,920
0	161	(914)	43	(179)	0	0	(36)	1,294
(2,290)	0	0	2	(3)	0	0	(74)	2,486
(11,727)	1,007	(3,262)	134	226	(4)	0	(540)	15,509
(17)	0	0	0	0	0	0	(9)	170
(1,918)	0	0	0	2	0	567	(184)	6,366
(274)	0	0	0	72	0	0	(51)	1,818
(2,192)	0	0	0	74	0	567	(235)	8,184
(1,286)	4,490	(3,473)	15	(250)	0	0	(191)	6,619
(469)	3,084	(2,773)	15	76	0	0	(135)	4,778
(745)	1,078	(672)	(1)	(293)	0	0	(50)	1,530
(16)	0	0	0	0	0	(20)	(2)	43
(3,356)	298	(2,319)	128	580	0	0	(203)	5,164
(3,182)	298	(2,319)	127	486	0	0	(172)	4,463
(18,594)	5,795	(10,228)	277	602	(4)	547	(1,187)	35,689
0	25	0	0	0	0	0	0	25
0	0	0	0	0	0	0	(5)	0
(346)	853	(2,599)	151	505	0	0	(156)	5,356
0	115	(194)	75	340	0	0	(43)	1,357
0	1	(1,037)	24	48	0	0	(49)	1,648
0	537	(315)	(16)	(61)	0	0	(34)	1,003
0	88	(939)	79	(36)	0	0	(22)	819
0	288	(332)	(3)	14	0	0	(6)	124
0	4,015	(6,043)	182	989	(4)	0	(328)	10,098
0	1,925	(2,867)	32	604	(4)	0	(198)	6,189
0	1,473	(2,312)	144	275	0	0	(90)	2,551
(1,322)	2	(219)	(15)	74	0	279	(94)	2,848
(1,260)	0	0	0	153	0	0	(33)	1,160
(1,668)	5,183	(9,193)	315	1,582	(4)	279	(589)	18,451
(16,926)	612	(1,035)	(38)	(980)	0	268	(598)	17,238

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

2011	Balance at beginning of period	Transfers in	Transfers out	Purchases
Assets (CHF million)				
Interest-bearing deposits with banks	0	0	(24)	27
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	1,197	0	(11)	0
Securities received as collateral	0	201	0	0
Debt	11,013	3,405	(3,043)	10,382
of which corporates	3,803	931	(706)	5,484
of which RMBS	3,264	1,704	(1,277)	2,820
of which CMBS	1,861	324	(237)	831
of which CDO	1,135	370	(625)	712
Equity	622	309	(515)	726
Derivatives	8,719	2,998	(2,311)	0
of which interest rate products	2,072	815	(142)	0
of which equity/index-related products	2,300	665	(796)	0
of which credit derivatives	2,725	1,216	(1,267)	0
Other	2,018	194	(433)	2,806
Trading assets	22,372	6,906	(6,302)	13,914
Investment securities	79	2	0	48
Equity	9,591	26	(74)	1,013
Life finance instruments	1,844	0	0	79
Other investments	11,435	26	(74)	1,092
Loans	6,258	1,560	(1,367)	1,335
of which commercial and industrial loans	3,558	1,411	(854)	447
of which financial institutions	2,195	149	(240)	836
Other intangible assets	66	0	0	23
Other assets	9,253	6,198	(6,988)	4,730
of which loans held-for-sale	8,932	5,988	(6,974)	4,426
Total assets at fair value	50,660	14,893	(14,766)	21,169
Liabilities (CHF million)				
Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions	507	0	(293)	0
Obligation to return securities received as collateral	0	201	0	0
Trading liabilities	9,200	1,276	(2,062)	214
of which interest rate derivatives	1,341	91	(45)	0
of which foreign exchange derivatives	2,941	48	(135)	0
of which equity/index-related derivatives	2,940	113	(716)	0
of which credit derivatives	1,256	949	(1,072)	0
Short-term borrowings	123	64	(23)	0
Long-term debt	16,797	7,346	(8,522)	0
of which structured notes over two years	9,488	1,911	(2,109)	0
of which non-recourse liabilities	6,825	5,187	(6,213)	0
Other liabilities	3,734	663	(383)	290
of which failed sales	1,849	607	(345)	237
Total liabilities at fair value	30,361	9,550	(11,283)	504
Net assets/liabilities at fair value	20,299	5,343	(3,483)	20,665

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

Sales	Issuances	Settlements	Trading revenues		Other revenues		Foreign currency translation impact	Balance at end of period
			On transfers in / out ¹	On all other	On transfers in / out ¹	On all other		
0	0	0	(1)	(2)	0	0	0	0
0	55	(45)	0	4	0	0	4	1,204
0	0	(7)	0	0	0	0	(1)	193
(11,218)	0	0	1	(467)	0	0	(45)	10,028
(4,574)	0	0	34	49	0	0	55	5,076
(4,230)	0	0	(37)	(361)	0	0	(97)	1,786
(1,072)	0	0	(2)	(181)	0	0	(7)	1,517
(907)	0	0	16	33	0	0	(7)	727
(668)	0	0	35	(47)	0	0	5	467
0	777	(3,085)	22	2,436	0	0	31	9,587
0	133	(599)	13	266	0	0	(11)	2,547
0	272	(184)	(21)	455	0	0	41	2,732
0	85	(2,051)	31	1,453	0	0	(21)	2,171
(2,300)	0	(43)	(7)	(67)	0	0	28	2,196
(14,186)	777	(3,128)	51	1,855	0	0	19	22,278
(18)	0	(4)	0	0	0	0	(5)	102
(4,720)	0	0	0	30	0	1,271	(61)	7,076
(83)	0	0	0	116	0	0	13	1,969
(4,803)	0	0	0	146	0	1,271	(48)	9,045
(978)	2,483	(2,338)	18	(122)	0	0	(7)	6,842
(521)	1,984	(1,494)	2	(2)	0	0	28	4,559
(353)	371	(608)	(1)	(143)	0	0	(27)	2,179
0	0	0	0	0	0	(19)	0	70
(5,534)	1,570	(1,442)	(105)	(161)	0	1	(53)	7,469
(5,180)	1,569	(1,443)	(105)	(255)	0	0	(57)	6,901
(25,519)	4,885	(6,964)	(37)	1,720	0	1,253	(91)	47,203
0	0	(199)	(4)	0	0	0	(11)	0
0	0	(7)	0	0	0	0	(1)	193
(290)	502	(1,928)	203	259	0	0	(31)	7,343
0	2	(193)	(4)	383	0	0	13	1,588
0	17	(704)	7	655	0	0	7	2,836
0	153	(348)	181	(1,236)	0	0	(65)	1,022
0	136	(414)	19	622	0	0	24	1,520
0	320	(229)	1	(24)	0	0	4	236
0	6,253	(8,383)	(166)	(490)	0	0	(120)	12,715
0	2,921	(3,566)	(55)	(932)	0	0	(82)	7,576
0	2,609	(4,393)	(117)	(215)	0	0	(98)	3,585
(437)	17	(245)	(45)	181	0	128	(12)	3,891
(403)	0	0	(11)	(20)	0	0	(5)	1,909
(727)	7,092	(10,991)	(11)	(74)	0	128	(171)	24,378
(24,792)	(2,207)	4,027	(26)	1,794	0	1,125	80	22,825

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

		2012			2011		
in		Trading revenues	Other revenues	Total revenues	Trading revenues	Other revenues	Total revenues
Gains and losses on assets and liabilities (CHF million)							
Net realized/unrealized gains/(losses) included in net revenues		(1,018)	268	(750) ¹	1,768	1,125	2,893 ¹
Whereof:							
Unrealized gains/(losses) relating to assets and liabilities still held as of the reporting date		(1,209)	(82)	(1,291)	546	(32)	514

¹ Excludes net realized/unrealized gains/(losses) attributable to foreign currency translation impact.

Both observable and unobservable inputs may be used to determine the fair value of positions that have been classified within level 3. As a result, the unrealized gains and losses for assets and liabilities within level 3 presented in the table above may include changes in fair value that were attributable to both observable and unobservable inputs.

The Group employs various economic hedging techniques in order to manage risks, including risks in level 3 positions. Such techniques may include the purchase or sale of financial instruments that are classified in levels 1 and/or 2. The realized and unrealized gains and losses for assets and liabilities in level 3 presented in the table above do not reflect the related realized or unrealized gains and losses arising on economic hedging instruments classified in levels 1 and/or 2.

Transfers in and out of level 3

Transfers into level 3 assets during 2012 were CHF 7,493 million, primarily from trading assets and loans held-for-sale. The transfers were primarily in the equity derivatives, private equity, corporate credit, corporate bank and securitized products (consolidated SPE positions) businesses due to limited observability of pricing data and reduced pricing information from external providers. Transfers out of level 3 assets during 2012 were CHF 11,516 million, primarily in trading assets and loans held-for-sale. The transfers out of level 3 assets were primarily in the equity derivatives, private equity, securitized products (consolidated SPE positions), corporate credit, rates and CMBS businesses due to improved observability of pricing data and increased availability of pricing information from external providers.

Transfers into level 3 assets during 2011 were CHF 14,893 million, primarily from trading assets and loans held-for-sale. The transfers were related to trading and SPE consolidated positions within the RMBS (including non-agency) and alternative investments businesses, primarily due to limited observability of pricing data and reduced pricing informa-

tion from external providers. Transfers out of level 3 assets during 2011 were CHF 14,766 million, primarily in loans held-for-sale and trading assets. The transfers out of level 3 assets in loans held-for-sale were mainly related to trading and SPE consolidated positions within the RMBS and alternative investments businesses due to improved observability of pricing data. The transfers out of level 3 assets in trading assets were related to RMBS due to greater pricing information from external providers.

Qualitative disclosures of valuation techniques

Overview

The 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 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 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 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 Group. Oversight of the valuation control framework is through specific and regular reporting on valuation directly to the Group'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 utilizes independent pricing service data as part of their review process. Independent pricing service data is analyzed 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 utilization 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 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. This sensitivity analysis is an internal mechanism to monitor the impact of reasonable alternative inputs or prices for level 3 financial instruments. Where a model-based technique is used to determine the fair value of the level 3 financial instrument, an alternative input value is utilized to derive an estimated fair value range. Where a price-based technique is used to determine the fair value of the level 3 financial instruments, 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 tables "Quantitative information about level 3 assets at fair value" and "Quantitative information about level 3 liabilities at fair value".

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 categorized 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 utilizing observable inputs, such as current interest rate curves and observable CDS spreads. Significant unobservable inputs may include price, buyback probability, correlation and credit spreads. 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).

CMBS, RMBS and CDO securities

Fair values of RMBS, CMBS and CDO may be available through quoted prices, which are often based on the prices at which similarly structured and collateralized securities trade between dealers and to and from customers. Fair values of RMBS, CMBS and CDO for which there are significant unobservable inputs are valued using capitalization rate and estimated market internal rate of return. Price may not be observable for fair value measurement purposes for many reasons, such as the length of time since the last executed transaction for the related security, use of a price from a similar instrument, or use of a price from an indicative quote. Fair values determined by market comparable price may include discounted cash flow models using the inputs prepayment rates, default rates, loss severity and discount rates. Prices from similar observable instruments are used to calculate implied inputs which are then used to value unobservable instruments using discounted cash flow. The discounted cash flow price is then compared to the unobservable prices and assessed for reasonableness.

For most structured debt securities, determination of fair value requires subjective assessment depending on liquidity, ownership concentration, and the current economic and competitive environment. Valuation is determined based on the Front Office's own assumptions about how market participants would price the asset. Collateralized bond and loan obligations are split into various structured tranches and each tranche is valued based upon its individual rating and the underlying collateral supporting the structure. Valuation models are used to value both cash and synthetic CDOs.

Equity securities

The majority of the Group's positions in equity securities are traded on public stock exchanges for which quoted prices are readily and regularly available and are therefore categorized as level 1 instrument. 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 amortization (EBITDA) multiples and capitalization 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 categorized as level 2 instruments, while those where the majority of the value is derived from unobservable inputs are categorized 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, prepayment rate, credit spreads, basis spreads 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 and correlation.

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, the interrelationship between the volatility, correlation and credit spreads inputs are positively correlated.

Credit derivatives

Credit derivatives include index and single name CDS 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 spreads and recovery rates.

Complex structured credit derivatives are valued using proprietary models requiring unobservable inputs such as recovery rate, credit spreads, 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 prepayment rates, default rates, loss severity and discount rates.

Other trading assets

Other trading assets primarily include RMBS loans and life settlement and premium finance instruments. Life settlement and premium finance instruments are valued using proprietary models with several inputs. The significant unobservable inputs of the fair value for life settlement and premium finance instruments is the estimate of life expectancy, while for RMBS loans it is market comparable price.

For life settlement and premium finance instruments, individual life expectancy rates are typically obtained by multiplying a base mortality curve for the general insured population provided by a professional actuarial organization together with an individual-specific multiplier. Individual specific multipliers are determined based on data from third-party life expectancy data providers, which examine the insured individual's medical conditions, family history and other factors to arrive at a life expectancy estimate.

For RMBS loans, the use of market comparable price varies depending upon each specific loan. For some loans, similar to unobservable RMBS securities, prices from similar observable instruments are used to calculate implied inputs which are then used to value unobservable instruments using discounted cash flow. The discounted cash flow price is then compared to the unobservable prices and assessed for reasonableness. For other RMBS loans, the loans are categorized by specific characteristics, such as loan-to-value ratio, average account balance, loan type (single or multi-family), lien, seasoning, coupon, FICO score, locality, delinquency status, cash flow velocity, roll rates, loan purpose, occupancy, servicers advance agreement type, modification status, Federal Housing Administration insurance, property value and documentation quality. Loans with unobservable prices are put into consistent buckets which are then compared to market observable comparable prices in order to assess the reasonableness of those unobservable prices.

Other investments

Private equity, hedge funds and other equity investments

Other equity investments principally includes equity investments in the form of a) direct investments in third-party hedge funds, private equity funds and funds of funds, b) equity-method investments where the Group has the ability to significantly influence the operating and financial policies of the investee, and c) direct investments in non-marketable equity securities.

Direct investments in third-party hedge funds, private equity funds and funds of funds are measured at fair value based on their published NAVs. Most of these investments are classified as level 3 of the fair value hierarchy, as there are restrictions imposed upon the redemption of the funds at their NAVs in the near term. In some cases, NAVs may be adjusted where there is sufficient evidence that the NAV published by the investment manager is not current with observed market movements, it is probable that these investments will be sold for an amount other than NAV or there exist other circumstances that would require an adjustment to the published NAV. Although rarely adjusted, significant judgment is involved in making any adjustments to the published NAVs. As of December 31, 2012, the fair value of investments valued at an amount other than NAV where it is probable they will be sold was CHF 576 million. The remaining actions to complete the sales include steps that are usual and customary for sales of such investments in the secondary market. Substantial increases (decreases) in the NAV for private equity and hedge funds would result in a higher (lower) fair value.

Direct investments in non-marketable equity securities consist of both real estate investments and non-real estate investments. Equity-method investments and direct investments in non-marketable equity securities are initially measured at their transaction price, as this is the best estimate of fair value. Thereafter, these investments are individually measured at fair value based upon a number of factors that include any recent rounds of financing involving third-party investors, comparable company transactions, multiple analyses of cash flows or book values, or discounted cash flow analyses. Unobservable inputs may include credit spreads, contingent probability and EBITDA multiples. The availability of information used in these modeling techniques is often limited and involves significant judgment in evaluating these different factors over time. As a result, these investments are included in level 3 of the fair value hierarchy.

Life finance instruments

Life finance instruments include SPIA and other premium finance instruments. Life finance instruments are valued in a similar manner as described for life settlement and premium finance instruments under the other trading assets section above.

Loans

The Group's loan portfolio which is measured at fair value primarily consists of commercial and industrial loans and loans to financial institutions. Within these categories, loans measured at fair value 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 spreads and price. During 2012, the Group refined its approach for determining the ◉LGD parameter used in the valuation model for its corporate

loan book. This approach, which is more granular and recognizes the seniority of certain unsecured loans, aligns the LGD used for regulatory capital calculations and valuation purposes. This refinement benefitted the Group's results in corporate banking by CHF 72 million.

The Group's other assets and liabilities include mortgage loans held in conjunction with securitization activities and assets and liabilities of VIEs and mortgage securitizations that do not meet the criteria for sale treatment under US GAAP. The fair value of mortgage loans held in conjunction with securitization activities is determined on a whole-loan basis and is consistent with the valuation of RMBS loans discussed in "Other trading assets" above. Whole-loan valuations are calculated based on the exit price reflecting the current market conditions. The fair value of assets and liabilities of VIEs and mortgage securitizations that do not meet the criteria for sale treatment under US GAAP are determined based on the quoted prices for securitized bonds, where available, or on cash flow analyses for securitized bonds, when quoted prices are not available.

Accrual based Private Banking & Wealth Management loans, for which an estimated fair value is disclosed in the table "Carrying value and fair value of financial instruments not carried at fair value" below, include consumer loans relating to mortgages, loans collateralized by securities or consumer finance, as well as corporate and institutional loans relating to real estate, commercial and industrial loans, and loans to financial institutions, governments and public institutions. Fair values for these loans are determined by using a discounted cash flow model. Future cash flows are discounted using risk-adjusted discount rates which are derived from observable market interest rates for the applicable maturity and currency and from counterparty-related credit spreads.

Deposits

Accrual based deposits with a stated maturity, for which an estimated fair value is disclosed in the table "Carrying value and fair value of financial instruments not carried at fair value" below, are generally fair valued by using a discounted cash flow model incorporating the Group's credit spreads. The estimated fair value of accrual accounted deposits without a stated maturity approximates the carrying amount; however, the value does not include an estimate of the value attributed to the long-term relationships with its customers that in the aggregate adds significant value to the Group's stable deposit base.

Short-term borrowings and long-term debt

The Group's short-term borrowings and long-term debt include structured notes (hybrid financial instruments that are both bifurcatable and non-bifurcatable) 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 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 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 and price.

Generally, the interrelationships between volatility, skew, correlation, gap risk and credit spreads inputs are positively correlated.

Other liabilities

Failed sales

These liabilities represent the financing of assets that did not achieve sale accounting treatment under US GAAP. Failed sales are valued in a manner consistent with the related underlying financial instruments.

Short-term financial instruments

Certain short-term financial instruments are not carried at fair value on the balance sheet, but a fair value has been disclosed in the table "Carrying value and fair value of financial instruments not carried at fair value" below. These instruments include: cash and due from banks, cash collateral receivables and payables and other receivables and payables arising in the ordinary course of business. For these financial instruments, the carrying value approximates the fair value due to the relatively short period of time between their origination and expected realization, as well as the minimal credit risk inherent in these 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, EBITDA multiple, life expectancy (for life finance instruments), correlation, recovery rate, price, skew, volatility and contingent probability, 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 prepayment rate, capitalization rate, internal rate of return, gap risk, default rate, discount rate, loss severity, credit spread and life expectancy (for life settlement and premium finance instruments), 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. An increase in the significant unobservable input mean reversion would decrease the 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 range of minimum and maximum values of each significant unobservable input for level 3 assets and liabilities by the related valuation technique most significant to the related financial instrument.

Quantitative information about level 3 assets at fair value

2012	Fair value	Valuation technique	Unobservable input	Minimum value	Maximum value
CHF million, except where indicated					
Debt	5,888				
of which corporates	3,192				
of which	754	Option model	Correlation, in %	(87)	97
of which	797	Market comparable	Buyback probability, in % ¹	50	100
of which	1,231	Discounted cash flow	Price, in %	0	146
of which RMBS	724	Discounted cash flow	Credit spread, in bp	0	2,439
of which CMBS	1,023	Discounted cash flow	Discount rate, in %	2	50
of which CDO	447		Prepayment rate, in %	0	55
of which	193	Vendor price	Default rate, in %	0	25
of which	123	Discounted cash flow	Loss severity, in %	0	100
of which	78	Market comparable	Capitalization rate, in %	5	12
Equity	485		Internal rate of return, in %	9	15
of which	237	Market comparable	Discount rate, in %	2	35
of which	26	Discounted cash flow	Prepayment rate, in %	0	10
Derivatives	6,650		Default rate, in %	0	40
of which interest rate products	1,859	Option model	Loss severity, in %	0	90
of which equity/index-related products	1,920	Option model	Price, in %	80	93
of which credit derivatives	1,294	Discounted cash flow	Correlation, in %	17	100
of which	2,486		Prepayment rate, in %	2	45
of which	1,891	Market comparable	Volatility, in %	(5)	31
of which	564	Discounted cash flow	Credit spread, in bp	34	157
Other			Correlation, in %	(87)	97
of which			Volatility, in %	2	157
of which			Credit spread, in bp	1	5,843
Trading assets	15,509		Recovery rate, in %	0	75
			Discount rate, in %	2	35
			Default rate, in %	0	25
			Loss severity, in %	0	100
			Correlation, in %	30	97
			Prepayment rate, in %	0	40
			Price, in %	0	103
			Life expectancy, in years	4	20

¹ Estimate of the probability of corporate bonds being called by the issuer at its option over the remaining life of the financial instrument.

Quantitative information about level 3 assets at fair value (continued)

2012	Fair value	Valuation technique	Unobservable input	Minimum value	Maximum value
CHF million, except where indicated					
Investment securities	170	–	–	–	–
Private equity	3,958	– ¹	– ¹	– ¹	– ¹
Hedge funds	165	– ¹	– ¹	– ¹	– ¹
Other equity investments	2,243				
of which private	2,245				
of which	759	Discounted cash flow	Credit spread, in bp	1,070	2,049
of which	903	Market comparable	Contingent probability, in %	50	50
Life finance instruments	1,818	Discounted cash flow	EBITDA multiple	2	13
Other investments	8,184		Life expectancy, in years	1	23
Loans	6,619				
of which commercial and industrial loans	4,778	Discounted cash flow	Credit spread, in bp	0	2,763
of which financial institutions	1,530	Discounted cash flow	Credit spread, in bp	0	888
Other intangible assets (mortgage servicing rights)	43	–	–	–	–
Other assets	5,164				
of which loans held-for-sale	4,463				
of which	2,031	Vendor price	Price, in %	0	103
of which	328	Discounted cash flow	Credit spread, in bp	20	1,458
of which	2,009	Market comparable	Price, in %	0	115
Total level 3 assets at fair value	35,689				

¹ Disclosure not required as balances are carried at unadjusted NAV. Refer to "Fair value measurements of investments in certain entities that calculate NAV per share" for further information.

Quantitative information about level 3 liabilities at fair value

2012	Fair value	Valuation technique	Unobservable input	Minimum value	Maximum value
CHF million, except where indicated					
Customer deposits	25	-	-	-	-
Trading liabilities	5,356				
of which interest rate derivatives	1,357	Option model	Basis spread, in bp	(28)	54
Correlation, in %			Correlation, in %	17	100
Mean reversion, in % ¹			Mean reversion, in % ¹	(33)	5
Prepayment rate, in %			Prepayment rate, in %	4	45
of which foreign exchange derivatives	1,648	Option model	Correlation, in %	(10)	70
Correlation, in %			Prepayment rate, in %	4	22
Mean reversion, in % ¹			Correlation, in %	(87)	97
Skew, in %			Skew, in %	56	128
Volatility, in %			Volatility, in %	2	157
Buyback probability, in % ²			Buyback probability, in % ²	50	100
Gap risk, in % ³			Gap risk, in % ³	0	4
of which credit derivatives	819	Discounted cash flow	Credit spread, in bp	0	5,843
Discount rate, in %			Discount rate, in %	2	35
Default rate, in %			Default rate, in %	0	25
Recovery rate, in %			Recovery rate, in %	0	77
Loss severity, in %			Loss severity, in %	0	100
Correlation, in %			Correlation, in %	0	47
Prepayment rate, in %			Prepayment rate, in %	0	40
Short-term borrowings	124	-	-	-	-
Long-term debt	10,098				
of which structured notes over two years	6,189	Option model	Correlation, in %	(87)	97
Volatility, in %			Volatility, in %	2	157
Buyback probability, in % ²			Buyback probability, in % ²	50	100
Gap risk, in % ³			Gap risk, in % ³	0	12
of which non-recourse liabilities	2,551				
of which	2,255	Vendor price	Price, in %	0	103
of which	230	Market comparable	Price, in %	0	87
Other liabilities	2,848				
of which failed sales	1,160				
of which	646	Market comparable	Price, in %	0	100
of which	290	Discounted cash flow	Credit spread, in bp	0	1,532
Total level 3 liabilities at fair value	18,451				

¹ Management's best estimate of the speed at which interest rates will revert to the long-term average. ² Estimate of the probability of structured notes being put back to the Group at the option of the investor over the remaining life of the financial instruments. ³ Risk of unexpected large declines in the underlying values occurring between collateral settlement dates.

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.

Life expectancy

Life expectancy is the primary significant unobservable input on such products as life settlement, premium finance and SPIA and represents the estimated mortality rate for the underlying insured for each contract. This estimate may vary depending upon multiple factors including the age and specific health characteristics of each insured.

Fair value measurements of investments in certain entities that calculate NAV per share

Investments in funds held in trading assets and liabilities primarily include positions held in equity funds of funds as an economic hedge for structured notes and derivatives issued to clients that reference the same underlying risk and liquidity terms of the fund. A majority of these funds have limitations imposed on the amount of withdrawals from the fund during the redemption period due to illiquidity of the investments. In other instances, the withdrawal amounts may vary depending on the redemption notice period and are usually larger for the longer redemption notice periods. In addition, penalties may apply if redemption is within a certain time period from initial investment.

Investment in funds held in other investments principally involves private securities and, to a lesser extent, publicly traded securities and fund of funds. Several of these investments have redemption restrictions subject to the discretion of the Board of Directors of the fund and/or redemption is permitted without restriction, but is limited to a certain percentage of total assets or only after a certain date.

Furthermore, for those investments held in both trading assets and other investments that are nonredeemable, the underlying assets of such funds are expected to be liquidated over the life of the fund, which are generally up to 10 years.

The following table pertains to investments in certain entities that calculate NAV per share or its equivalent, primarily private equity and hedge funds. These investments do not have a readily determinable fair value and are measured at fair value using NAV.

Fair value, unfunded commitments and term of redemption conditions

	Non-redeemable	Redeemable	Total fair value	Unfunded commitments
end of 2012				
Fair value and unfunded commitments (CHF million)				
Debt funds	127	38	165	0
Equity funds	52	3,810 ¹	3,862	0
Equity funds sold short	0	(111)	(111)	0
Total funds held in trading assets and liabilities	179	3,737	3,916	0
Debt funds	69	364	433	157
Equity funds	3	43	46	0
Others	3	153	156	46
Hedge funds	75	560 ²	635	203
Debt funds	97	0	97	17
Equity funds	2,633	0	2,633	724
Real estate funds	382	0	382	131
Others	846	0	846	198
Private equities	3,958	0	3,958	1,070
Equity method investments	385	0	385	0
Total funds held in other investments	4,418	560	4,978	1,273
Total fair value	4,597 ³	4,297 ⁴	8,894	1,273 ⁵

¹ 57% of the redeemable fair value amount of equity funds is redeemable on demand with a notice period of less than 30 days, 17% is redeemable on an annual basis with a notice period primarily of more than 60 days, 13% is redeemable on a monthly basis with a notice period primarily of less than 30 days and 13% is redeemable on a quarterly basis with a notice period primarily of more than 45 days. ² 66% of the redeemable fair value amount of hedge funds is redeemable on a quarterly basis with a notice period primarily of more than 60 days, 19% is redeemable on demand with a notice period primarily of less than 30 days and 11% is redeemable on an annual basis with a notice period of more than 60 days. ³ Includes CHF 1,958 million attributable to noncontrolling interests. ⁴ Includes CHF 107 million attributable to noncontrolling interests. ⁵ Includes CHF 418 million attributable to noncontrolling interests.

Fair value, unfunded commitments and term of redemption conditions (continued)

	Non-redeemable	Redeemable	Total fair value	Unfunded commitments
end of 2011				
Fair value and unfunded commitments (CHF million)				
Debt funds	45	61	106	0
Equity funds	40	4,864 ¹	4,904	0
Equity funds sold short	0	(78)	(78)	0
Total funds held in trading assets and liabilities	85	4,847	4,932	0
Debt funds	58	268	326	219
Equity funds	4	50	54	0
Others	5	113	118	55
Hedge funds	67	431 ²	498	274
Debt funds	9	0	9	18
Equity funds	3,136	0	3,136	954
Real estate funds	338	0	338	200
Others	823	0	823	231
Private equities	4,306	0	4,306	1,403
Equity method investments	360	0	360	0
Total funds held in other investments	4,733	431	5,164	1,677
Total fair value	4,818 ³	5,278 ⁴	10,096	1,677 ⁵

¹ 46% of the redeemable fair value amount of equity funds is redeemable on demand with a notice period of less than 30 days, 19% is redeemable on a quarterly basis with a notice period primarily of more than 45 days, 18% is redeemable on an annual basis with a notice period primarily of more than 60 days and 17% is redeemable on a monthly basis with a notice period primarily of less than 30 days. ² 72% of the redeemable fair value amount of hedge funds is redeemable on a quarterly basis with a notice period primarily of more than 60 days, 17% is redeemable on an annual basis with a notice period of more than 60 days and 10% is redeemable on demand with a notice period primarily of less than 30 days. ³ Includes CHF 2,248 million attributable to noncontrolling interests. ⁴ Includes CHF 91 million attributable to noncontrolling interests. ⁵ Includes CHF 540 million attributable to noncontrolling interests.

Nonrecurring fair value changes

Certain assets and liabilities are measured at fair value on a nonrecurring 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 Group typically uses nonfinancial assets measured at fair value on a recurring or nonrecurring basis in a manner that reflects their highest and best use.

Nonrecurring fair value changes

end of	2012	2011
Assets held-for-sale recorded at fair value on a nonrecurring basis (CHF billion)		
Assets held-for-sale recorded at fair value on a nonrecurring basis	0.5	0.7
of which level 3	0.5	0.7

Fair value option

The Group has availed itself of the simplification in accounting offered under the fair value option, primarily in Investment Banking and Private Banking & Wealth Management's Asset Management business. This has been accomplished generally by electing the fair value option, both at initial adoption and for subsequent transactions, on items impacted by the hedge accounting requirements of US GAAP. That is, for instruments for which there was an inability to achieve hedge accounting

and for which the Group is economically hedged, the Group has elected the fair value option. Similarly, where the Group manages an activity on a **fair value** basis but previously has been unable to achieve fair value accounting, the Group has utilized the fair value option to align its risk management reporting to its financial accounting.

The Group elected fair value for certain of its financial statement captions as follows:

Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions

The Group has elected to account for structured resale agreements and most matched book resale agreements at fair value. These activities are managed on a fair value basis; thus, fair value accounting is deemed more appropriate for reporting purposes. The Group did not elect the fair value option for firm financing resale agreements as these agreements are generally overnight agreements which approximate fair value, but which are not managed on a fair value basis.

Other investments

The Group has elected to account for certain equity method investments at fair value. These activities are managed on a fair value basis; thus, fair value accounting is deemed more appropriate for reporting purposes. Certain similar instruments, such as those relating to equity method investments in strategic relationships, for example, the Group's ownership interest in certain clearance organizations, which were eligible for the fair value option, were not elected due to the strategic relationship.

Loans

The Group has elected to account for substantially all Investment Banking commercial loans and loan commitments and certain Investment Banking emerging market loans at fair value. These activities are managed on a fair value basis and fair value accounting was deemed more appropriate for reporting purposes. Additionally, recognition on a fair value basis eliminates the mismatch that existed due to the economic hedging the Group employs to manage these loans. Certain similar loans, such as project finance, lease finance, cash collateralized and some bridge loans, which were eligible for the fair value option, were not elected due to the lack of currently available infrastructure to fair value such loans and/or the inability to economically hedge such loans. Additionally, the Group elected not to account for loans granted by its Private Banking & Wealth Management segment at fair value, such as domestic consumer lending, mortgages and corporate loans, as these loans are not managed on a fair value basis.

Other assets

The Group elected the fair value option for loans held-for-sale, due to the short period over which such loans are held and the intention to sell such loans in the near term. Other assets also include assets of VIEs and mortgage securitizations which do not meet the criteria for sale treatment under US GAAP. The Group did elect the fair value option for these types of transactions.

Due to banks

The Group elected the fair value option for certain time deposits associated with its emerging markets activities.

Customer deposits

The Group's customer deposits include fund-linked deposits. The Group elected the fair value option for these fund-linked deposits. Fund-linked products are managed on a fair value basis and fair value accounting was deemed more appropriate for reporting purposes.

Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions

The Group has elected to account for structured repurchase agreements and most matched book repurchase agreements at fair value. These activities are managed on a fair value basis and fair value accounting was deemed more appropriate for reporting purposes. The Group did not elect the fair value option for firm financing repurchase agreements as these agreements are generally overnight agreements which approximate fair value, but which are not managed on a fair value basis.

Short-term borrowings

The Group's short-term borrowings include hybrid debt instruments with embedded derivative features. Some of these embedded derivative features create bifurcatable debt instruments. The Group elected the fair value option for some of these instruments as of January 1, 2006, in accordance with the provisions of US GAAP. New bifurcatable debt instruments which were entered into in 2006 are carried at fair value. Some hybrid debt instruments do not result in bifurcatable debt instruments. US GAAP permits the Group to elect fair value accounting for non-bifurcatable hybrid debt instruments. With the exception of certain bifurcatable hybrid debt instruments which the Group did not elect to account for at fair value, the Group has elected to account for all hybrid debt instruments held as of January 1, 2007, and hybrid debt instruments originated after January 1, 2007, at fair value. These activities are managed on a fair value basis and fair value accounting was deemed appropriate for reporting purposes. There are two main populations of similar instruments for which fair value accounting was not elected. The first relates to the lending business transacted by the Group's Private Banking & Wealth Management segment, which includes structured deposits and similar investment products. These are managed on a bifurcated or accrual basis and fair value accounting was not considered appropriate. The second is

where the instruments were or will be maturing in the near term and their fair value will be realized at that time.

Long-term debt

The Group's long-term debt includes hybrid debt instruments with embedded derivative features as described above in Short-term borrowings. The Group's long-term debt also includes debt issuances managed by its Treasury department that do not contain derivative features (vanilla debt). The Group actively manages the interest rate risk on these instruments with derivatives; in particular, fixed-rate debt is hedged with receive-fixed, pay-floating interest rate swaps. The Group

elected to fair value this fixed-rate debt upon implementation of the fair value option on January 1, 2007, with changes in fair value recognized as a component of trading revenues. The Group did not elect to apply the fair value option to fixed-rate debt issued by the Group since January 1, 2008, and instead applies hedge accounting per the guidance of US GAAP.

Other liabilities

Other liabilities include liabilities of VIEs and mortgage securitizations which do not meet the criteria for sale treatment under US GAAP. The Group did elect the fair value option for these types of transactions.

Difference between the aggregate fair value and the aggregate unpaid principal balances of loans and financial instruments

	2012			2011		
	Aggregate fair value	Aggregate unpaid principal	Difference	Aggregate fair value	Aggregate unpaid principal	Difference
end of						
Loans (CHF million)						
Non-interest-earning loans	920	3,810	(2,890)	807	3,277	(2,470)
Financial instruments (CHF million)						
Interest bearing deposits with banks	627	615	12	405	404	1
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	113,664	113,196	468	158,673	157,889	784
Loans	20,000	20,278	(278)	20,694	21,382	(688)
Other assets ¹	22,060	29,787	(7,727)	20,511	30,778	(10,267)
Due to banks and customer deposits	(531)	(493)	(38)	(610)	(620)	10
Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions	(108,784)	(108,701)	(83)	(136,483)	(136,396)	(87)
Short-term borrowings	(4,513)	(4,339)	(174)	(3,547)	(3,681)	134
Long-term debt	(65,384)	(66,998)	1,614	(70,366)	(79,475)	9,109
Other liabilities	(3,683)	(6,186)	2,503	(5,730)	(8,210)	2,480

¹ Primarily loans held-for-sale.

Gains and losses on financial instruments

	2012	2011	2010
in	Net gains/ (losses)	Net gains/ (losses)	Net gains/ (losses)
Financial instruments (CHF million)			
Cash and due from banks	(13) ²	–	–
of which related to credit risk	(13)	–	–
Interest-bearing deposits with banks	12 ¹	0	11 ¹
of which related to credit risk	3	0	0
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	1,183 ¹	1,698 ¹	1,901 ¹
Other trading assets	10 ²	10 ²	46 ²
Other investments	144 ³	196 ²	(225) ³
of which related to credit risk	34	(14)	(2)
Loans	925 ¹	(1,105) ²	1,065 ¹
of which related to credit risk	318	(256)	707
Other assets	2,641 ¹	476 ¹	5,896 ²
of which related to credit risk	355	(332)	589
Due to banks and customer deposits	(22) ¹	(2) ¹	(27) ²
of which related to credit risk	8	45	0
Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions	(114) ¹	(575) ¹	(471) ¹
Short-term borrowings	(350) ²	91 ²	(51) ²
of which related to credit risk ⁴	0	(2)	1
Long-term debt	(7,905) ²	2,342 ²	(6,162) ²
of which related to credit risk ⁴	(2,552)	1,909	273
Other liabilities	826 ²	(286) ²	(232) ²
of which related to credit risk	912	(348)	(97)

¹ Primarily recognized in net interest income. ² Primarily recognized in trading revenues. ³ Primarily recognized in other revenues. ⁴ Changes in fair value related to credit risk are due to the change in the Group's own credit spreads. Other changes in fair value are attributable to changes in foreign currency exchange rates and interest rates, as well as movements in the reference price or index for structured notes. Changes in fair value on Credit Suisse vanilla debt and on debit valuation adjustments on structured notes related to credit risk were CHF (1,663) million and CHF (931) million in 2012, respectively, CHF 1,210 million and CHF 697 million in 2011, respectively, and CHF 341 million and CHF (73) million in 2010, respectively.

Interest income and expense are calculated based on contractual rates specified in the transactions. Interest income and expense are recorded in the consolidated statements of operations depending on the nature of the instrument and related market convention. When interest is included as a component of the change in the instrument's fair value, it is included in trading revenues. Otherwise, it is included in interest and dividend income or interest expense. Dividend income is recognized separately from trading revenues.

The impacts of credit risk on debt securities held as assets presented in the table above have been calculated as the component of the total change in fair value, excluding the impact of changes in base or risk-free interest rates. The impacts of changes in own credit risk on liabilities presented in the table above have been calculated as the difference between the fair values of those instruments as of the reporting date and the theoretical fair values of those instruments calculated by using the yield curve prevailing at the end of the reporting period, adjusted up or down for changes in the Group's own credit spreads from the transition date to the reporting date.

Disclosures about the fair value of financial instruments not carried at fair value in the consolidated balance sheet

The following table provides the carrying value and fair value of financial instruments which are not carried at fair value in the consolidated balance sheet. The disclosure excludes all

non-financial instruments such as lease transactions, real estate, premises and equipment, equity method investments and pension and benefit obligations. Beginning in January 2012, US GAAP requires the disclosure of the fair values of these financial instruments within the fair value hierarchy prospectively.

Carrying value and fair value of financial instruments not carried at fair value

	Carrying value	Fair value			
		Level 1	Level 2	Level 3	Total
end of 2012					
Financial assets (CHF million)					
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	69,791	0	69,764	27	69,791
Loans	218,281	0	221,030	4,482	225,512
Other financial assets ¹	132,147	63,900	66,798	1,772	132,470
Financial liabilities (CHF million)					
Due to banks and deposits	331,270	200,838	130,313	9	331,160
Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions	23,937	0	23,939	0	23,939
Short-term borrowings	14,128	0	14,131	0	14,131
Long-term debt	82,750	0	79,846	4,546	84,392
Other financial liabilities ²	89,361	0	88,121	1,171	89,292

¹ Primarily includes cash and due from banks, interest-bearing deposits with banks, brokerage receivables, loans held-for-sale, cash collateral on derivative instruments, interest and fee receivables and non-marketable equity securities. ² Primarily includes brokerage payables, cash collateral on derivative instruments and interest and fee payables.

Carrying value and fair value of financial instruments not carried at fair value (continued)

	Carrying value	Fair value	
end of 2011			
Financial assets (CHF million)			
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions		78,290	78,290
Loans		208,963	213,228
Other financial assets ¹		186,294	186,333
Financial liabilities (CHF million)			
Due to banks and deposits		346,228	346,147
Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions		40,076	40,076
Short-term borrowings		22,569	22,570
Long-term debt		92,289	89,172
Other financial liabilities ²		96,844	96,844

¹ Primarily includes cash and due from banks, interest-bearing deposits with banks, brokerage receivables, loans held-for-sale, cash collateral on derivative instruments, interest and fee receivables and non-marketable equity securities. ² Primarily includes brokerage payables, cash collateral on derivative instruments and interest and fee payables.

34 Assets pledged and collateral

Assets pledged

The Group pledges assets mainly for repurchase agreements and other securities financing. Certain pledged assets may be

encumbered, meaning they have the right to be sold or repledged. The encumbered assets are parenthetically disclosed on the consolidated balance sheet.

end of	2012	2011
Assets pledged (CHF million)		
Total assets pledged or assigned as collateral	151,419	157,856
of which encumbered	90,745	96,922

Collateral

The Group receives cash and securities in connection with resale agreements, securities borrowing and loans, derivative transactions and margined broker loans. A substantial portion of the collateral and securities received by the Group was sold

or repledged in connection with repurchase agreements, securities sold not yet purchased, securities borrowings and loans, pledges to clearing organizations, segregation requirements under securities laws and regulations, derivative transactions and bank loans.

end of	2012	2011
Collateral (CHF million)		
Fair value of collateral received with the right to sell or repledge	402,793	373,657
of which sold or repledged	292,514	332,718

Other information

end of	2012	2011
Other information (CHF million)		
Cash and securities restricted under foreign banking regulations	14,340	17,943
Swiss National Bank required minimum liquidity reserves	2,441	2,294

35 Capital adequacy

The Group is subject to regulation by FINMA. The capital levels of the Group are subject to qualitative judgments by regulators, including FINMA, about the components of capital, risk weightings and other factors. Since January 2008, the Group operated under the international capital adequacy standards known as ◊Basel II set forth by the BCBS. These standards affected the measurement of both total eligible capital and ◊risk-weighted assets. In January 2011, as required by FINMA, the Group implemented BCBS's "Revisions to the Basel II market risk framework" (◊Basel II.5) for FINMA regulatory capital purposes. The Group has based its capital adequacy calculations on US GAAP, as permitted by FINMA Circular 2008/34. FINMA has advised the Group that it may continue to include as tier 1 capital CHF 33 million and CHF 0.6 billion of equity from SPEs which are deconsolidated under US GAAP as of December 31, 2012 and 2011, respectively.

According to FINMA and Bank for International Settlements (BIS) capital requirements, total regulatory capital is comprised of two categories: tier 1 and tier 2 capital. Tier 1 capital consists of total shareholders' equity, qualifying non-controlling interests and hybrid tier 1 capital instruments. Deductions from tier 1 capital include, among other items, goodwill and intangible assets, participations in insurance entities, investments in certain bank and finance entities and other adjustments, including cumulative fair value adjustments on Credit Suisse vanilla debt, net of tax, anticipated but not yet declared dividends, the net long position in own treasury shares in the trading book and an adjustment for the accounting treatment of pension plans. Core tier 1 capital excludes hybrid tier 1 capital instruments. Tier 1 capital is supplemented for capital adequacy purposes by tier 2 capital, which consists primarily of unsecured, perpetual, subordinated instruments that are senior only to tier 1 instruments. The sum of tier 1 and tier 2 capital equals total eligible capital.

Risk-weighted assets include consolidated balance sheet assets, net positions in securities not held in the trading portfolio, off-balance sheet transactions converted into credit equivalents, market positions in the trading portfolio and operational risk from processes, people, systems and external events.

As of December 31, 2012 and 2011, the Group was adequately capitalized under the regulatory provisions outlined under both FINMA and BIS guidelines.

BIS statistics – Basel II.5

	end of	2012	2011
Eligible capital (CHF million)			
Tier 1 capital	43,547	36,844	
of which core tier 1 capital	34,766	25,956	
Tier 2 capital	6,389	11,810	
Total eligible capital	49,936	48,654	
Risk-weighted assets (CHF million)			
Credit risk	143,679	157,237	
Market risk	29,366	40,609	
Non-counterparty risk	6,126	7,819	
Operational risk	45,125	36,088	
Risk-weighted assets	224,296	241,753	
Capital ratios (%)			
Core tier 1 ratio	15.5	10.7	
Tier 1 ratio	19.4	15.2	
Total capital ratio	22.3	20.1	

Broker-dealer operations

Certain Group broker-dealer subsidiaries are also subject to capital adequacy requirements. As of December 31, 2012 and 2011, the Group and its subsidiaries complied with all applicable regulatory capital adequacy requirements.

Dividend restrictions

Certain of the Group's subsidiaries are subject to legal restrictions governing the amount of dividends they can pay (for example, pursuant to corporate law as defined by the Swiss Code of Obligations).

Under the Swiss Code of Obligations, dividends may be paid out only if and to the extent the corporation has distributable profits from previous business years, or if the free reserves of the corporation are sufficient to allow distribution of a dividend. In addition, at least 5% of the annual net profits must be retained and booked as general legal reserves for so long as these reserves amount to less than 20% of the paid-in share capital. The reserves currently exceed this 20% threshold. Furthermore, dividends may be paid out only after shareholder approval at the Annual General Meeting.

As of December 31, 2012 and 2011, the Group was not subject to restrictions on its ability to pay the proposed dividends.

36 Assets under management

The following disclosure provides information regarding assets under management and net new assets as regulated by FINMA.

Assets under management include assets from clients for which the Group provides investment advisory or discretionary asset management services. Assets that are held solely for transaction-related or safekeeping/custody purposes are not considered assets under management. Assets of corporate clients and public institutions that are used primarily for cash management or transaction-related purposes are also not considered assets under management. The classification of assets under management is individually assessed on the basis of each client's intentions and objectives and the banking services provided to the client. Reclassifications between assets under management and assets held for transaction-related or safekeeping purposes result in corresponding net assets inflows or outflows.

Net new assets measure the degree of success in acquiring assets under management. The calculation is based on the direct method, taking into account individual cash payments,

security deliveries and cash flows resulting from loan increases or repayments. Interest and dividend income credited to clients and commissions, interest and fees charged for banking services are not taken into account when calculating net new assets, as such charges are not directly related to the Group's success in acquiring assets under management. Similarly, changes in assets under management due to currency and market volatility as well as asset inflows and outflows due to the acquisition or divestiture of businesses are not part of net new assets.

A portion of the Group's assets under management result from double counting. Double counting arises when assets under management are subject to more than one level of asset management services. Each such separate advisory or discretionary service provides additional benefits to the client and represents additional income for the Group. Specifically, double counting primarily results from the investment of assets under management in collective investment instruments managed by the Group. The extent of double counting is disclosed in the following table.

Assets under management

in / end of	2012	2011
Assets under management (CHF billion)		
Assets in collective investment instruments managed by Credit Suisse	182.2	167.0
Assets with discretionary mandates	225.3	223.2
Other assets under management	843.3	795.0
Assets under management (including double counting)	1,250.8	1,185.2
of which double counting	63.8	77.7
Net new assets (CHF billion)		
Total net new assets (including double counting)	10.8	46.6

37 Litigation

The Group is involved in a number of judicial, regulatory and arbitration proceedings concerning matters arising in connection with the conduct of its businesses, including those disclosed below. Some of these proceedings have been brought on behalf of various classes of claimants and seek damages of material and/or indeterminate amounts.

The Group accrues litigation provisions (including estimated fees and expenses of external lawyers and other service providers) and takes a charge to income in connection with certain proceedings when losses, additional losses or ranges of loss are probable and reasonably estimable. The Group reviews its legal proceedings each quarter to determine the adequacy of its litigation provisions and may increase or release provisions based on management's judgment and the advice of counsel. The establishment of additional provisions or releases of litigation provisions may be necessary in the future as developments in such proceedings warrant.

It is inherently difficult to determine whether a loss is probable or even reasonably possible or to estimate the amount of any loss or loss range for many of the Group's legal proceedings. Estimates, by their nature, are based on judgment and currently available information and involve a variety of factors, including, but not limited to, the type and nature of the proceeding, the progress of the matter, the advice of counsel, the Group's defenses and its experience in similar matters, as well as its assessment of matters, including settlements, involving other defendants in similar or related cases or proceedings. Factual and legal determinations, many of which are complex, must be made before a loss, additional losses or ranges of loss can be reasonably estimated for any proceeding.

Most matters pending against the Group seek damages of an indeterminate amount. While certain matters specify the damages claimed, such claimed amount may not represent the Group's reasonably possible losses. For certain of the proceedings discussed below the Group has disclosed the amount of damages claimed and certain other quantifiable information that is publicly available.

The following table presents a roll forward of the Group's aggregate litigation provisions.

Litigation provisions

	2012
CHF million	
Balance at beginning of period	870
Increase in litigation accruals	774
Decrease in litigation accruals	(87)
Decrease for settlements and other cash payments	(373)
Foreign exchange translation	(27)
Balance at end of period	1,157

The Group's aggregate litigation provisions include estimates of losses, additional losses or ranges of loss for proceedings for which such losses are probable and can be reasonably estimated. The Group does not believe that it can estimate an aggregate range of reasonably possible losses for certain of its proceedings because of their complexity, the novelty of some of the claims, the early stage of the proceedings, the limited amount of discovery that has occurred and/or other factors. The Group's estimate of the aggregate range of reasonably possible losses that are not covered by existing provisions for the proceedings discussed below for which the Group believes an estimate is possible is zero to CHF 1.7 billion.

After taking into account its litigation provisions, the Group believes, based on currently available information and advice of counsel, that the results of its legal proceedings, in the aggregate, will not have a material adverse effect on the Group's financial condition. However, in light of the inherent uncertainties of such proceedings, including those brought by regulators or other governmental authorities, the ultimate cost to the Group of resolving such proceedings may exceed current litigation provisions and any excess may be material to its operating results for any particular period, depending, in part, upon the operating results for such period.

Research-related litigation

Putative class action lawsuits were filed against Credit Suisse Securities (USA) LLC (CSS LLC) in the wake of publicity surrounding the 2002 industry-wide governmental and regulatory investigations into research analyst practices, with *In re Credit Suisse – AOL Securities Litigation*, filed in the US District Court for the District of Massachusetts, being the remaining

outstanding matter. The case was brought on behalf of a class of purchasers of common shares of the former AOL Time Warner Inc. (AOL) who have alleged that CSS LLC's equity research coverage of AOL between January 2001 and July 2002 was false and misleading. The second amended complaint in this action asserted federal securities fraud and control person liability claims against CSS LLC and certain affiliates and former employees of CSS LLC. Plaintiffs estimated damages of approximately USD 3.9 billion. On January 13, 2012, the district court granted summary judgment in favor of the defendants upon its determination to preclude a plaintiff expert witness. On May 17, 2012, the court denied the plaintiffs' motion for reconsideration. On November 15, 2012, the plaintiffs filed an appeal and on January 7, 2013, the defendants filed an opposition to plaintiffs' motion. On February 4, 2013, plaintiffs filed their reply brief and oral argument on the motion was held on March 6, 2013.

Enron-related litigation

Two Enron-related actions remain pending against CSS LLC and certain of its affiliates, both in the US District Court for the Southern District of Texas. In these actions, plaintiffs assert they relied on Enron's financial statements, and seek to hold the defendants responsible for any inaccuracies in Enron's financial statements. In Connecticut Resources Recovery Authority v. Lay, et al., the plaintiff seeks to recover from multiple defendants, pursuant to the Connecticut Unfair Trade Practices Act and Connecticut state common law, approximately USD 130 million to USD 180 million in losses it allegedly suffered in a business transaction it entered into with Enron. A motion to dismiss is pending. In Silvercreek Management Inc. v. Citigroup, Inc., et al., the plaintiff seeks to assert federal and state law claims relating to its alleged USD 280 million in losses relating to its Enron investments. A motion to dismiss is pending.

NCFE-related litigation

Since February 2003, lawsuits have been pending against CSS LLC and certain of its affiliates with respect to services that it provided to National Century Financial Enterprises, Inc. and its affiliates (NCFE). From January 1996 to May 2002, CSS LLC acted as a placement agent for bonds issued by NCFE that were to be collateralized by health-care receivables and, in July 2002, as a placement agent for a sale of NCFE preferred stock. From December 2000 through November 2002, an affiliate of CSS LLC acted as administrative agent for, and entered into participation agreements in, an asset-backed liquidity facility issued by NCFE that was also to be collateralized by health care receivables. NCFE filed for bankruptcy protection in November 2002. In these lawsuits, which

were consolidated as a Multi-District Litigation in the US District Court for the Southern District of Ohio (SDO) for pre-trial purposes, investors holding approximately USD 1.9 billion face amount of NCFE's bonds and approximately USD 12 million in preferred stock sued numerous defendants, including the founders and directors of NCFE, the trustees for the bonds, NCFE's auditors and law firm, the rating agencies that rated NCFE's bonds and NCFE's placement agents, including CSS LLC. The lawsuits asserted claims for breach of contract, negligence, fraud and violation of federal and state securities laws and generally alleged that CSS LLC and/or its affiliates knew or should have known that the health care receivables purportedly backing the bonds were either ineligible for the programs or non-existent. In April 2009, CSS LLC settled with the New York City Pension Fund bond investor plaintiffs for an amount covered by existing provisions. On September 25, 2012, venue for the bond investor lawsuits was transferred to the SDNY and on November 27, 2012 the suits were consolidated for trial. On October 26, 2012, the SDO issued a decision which granted CSS LLC's summary judgment motion to dismiss all the claims brought by the investor in NCFE preferred stock. On November 16, 2012, that equity investor filed a notice of appeal of that decision to the US Court of Appeals for the Sixth Circuit and on February 15, 2013 filed its appellant's brief and appendix. On November 28, 2012, the SDNY issued an order providing that trial of the bond investor cases would begin April 1, 2013. On December 28, 2012, the SDNY issued an order in the bond investor lawsuits directing all parties to engage in settlement discussions in advance of trial. On January 25, 2013, the SDNY issued an order in the bond investor lawsuits holding that in the event CSS LLC or its remaining affiliate in the litigation, and NCFE's former CEO Lance Poulsen, the only other remaining defendant, were ultimately found liable on certain of the claims at trial, the remaining defendants, including CSS LLC and/or its affiliate, would be jointly and severally liable for the losses relating to those claims, subject to an appropriate reduction for settlements entered into by the bond investors and former defendants. On March 13, 2013, CSS LLC and its affiliate entered into agreements to settle the bond investor lawsuits and resolve all remaining bond investor claims for an amount partially covered by existing provisions.

Refco-related litigation

In March 2008, CSS LLC was named, along with other financial services firms, accountants, lawyers, officers, directors and controlling persons, as a defendant in an action filed in New York State court by the Joint Official Liquidators of various SPhinX Funds and the trustee of the SphinX Trust, which holds claims that belonged to PlusFunds Group, Inc. (Plus-

Funds), the investment manager for the SPhinX Funds. The operative amended complaint in the suit asserted claims against CSS LLC for aiding and abetting breaches of fiduciary duty and aiding and abetting fraud by Refco's insiders in connection with Refco's August 2004 notes offering and August 2005 IPO. Plaintiffs sought to recover from defendants more than USD 800 million, consisting of USD 263 million that the SPhinX Managed Futures Fund, a SPhinX fund, had on deposit and lost at Refco, several hundred million dollars in alleged additional "lost enterprise" damages of PlusFunds, and pre-judgment interest. In March 2008, CSS LLC and certain other defendants removed the action to the SDNY. In November 2008, CSS LLC filed a motion to dismiss the amended complaint. In February 2012, the court granted in part and denied in part CSS LLC's motion to dismiss. The court dismissed Plaintiffs' claim for aiding and abetting breach of fiduciary duty with prejudice. The court also granted the motion with respect to part of Plaintiffs' claim for aiding and abetting fraud, but denied the motion with respect to part of that claim. In August 2012, CSS LLC filed a motion for summary judgment with respect to the remaining part of Plaintiffs' aiding and abetting fraud claim. In December 2012, the court granted the motion, thus dismissing CSS LLC from the case. The court has not yet issued a final judgment as to CSS LLC, and the dismissal of the claims against CSS LLC will be subject to appeal.

Mortgage-related matters

CSS LLC and certain of its affiliates have received requests for information from certain regulators and/or government entities regarding the origination, purchase, securitization and servicing of subprime and non-subprime residential mortgages and related issues. CSS LLC and its affiliates are cooperating with such requests.

On November 16, 2012, CSS LLC and certain of its affiliates settled an administrative proceeding with the SEC, which involved potential claims against them relating to settlements of claims against originators involving loans included in a number of their securitizations, by agreeing to pay approximately USD 120 million. This settlement also covered allegations with respect to two RMBS issued in 2006 that CSS LLC and such affiliates made misstatements in SEC filings regarding when they would repurchase mortgage loans from trusts if borrowers missed the first payment due. CSS LLC and such affiliates agreed to an order, without admitting or denying the allegations, requiring them to cease and desist from violations of Section 17(a)(2) and (3) of the Securities Act of 1933 and requiring one such affiliate to cease and desist from violations of Section 15(d) of the Securities Exchange Act of 1934. A separate possible action, which involved potential claims

against CSS LLC relating to due diligence conducted for two mortgage-backed securitizations and corresponding disclosures, formally was closed by the SEC, without any enforcement action, on November 19, 2012.

Following an investigation, on November 20, 2012, the New York Attorney General, on behalf of the State of New York, filed a civil action in the Supreme Court for the State of New York, New York County (SCNY) against CSS LLC and affiliated entities in their roles as issuer, sponsor, depositor and/or underwriter of RMBS transactions prior to 2008. The action, which references 64 RMBS issued, sponsored, deposited and underwritten by CSS LLC and its affiliates in 2006 and 2007, alleges that CSS LLC and its affiliates misled investors regarding the due diligence and quality control performed on the mortgage loans underlying the RMBS at issue, seeks an unspecified amount of damages, and is at an early procedural point.

CSS LLC and/or certain of its affiliates have also been named as defendants in various civil litigation matters related to their roles as issuer, sponsor, depositor, underwriter and/or servicer of RMBS transactions. These cases include class action lawsuits and putative class action lawsuits, actions by individual investors in RMBS, actions by monoline insurance companies that guaranteed payments of principal and interest for certain RMBS, and repurchase actions by RMBS trusts or investors on behalf of trustees. Although the allegations vary by lawsuit, plaintiffs in the class and putative class actions and individual investor actions generally allege that the offering documents of securities issued by various RMBS securitization trusts contained material misrepresentations and omissions, including statements regarding the underwriting standards pursuant to which the underlying mortgage loans were issued; monoline insurers allege that loans that collateralize RMBS they insured breached representations and warranties made with respect to the loans at the time of securitization; and repurchase action plaintiffs allege breached representations and warranties in respect of mortgage loans and failure to repurchase such mortgage loans as required under the applicable agreements. The amounts disclosed below do not reflect actual realized plaintiff losses to date or anticipated future litigation exposure. Rather, unless otherwise stated, these amounts reflect the original unpaid principal balance amounts as alleged in these actions and do not include any reduction in principal amounts since issuance. Further, amounts attributable to an "operative pleading" for the individual investor actions are not altered for settlements, dismissals or other occurrences, if any, that may have caused the amounts to change subsequent to the operative pleading. In addition to the mortgage-related actions discussed below, a number of other entities have threatened to assert claims against CSS LLC and/or

its affiliates in connection with various RMBS issuances, and CSS LLC and/or its affiliates have entered into agreements with some of those entities to toll the relevant statutes of limitations.

Class action litigations

In class actions and putative class actions against CSS LLC as an underwriter of other issuers' RMBS offerings, CSS LLC generally has contractual rights to indemnification from the issuers. However, some of these issuers are now defunct, including affiliates of IndyMac Bancorp (IndyMac) and Thornburg Mortgage (Thornburg). With respect to IndyMac, CSS LLC is named as a defendant in two class actions pending in the SDNY brought on behalf of purchasers of securities in various IndyMac RMBS offerings. In one class action, *In re Indy-Mac Mortgage-Backed Securities Litigation*, CSS LLC is named along with numerous other underwriters and individual defendants related to approximately USD 9.0 billion of Indy-Mac RMBS offerings. CSS LLC served as an underwriter with respect to approximately 32% of the IndyMac RMBS at issue or approximately USD 2.9 billion. Certain investors seek to intervene in the action to assert claims with respect to additional RMBS offerings, including two RMBS offerings underwritten by CSS LLC. In those two offerings, CSS LLC underwrote RMBS with an aggregate principal amount of USD 912 million. The SDNY has denied these motions to intervene, and the proposed intervenors are now appealing that ruling. In addition, plaintiffs filed a motion for reconsideration of the court's June 21, 2010 decision on defendants' motion to dismiss. The motion sought to reinstate claims with respect to previously-dismissed RMBS offerings, including 18 additional RMBS offerings underwritten by CSS LLC, with an aggregate principal amount of approximately USD 6.0 billion for which CSS LLC served as an underwriter (of which USD 912 million also is subject to the appeal of the intervention motion). On November 16, 2012, the SDNY denied that motion without prejudice to renewal at a later date. In the other IndyMac-related class action, *Tsereteli v. Residential Asset Securitization Trust 2006-A8*, CSS LLC is the sole underwriter defendant related to a USD 632 million IndyMac RMBS offering, of which CSS LLC underwrote USD 603 million of certificates. On November 8, 2012, the Second Circuit decided to hear CSS LLC's interlocutory appeal of the SDNY order granting plaintiff's motion for class certification. With respect to Genesee County Employees' Retirement System v. Thornburg, CSS LLC is a named defendant in a putative class action pending in the US District Court for the District of New Mexico along with a number of other financial institutions that served as depositors and/or underwriters for approximately USD 5.5 billion of Thornburg RMBS offerings. CSS LLC served as an

underwriter with respect to approximately 6.4% of the Thornburg RMBS at issue or approximately USD 354 million. All defendants have agreed to a settlement in principle in the aggregate amount of USD 11.25 million, which is subject to court approval. A further class action lawsuit pending in the SDNY against CSS LLC and certain affiliates and employees, *New Jersey Carpenters Health Fund v. Home Equity Mortgage Trust 2006-5*, relates to two RMBS offerings, totaling approximately USD 1.6 billion, sponsored and underwritten by the Credit Suisse defendants.

Individual investor actions

CSS LLC and, in some instances, its affiliates, as an RMBS issuer, underwriter and/or other participant, and in some instances its employees, along with other defendants, are defendants in: two actions brought by Cambridge Place Investment Management Inc. in Massachusetts state court, in which claims against CSS LLC, following the court's motion to dismiss ruling dismissing certain claims, relate to less than USD 525 million of the RMBS at issue, in an amount to be determined; one action brought by The Charles Schwab Corporation in California state court, in which claims against CSS LLC and its affiliates relate to USD 125 million of the RMBS at issue (approximately 9% of the USD 1.4 billion at issue against all defendants in the operative pleading); one action brought by the Federal Deposit Insurance Corporation (FDIC), as receiver for Citizens National Bank and Strategic Capital Bank in the SDNY, in which claims against CSS LLC and its affiliates relate to approximately USD 28 million of the RMBS at issue (approximately 20% of the USD 141 million at issue against all defendants in the operative pleading); four actions brought by the FDIC, as receiver for Colonial Bank: one action in the SDNY, in which claims against CSS LLC relate to approximately USD 92 million of the RMBS at issue (approximately 23% of the USD 394 million at issue against all defendants in the operative pleading), two actions in the US District Court for the Central District of California, in which claims against CSS LLC relate to approximately USD 58 million of the RMBS at issue (approximately 10% of the USD 553 million at issue against all defendants in the operative pleadings), and one action in the US District Court for the Middle District of Alabama, in which claims against CSS LLC and its affiliates relate to approximately USD 153 million of the RMBS at issue (approximately 49% of the USD 311 million at issue against all defendants in the operative pleading); seven individual actions brought by the Federal Home Loan Banks of Seattle, San Francisco, Chicago, Indianapolis and Boston in various state and federal courts, in which claims against CSS LLC and its affiliates relate to approximately USD 3.2 billion of the RMBS collectively at issue (approximately 9% of the USD 36

billion at issue against all defendants in the operative pleadings); five actions brought by the Federal Housing Finance Agency (FHFA), as conservator for Fannie Mae and Freddie Mac, in the SDNY, in which claims against CSS LLC and its affiliates and employees relate to approximately USD 19 billion of the RMBS at issue (approximately 29% of the USD 65 billion at issue against all defendants in the operative pleadings); one action brought by John Hancock Life Insurance Co. (U.S.A.) and affiliated entities in the US District Court for the District of Minnesota, in which claims against CSS LLC relate to an unstated amount of the RMBS at issue; two actions brought by Landesbank Baden-Württemberg and affiliated entities in the SDNY, in which claims against CSS LLC relate to approximately USD 200 million of the RMBS at issue (100% of the total amount at issue against all defendants in the operative pleadings); two actions brought by Massachusetts Mutual Life Insurance Company in the US District Court for the District of Massachusetts, in which claims against CSS LLC and its employee relate to approximately USD 107 million of the RMBS at issue (approximately 97% of the USD 110 million at issue against all defendants in the operative pleadings); one action brought by the National Credit Union Administration Board, as liquidating agent of the US Central Federal Credit Union, Western Corporate Federal Credit Union and Southwest Corporate Federal Credit Union in the US District Court for the District of Kansas, in which claims against CSS LLC and its affiliates relate to approximately USD 715 million of the RMBS at issue (100% of the total amount at issue against all defendants in the operative pleading); one action brought by Phoenix Light SF Ltd. and affiliated entities in the SCNY, in which claims against CSS LLC and its affiliates relate to approximately USD 362 million of the RMBS at issue (approximately 13% of the USD 2.8 billion at issue against all defendants in the operative pleading); one action brought by Royal Park Investments SA/NV in the SCNY, in which claims against CSS LLC and its affiliates relate to approximately USD 360 million of the RMBS at issue (approximately 4% of the USD 8.4 billion at issue against all defendants in the operative pleading); one action brought by Watertown Savings Bank in the SCNY, in which claims against CSS LLC and its affiliates relate to an unstated amount of the RMBS at issue; one action brought by the West Virginia Investment Management Board in West Virginia state court, in which claims against CSS LLC relate to approximately USD 6 million of the RMBS at issue (approximately 35% of the USD 17 million at issue against all defendants in the operative pleading); and one action brought by the Western & Southern Life Insurance Company and affiliated entities in Ohio state court, in which claims against CSS LLC and its affiliates relate to approximately USD 260 million of the RMBS at issue (approximately 94% of the USD 276

million at issue against all defendants in the operative pleading).

CSS LLC and certain of its affiliates and/or employees are the only defendants named in: one action brought by Allstate Insurance Company in the SCNY, in which claims against CSS LLC and its affiliates relate to approximately USD 232 million of RMBS; one action brought by Deutsche Zentral-Genossenschaftsbank AG, New York Branch in the SCNY, in which claims against CSS LLC and its affiliates relate to approximately USD 138 million of RMBS; one action brought by IKB Deutsche Industriebank AG and affiliated entities in the SCNY, in which claims against CSS LLC and its affiliates relate to approximately USD 97 million of RMBS; one action brought by Minnesota Life Insurance Company and affiliated entities in the US District Court for the District of Minnesota, in which claims against CSS LLC and its affiliates relate to approximately USD 43 million of RMBS; one action brought by The Prudential Insurance Company of America and affiliated entities in the US District Court for the District of New Jersey, in which claims against CSS LLC and its affiliates relate to approximately USD 466 million of RMBS; one action brought by Sealink Funding Limited in the SCNY, in which claims against CSS LLC and its affiliates relate to approximately USD 35 million of RMBS, following the March 1, 2013 filing of a complaint by the plaintiff which reduced the RMBS at issue by approximately USD 145 million; one action brought by Stichting Pensioenfonds ABP in the SCNY, in which claims against CSS LLC and its affiliates and employees relate to an unstated amount of RMBS; and one action brought by The Union Central Life Insurance Company and affiliated entities in the SDNY, in which claims against CSS LLC and its affiliates and employees relate to approximately USD 65 million of RMBS.

These actions are at early or intermediate procedural points.

Monoline insurer disputes

CSS LLC and certain of its affiliates are defendants in two pending actions commenced by monoline insurers MBIA Insurance Corp. (MBIA) and Assured Guaranty Corp., that guaranteed payments of principal and interest that in aggregate total approximately USD 1.3 billion of RMBS issued in seven different offerings sponsored by Credit Suisse. One theory of liability advanced by the monoline insurers is that an affiliate of CSS LLC must repurchase affected mortgage loans from the trusts at issue. In addition, MBIA alleges a claim for fraudulent inducement. To date, the monoline insurers have submitted repurchase demands for loans with an aggregate original principal balance of approximately USD 2.6 billion. These actions are pending in the SCNY. In each action, plaintiff claims that

the vast majority of the underlying mortgage loans breach certain representations and warranties, and that CSS LLC and its affiliates have failed to repurchase the allegedly defective loans. Discovery in these actions is ongoing. On February 27, 2013, CSS LLC and its affiliate settled the action brought by Ambac Assurance Corp. in the SCNY for an amount covered by existing provisions. On March 8, 2013, CSS LLC settled an action brought by MBIA in California state court in which MBIA purported to be subrogated to the rights of certain RMBS holders who purchased RMBS underwritten by CSS LLC; that settlement was covered by existing provisions.

Repurchase litigations

DLJ Mortgage Capital, Inc. (DLJ) is a defendant in: one action brought by the FHFA, as conservator for Freddie Mac, on behalf of the Trustees of Home Equity Asset Trust 2006-5, Home Equity Asset Trust 2006-6 and Home Equity Asset Trust 2006-7, in which no damages amount is alleged; one action brought by Home Equity Mortgage Trust Series 2006-5, in which plaintiff alleges damages of not less than USD 497 million; one action brought by Asset Backed Securities Corporation Home Equity Loan Trust, Series 2006-HE7, in which no damages amount is alleged; one action brought by Home Equity Asset Trust, Series 2006-8, in which no damages amount is alleged; and one action brought by Home Equity Asset Trust 2007-1, in which no damages amount is alleged. DLJ and its affiliate Select Portfolio Servicing, Inc. (SPS), are defendants in: one action brought by Home Equity Mortgage Trust Series 2006-1, Home Equity Mortgage Trust Series 2006-3, and Home Equity Mortgage Trust Series 2006-4, in which plaintiffs allege damages of not less than USD 730 million, and allege that SPS obstructed the investigation into the full extent of the defects in the mortgage pools by refusing to afford the trustee reasonable access to certain origination files. These actions are brought in the SCNY and are at early procedural points.

Bank loan litigation

On January 3, 2010, the Bank and other affiliates were named as defendants in a lawsuit filed in the US District Court for the District of Idaho by homeowners in four real estate developments, Tamarack Resort, Yellowstone Club, Lake Las Vegas and Ginn Sur Mer. The Bank arranged, and was the agent bank for, syndicated loans provided for all four developments, which have been or are now in bankruptcy or foreclosure. Plaintiffs generally allege that the Bank and other affiliates committed fraud by using an unaccepted appraisal method to overvalue the properties with the intention to have the borrowers take out loans they could not repay because it would allow the Bank and other affiliates to later push the borrowers into bankruptcy and take own-

ership of the properties. The claims originally asserted by the plaintiffs include Racketeer Influenced and Corrupt Organizations (RICO), fraud, negligent misrepresentation, breach of fiduciary duty, tortious interference and conspiracy, among others. Plaintiffs have demanded USD 24 billion in damages. Cushman & Wakefield, the appraiser for the properties at issue, is also named as a defendant. An amended complaint was filed against all of the defendants on January 25, 2010, adding six new homeowner plaintiffs in the same four real estate developments. On March 29, 2010, the Bank and its named affiliates moved to dismiss the amended complaint in its entirety. The Bank and its named affiliates argued that the claims against them fail because they had no relationship with the plaintiff homeowners, and made no representations to them, fraudulent or otherwise, so there is no legal basis for the plaintiffs' claims against them. The Bank and its affiliates also argued, among other things, that the plaintiffs failed to plead the necessary elements of the claims asserted against them in the amended complaint. On March 31, 2011, the court dismissed the RICO claim with prejudice and dismissed certain other claims with leave to replead. A third amended complaint was filed on April 21, 2011, adding a Consumer Protection Act claim. On May 5, 2011, the Bank and its affiliates moved to dismiss the third amended complaint. On July 22, 2011, two developers moved to intervene in the lawsuit. On March 30, 2012, the court dismissed the unjust enrichment, fiduciary duty and Consumer Protection Act claims and limited fraud and negligent misrepresentation claims to three named plaintiffs. On September 17, 2012, plaintiffs filed a motion for class certification. On December 12, 2012, the Bank opposed the motion and oral argument is scheduled to take place on April 19, 2013.

Auction Rate Securities

On May 27, 2009, Elbit Systems Ltd ("Elbit") filed a complaint against the Group in the US District Court for the Northern District of Illinois, seeking approximately USD 16 million related to the purchase of auction rate securities, alleging federal securities law claims and state law aiding and abetting fraud and unjust enrichment causes of action. The case was transferred to the SDNY, and the Group moved to dismiss the complaint for failure to state a claim and for being barred by a prior release. The motion to dismiss the complaint for being barred by a prior release was denied without prejudice, and the court ordered the parties to engage in limited discovery concerning the release. The parties exchanged discovery on that issue and the Group filed a motion for summary judgment. On February 7, 2012, the SDNY denied the Group's summary judgment motion holding that a genuine dispute exists as to whether the prior release bars Elbit's claims. On January 7,

2013, the SDNY denied the Group's motion to dismiss the complaint for failure to state a claim.

Tax matters

Credit Suisse has been responding to subpoenas and other requests for information from the United States Department of Justice (DOJ), SEC and other authorities involving historical Private Banking services provided on a cross-border basis to US persons. US authorities are investigating possible violations of US tax and securities laws. In particular, the DOJ is investigating whether US clients violated their US tax obligations and whether Credit Suisse and certain of its employees assisted such clients. The SEC is investigating whether certain of our relationship managers triggered obligations for Credit Suisse or the relationship managers in Switzerland to register with the SEC as a broker-dealer or investment advisor. A limited number of current or former employees have been indicted and one former employee pleaded guilty to conduct while employed at other financial institutions that did not involve Credit Suisse. Credit Suisse received a grand jury target letter from the DOJ. We understand that certain US authorities are also investigating other Swiss and non-US financial institutions. We have been conducting an internal investigation and are continuing to cooperate with the authorities both in the US and Switzerland to resolve this matter in a responsible manner that complies with our legal obligations.

LIBOR-related matters

Regulatory authorities in a number of jurisdictions, including the US, UK, EU and Switzerland, have for an extended period of time been conducting investigations into the setting of LIBOR and other reference rates with respect to a number of currencies, as well as the pricing of certain related derivatives.

These ongoing investigations have included information requests from regulators regarding LIBOR-setting practices and reviews of the activities of various financial institutions, including the Group. The Group, which is a member of three LIBOR rate-setting panels (US Dollar LIBOR, Swiss Franc LIBOR and Euro LIBOR), is cooperating fully with these investigations.

In particular, it has been reported that regulators are investigating whether financial institutions engaged in an effort to manipulate LIBOR, either individually or in concert with other institutions, in order to improve market perception of these institutions' financial health and/or to increase the value of their proprietary trading positions. In response to regulatory inquiries, Credit Suisse commissioned a review of these issues. To date, Credit Suisse has seen no evidence to suggest that it is likely to have any material exposure in connection with these issues.

In addition, members of the US Dollar LIBOR panel, including Credit Suisse, have been named in various civil lawsuits filed in the US.

UK Financial Services Authority matter

On October 25, 2011, the UK Financial Services Authority announced a settlement with Credit Suisse (UK) Limited (CSUK) in respect of findings as to the adequacy of systems and controls relating to the suitability of sales of non-principal protected products in 2007 to 2009. Under the settlement, CSUK was fined GBP 5.95 million and was required to conduct a review of sales of such products in the relevant period to determine suitability. This review has now been completed and the regulatory action against CSUK in respect of this matter has concluded.

38 Significant subsidiaries and equity method investments

Significant subsidiaries

Equity interest in %	Company name	Domicile	Currency	Nominal capital in million
as of December 31, 2012				
Credit Suisse Group AG				
100	BANK-now AG	Horgen, Switzerland	CHF	30.0
100	Credit Suisse AG	Zurich, Switzerland	CHF	4,399.7
100	Credit Suisse Group Finance (U.S.) Inc.	Wilmington, United States	USD	600.0
100	Credit Suisse Group (Guernsey) V Limited	St. Peter Port, Guernsey	CHF	0.1
100	Credit Suisse Trust AG	Zurich, Switzerland	CHF	5.0
100	Credit Suisse Trust Holdings Limited	St. Peter Port, Guernsey	GBP	2.0
100	CS LP Holding AG	Zug, Switzerland	CHF	0.1
100	Inreska Limited	St. Peter Port, Guernsey	GBP	3.0
100	Neue Aargauer Bank AG	Aarau, Switzerland	CHF	134.1
88	Savoy Hotel Baur en Ville AG	Zurich, Switzerland	CHF	7.5
Credit Suisse AG				
100	AJP Cayman Ltd.	George Town, Cayman Islands	JPY	8,025.6
100	Banco Credit Suisse (Brasil) S.A.	São Paulo, Brazil	BRL	53.6
100	Banco Credit Suisse (México), S.A.	Mexico City, Mexico	MXN	1,716.7
100	Banco de Investimentos Credit Suisse (Brasil) S.A.	São Paulo, Brazil	BRL	164.8
100	Boston Re Ltd.	Hamilton, Bermuda	USD	2.0
100	CJSC Bank Credit Suisse (Moscow)	Moscow, Russia	USD	37.8
100	Column Financial, Inc.	Wilmington, United States	USD	0.0
100	Credit Suisse (Australia) Limited	Sydney, Australia	AUD	34.1
100	Credit Suisse (Brasil) Distribuidora de Títulos e Valores Mobiliários S.A.	São Paulo, Brazil	BRL	5.0
100	Credit Suisse (Brasil) S.A. Corretora de Títulos e Valores Mobiliários	São Paulo, Brazil	BRL	98.4
100	Credit Suisse (Deutschland) Aktiengesellschaft	Frankfurt, Germany	EUR	130.0
100	Credit Suisse (France)	Paris, France	EUR	52.9
100	Credit Suisse (Gibraltar) Limited	Gibraltar, Gibraltar	GBP	5.0
100	Credit Suisse (Guernsey) Limited	St. Peter Port, Guernsey	USD	6.1
100	Credit Suisse (Hong Kong) Limited	Hong Kong, China	HKD	6,135.9
100	Credit Suisse (Italy) S.p.A.	Milan, Italy	EUR	109.6
100 ¹	Credit Suisse (Luxembourg) S.A.	Luxembourg, Luxembourg	CHF	150.0
100	Credit Suisse (Monaco) S.A.M.	Monte Carlo, Monaco	EUR	18.0
100	Credit Suisse (Poland) SP. z o.o	Warsaw, Poland	PLN	20.0
100	Credit Suisse (Qatar) LLC	Doha, Qatar	USD	20.0
100	Credit Suisse (Singapore) Limited	Singapore, Singapore	SGD	743.3
100	Credit Suisse (UK) Limited	London, United Kingdom	GBP	126.8
100	Credit Suisse (USA), Inc.	Wilmington, United States	USD	0.0
100	Credit Suisse Alternative Capital, LLC	Wilmington, United States	USD	81.6
100	Credit Suisse Asset Management Funds (UK) Limited	London, United Kingdom	GBP	15.5
100	Credit Suisse Asset Management Funds S.p.A. S.G.R.	Milan, Italy	EUR	5.0

Significant subsidiaries (continued)

Equity interest in %	Company name	Domicile	Currency	Nominal capital in million
100	Credit Suisse Asset Management (UK) Holding Limited	London, United Kingdom	GBP	144.2
	Credit Suisse Asset Management			
100	Immobilien Kapitalanlagegesellschaft mbH	Frankfurt, Germany	EUR	6.1
100	Credit Suisse Asset Management International Holding Ltd	Zurich, Switzerland	CHF	20.0
100	Credit Suisse Asset Management Investments Ltd	Zurich, Switzerland	CHF	0.1
100	Credit Suisse Asset Management Limited	London, United Kingdom	GBP	45.0
100	Credit Suisse Asset Management, LLC	Wilmington, United States	USD	1,079.6
100	Credit Suisse Business Analytics (India) Private Limited	Mumbai, India	INR	40.0
100	Credit Suisse Capital (Guernsey) I Limited	St. Peter Port, Guernsey	USD	0.0
100	Credit Suisse Capital Funding, Inc.	Wilmington, United States	USD	0.0
100	Credit Suisse Capital LLC	Wilmington, United States	USD	737.6
100	Credit Suisse Energy LLC	Wilmington, United States	USD	0.0
100	Credit Suisse Equities (Australia) Limited	Sydney, Australia	AUD	62.5
100	Credit Suisse Finance (Guernsey) Limited	St. Peter Port, Guernsey	USD	0.2
100	Credit Suisse Finance (India) Private Limited	Mumbai, India	INR	1,050.1
100	Credit Suisse First Boston (Latin America Holdings) LLC	George Town, Cayman Islands	USD	23.8
100	Credit Suisse First Boston Finance B.V.	Amsterdam, The Netherlands	EUR	0.0
100	Credit Suisse First Boston Mortgage Capital LLC	Wilmington, United States	USD	356.6
100	Credit Suisse Fund Management S.A.	Luxembourg, Luxembourg	CHF	0.3
100	Credit Suisse Fund Services (Luxembourg) S.A.	Luxembourg, Luxembourg	CHF	1.5
100	Credit Suisse Funds AG	Zurich, Switzerland	CHF	7.0
100	Credit Suisse Hedging-Griffo Corretora de Valores S.A.	São Paulo, Brazil	BRL	29.6
100	Credit Suisse Holding Europe (Luxembourg) S.A.	Luxembourg, Luxembourg	CHF	32.6
100	Credit Suisse Holdings (Australia) Limited	Sydney, Australia	AUD	3.0
100 ²	Credit Suisse Holdings (USA), Inc.	Wilmington, United States	USD	4,184.7
100 ³	Credit Suisse International	London, United Kingdom	USD	3,107.7
100	Credit Suisse Leasing 92A, L.P.	New York, United States	USD	43.9
100	Credit Suisse Life & Pensions AG	Vaduz, Liechtenstein	CHF	15.0
100	Credit Suisse Life (Bermuda) Ltd.	Hamilton, Bermuda	USD	1.0
100	Credit Suisse Loan Funding LLC	Wilmington, United States	USD	0.0
100	Credit Suisse Management LLC	Wilmington, United States	USD	894.5
100	Credit Suisse Principal Investments Limited	George Town, Cayman Islands	JPY	3,324.0
100	Credit Suisse Private Equity, LLC	Wilmington, United States	USD	42.2
100	Credit Suisse PSL GmbH	Zurich, Switzerland	CHF	0.0
100	Credit Suisse Securities (Canada), Inc.	Toronto, Canada	CAD	3.4
100	Credit Suisse Securities (Europe) Limited	London, United Kingdom	USD	2,859.3
100	Credit Suisse Securities (Hong Kong) Limited	Hong Kong, China	HKD	530.9
100	Credit Suisse Securities (India) Private Limited	Mumbai, India	INR	2,214.8
100	Credit Suisse Securities (Japan) Limited	Tokyo, Japan	JPY	78,100.0
100	Credit Suisse Securities (Johannesburg) (Proprietary) Limited	Johannesburg, South Africa	ZAR	0.0
100	Credit Suisse Securities (Malaysia) Sdn. Bhd.	Kuala Lumpur, Malaysia	MYR	100.0
100	Credit Suisse Securities (Moscow)	Moscow, Russia	RUB	97.1
100	Credit Suisse Securities (Singapore) Pte Limited	Singapore, Singapore	SGD	30.0
100	Credit Suisse Securities (Thailand) Limited	Bangkok, Thailand	THB	500.0
100	Credit Suisse Securities (USA) LLC	Wilmington, United States	USD	2,847.9
100	CS Non-Traditional Products Ltd.	Nassau, Bahamas	USD	0.1

Significant subsidiaries (continued)

Equity interest in %	Company name	Domicile	Currency	Nominal capital in million
100	DLJ Mortgage Capital, Inc.	Wilmington, United States	USD	0.0
100	J O Hambro Investment Management Limited	London, United Kingdom	GBP	0.0
100	Merban Equity AG	Zug, Switzerland	CHF	0.1
100	SPS Holding Corporation	Wilmington, United States	USD	0.1
100	Whist Equity Trading LLC	Wilmington, United States	USD	140.4
99	PT Credit Suisse Securities Indonesia	Jakarta, Indonesia	IDR	235,000.0
98	Credit Suisse Hypotheken AG	Zurich, Switzerland	CHF	0.1
83	Asset Management Finance LLC	Wilmington, United States	USD	341.5
71	Credit Suisse Saudi Arabia	Riyadh, Saudi Arabia	SAR	300.0

¹ 58% owned by Credit Suisse AG. ² 43% of voting rights held by Credit Suisse Group AG, Guernsey Branch. ³ 80% of voting rights and 98% of equity interest held by Credit Suisse AG.

Significant equity method investments

Equity interest in %	Company name	Domicile
as of December 31, 2012		
Credit Suisse Group AG		
100 ¹	Credit Suisse Group Finance (Guernsey) Limited	St. Peter Port, Guernsey
100 ¹	Credit Suisse Group (Guernsey) I Limited	St. Peter Port, Guernsey
100 ¹	Credit Suisse Group (Guernsey) II Limited	St. Peter Port, Guernsey
100 ¹	Credit Suisse Group (Guernsey) IV Limited	St. Peter Port, Guernsey
50	Swisscard AECS AG	Horgen, Switzerland
25	SECB Swiss Euro Clearing Bank GmbH	Frankfurt, Germany
Credit Suisse AG		
33	Credit Suisse Founder Securities Limited	Beijing, China
25	E.L. & C. Baillieu Stockbroking (Holdings) Pty Ltd	Melbourne, Australia
20	ICBC Credit Suisse Asset Management Co., Ltd.	Beijing, China
5 ²	York Capital Management Global Advisors, LLC	New York, United States

¹ Deconsolidated under US GAAP as the Group is not the primary beneficiary. ² The Group holds a significant noncontrolling interest.

39 Subsidiary guarantee information

Certain wholly-owned finance subsidiaries of the Group, including Credit Suisse Group (Guernsey) I Limited and Credit Suisse Group (Guernsey) III Limited, each of which is a Guernsey incorporated non-cellular company limited by shares, may issue contingent convertible securities fully and unconditionally guaranteed by the Group. There are various legal and regulatory requirements, including the satisfaction of a solvency test under Guernsey law, applicable to some of the Group's subsidiaries that limit their ability to pay dividends or distributions and make loans and advances to the Group.

On March 26, 2007, the Group and the Bank issued full, unconditional and several guarantees of Credit Suisse (USA), Inc.'s outstanding SEC-registered debt securities. In accordance with the guarantees, if Credit Suisse (USA), Inc. fails to make any timely payment under the agreements governing such debt securities, the holders of the debt securities may demand payment from either the Group or the Bank, without first proceeding against Credit Suisse (USA), Inc. The guarantee from the Group is subordinated to senior liabilities. Credit Suisse (USA), Inc. is an indirect, wholly-owned subsidiary of the Group.

Condensed consolidating statements of operations

in 2012	Credit Suisse (USA), Inc., consolidated	Bank parent company and other subsidiaries ¹	Bank	Group parent company	Other Group subsidiaries ¹	Credit Suisse Group
Condensed consolidating statements of operations (CHF million)						
Interest and dividend income	7,435	14,124	21,559	81	465	22,105
Interest expense	(4,431)	(10,311)	(14,742)	(79)	(134)	(14,955)
Net interest income	3,004	3,813	6,817	2	331	7,150
Commissions and fees	4,090	8,808	12,898	(12)	187	13,073
Trading revenues	1,555	(227)	1,328	1	(134)	1,195
Other revenues	891	1,599	2,490	1,319 ²	(1,261)	2,548
Net revenues	9,540	13,993	23,533	1,310	(877)	23,966
Provision for credit losses	(5)	93	88	0	82	170
Compensation and benefits	3,676	8,770	12,446	56	28	12,530
General and administrative expenses	2,070	5,198	7,268	(101)	143	7,310
Commission expenses	256	1,502	1,758	1	16	1,775
Total other operating expenses	2,326	6,700	9,026	(100)	159	9,085
Total operating expenses	6,002	15,470	21,472	(44)	187	21,615
Income/(loss) from continuing operations before taxes	3,543	(1,570)	1,973	1,354	(1,146)	2,181
Income tax expense/(benefit)	1,321	(843)	478	5	13	496
Income/(loss) from continuing operations	2,222	(727)	1,495	1,349	(1,159)	1,685
Net income/(loss)	2,222	(727)	1,495	1,349	(1,159)	1,685
Net income/(loss) attributable to noncontrolling interests	281	(881)	(600)	0	936	336
Net income/(loss) attributable to shareholders	1,941	154	2,095	1,349	(2,095)	1,349

¹ Includes eliminations and consolidation adjustments. ² Primarily consists of revenues from investments in Group companies accounted for under the equity method.

Condensed consolidating statements of comprehensive income

in 2012	Credit Suisse (USA), Inc., consolidated	Bank parent company and other subsidiaries ¹	Bank	Group parent company	Other Group subsidiaries ¹	Credit Suisse Group
Comprehensive income (CHF million)						
Net income/(loss)	2,222	(727)	1,495	1,349	(1,159)	1,685
Gains/(losses) on cash flow hedges	0	7	7	30	0	37
Foreign currency translation	(559)	(674)	(1,233)	1	118	(1,114)
Unrealized gains/(losses) on securities	0	(43)	(43)	0	28	(15)
Actuarial gains/(losses)	20	38	58	0	(108)	(50)
Net prior service cost	(2)	1	(1)	0	249	248
Other comprehensive income/(loss), net of tax	(541)	(671)	(1,212)	31	287	(894)
Comprehensive income/(loss)	1,681	(1,398)	283	1,380	(872)	791
Comprehensive income/(loss) attributable to noncontrolling interests	186	(997)	(811)	0	1,022	211
Comprehensive income/(loss) attributable to shareholders	1,495	(401)	1,094	1,380	(1,894)	580

¹ Includes eliminations and consolidation adjustments.

Condensed consolidating statements of operations (continued)

	Credit Suisse (USA), Inc., consolidated	Bank parent company and other subsidiaries ¹	Bank	Group parent company	Other Group subsidiaries ¹	Credit Suisse Group
in 2011						
Condensed consolidating statements of operations (CHF million)						
Interest and dividend income	7,501	14,936	22,437	161	404	23,002
Interest expense	(4,670)	(11,753)	(16,423)	(153)	7	(16,569)
Net interest income	2,831	3,183	6,014	8	411	6,433
Commissions and fees	3,509	9,165	12,674	9	269	12,952
Trading revenues	(1,673)	6,413	4,740	1	279	5,020
Other revenues	1,267	492	1,759	1,888 ²	(1,827)	1,820
Net revenues	5,934	19,253	25,187	1,906	(868)	26,225
Provision for credit losses	7	116	123	0	64	187
Compensation and benefits	3,736	9,452	13,188	80	(55)	13,213
General and administrative expenses	1,674	5,733	7,407	(135)	100	7,372
Commission expenses	267	1,701	1,968	1	23	1,992
Total other operating expenses	1,941	7,434	9,375	(134)	123	9,364
Total operating expenses	5,677	16,886	22,563	(54)	68	22,577
Income/(loss) from continuing operations before taxes	250	2,251	2,501	1,960	(1,000)	3,461
Income tax expense/(benefit)	(288)	747	459	7	205	671
Income/(loss) from continuing operations	538	1,504	2,042	1,953	(1,205)	2,790
Net income/(loss)	538	1,504	2,042	1,953	(1,205)	2,790
Net income/(loss) attributable to noncontrolling interests	734	167	901	0	(64)	837
Net income/(loss) attributable to shareholders	(196)	1,337	1,141	1,953	(1,141)	1,953

¹ Includes eliminations and consolidation adjustments. ² Primarily consists of revenues from investments in Group companies accounted for under the equity method.

Condensed consolidating statements of comprehensive income

	Credit Suisse (USA), Inc., consolidated	Bank parent company and other subsidiaries ¹	Bank	Group parent company	Other Group subsidiaries ¹	Credit Suisse Group
in 2011						
Comprehensive income (CHF million)						
Net income/(loss)	538	1,504	2,042	1,953	(1,205)	2,790
Gains/(losses) on cash flow hedges	0	(32)	(32)	(1)	0	(33)
Foreign currency translation	43	(336)	(293)	1	29	(263)
Unrealized gains/(losses) on securities	0	(3)	(3)	0	(15)	(18)
Actuarial gains/(losses)	(79)	221	142	0	(757)	(615)
Net prior service cost	0	(1)	(1)	0	396	395
Other comprehensive income/(loss), net of tax	(36)	(151)	(187)	0	(347)	(534)
Comprehensive income/(loss)	502	1,353	1,855	1,953	(1,552)	2,256
Comprehensive income/(loss) attributable to noncontrolling interests	771	169	940	0	(58)	882
Comprehensive income/(loss) attributable to shareholders	(269)	1,184	915	1,953	(1,494)	1,374

¹ Includes eliminations and consolidation adjustments.

Condensed consolidating statements of operations (continued)

in 2010	Credit Suisse (USA), Inc., consolidated	Bank parent company and other subsidiaries ¹	Bank	Group parent company	Other Group subsidiaries ¹	Credit Suisse Group
Condensed consolidating statements of operations (CHF million)						
Interest and dividend income	8,897	16,088	24,985	209	339	25,533
Interest expense	(5,454)	(13,341)	(18,795)	(203)	6	(18,992)
Net interest income	3,443	2,747	6,190	6	345	6,541
Commissions and fees	4,403	9,416	13,819	9	250	14,078
Trading revenues	667	8,547	9,214	0	124	9,338
Other revenues	1,081	229	1,310	4,982 ²	(4,863)	1,429
Net revenues	9,594	20,939	30,533	4,997	(4,144)	31,386
Provision for credit losses	13	(134)	(121)	0	42	(79)
Compensation and benefits	4,177	10,524	14,701	90	(192)	14,599
General and administrative expenses	1,883	5,413	7,296	(196)	131	7,231
Commission expenses	307	1,814	2,121	3	24	2,148
Total other operating expenses	2,190	7,227	9,417	(193)	155	9,379
Total operating expenses	6,367	17,751	24,118	(103)	(37)	23,978
Income/(loss) from continuing operations before taxes	3,214	3,322	6,536	5,100	(4,149)	7,487
Income tax expense	952	355	1,307	2	239	1,548
Income/(loss) from continuing operations	2,262	2,967	5,229	5,098	(4,388)	5,939
Income/(loss) from discontinued operations, net of tax	0	(19)	(19)	0	0	(19)
Net income/(loss)	2,262	2,948	5,210	5,098	(4,388)	5,920
Net income attributable to noncontrolling interests	592	210	802	0	20	822
Net income/(loss) attributable to shareholders	1,670	2,738	4,408	5,098	(4,408)	5,098
of which from continuing operations	1,670	2,757	4,427	5,098	(4,408)	5,117
of which from discontinued operations	0	(19)	(19)	0	0	(19)

¹ Includes eliminations and consolidation adjustments. ² Primarily consists of revenues from investments in Group companies accounted for under the equity method.

Condensed consolidating statements of comprehensive income

in 2010	Credit Suisse (USA), Inc., consolidated	Bank parent company and other subsidiaries ¹	Bank	Group parent company	Other Group subsidiaries ¹	Credit Suisse Group
Comprehensive income (CHF million)						
Net income/(loss)	2,262	2,948	5,210	5,098	(4,388)	5,920
Gains/(losses) on cash flow hedges	0	22	22	(14)	0	8
Foreign currency translation	(2,673)	(934)	(3,607)	0	28	(3,579)
Unrealized gains/(losses) on securities	0	13	13	1	(7)	7
Actuarial gains/(losses)	(35)	(76)	(111)	0	(134)	(245)
Net prior service cost	(1)	0	(1)	0	14	13
Other comprehensive income/(loss), net of tax	(2,709)	(975)	(3,684)	(13)	(99)	(3,796)
Comprehensive income/(loss)	(447)	1,973	1,526	5,085	(4,487)	2,124
Comprehensive income/(loss) attributable to noncontrolling interests	(93)	(339)	(432)	0	510	78
Comprehensive income/(loss) attributable to shareholders	(354)	2,312	1,958	5,085	(4,997)	2,046

¹ Includes eliminations and consolidation adjustments.

Condensed consolidating balance sheets

	Credit Suisse (USA), Inc., consolidated	Bank parent company and other subsidiaries ¹	Bank	Group parent company	Other Group subsidiaries ¹	Credit Suisse Group
end of 2012						
Assets (CHF million)						
Cash and due from banks	4,388	56,988	61,376	19	368	61,763
Interest-bearing deposits with banks	86	3,633	3,719	0	(1,774)	1,945
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	124,976	58,470	183,446	0	9	183,455
Securities received as collateral	34,980	(4,935)	30,045	0	0	30,045
Trading assets	87,958	168,644	256,602	0	(203)	256,399
Investment securities	0	1,939	1,939	0	1,559	3,498
Other investments	5,899	5,917	11,816	35,088	(34,882)	12,022
Net loans	22,945	204,553	227,498	4,459	10,266	242,223
Premises and equipment	1,062	4,354	5,416	0	202	5,618
Goodwill	581	6,929	7,510	0	879	8,389
Other intangible assets	77	166	243	0	0	243
Brokerage receivables	20,545	25,223	45,768	0	0	45,768
Other assets	15,469	57,313	72,782	173	(43)	72,912
Total assets	318,966	589,194	908,160	39,739	(23,619)	924,280
Liabilities and equity (CHF million)						
Due to banks	164	30,410	30,574	3,753	(3,313)	31,014
Customer deposits	1	297,689	297,690	0	10,622	308,312
Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions	127,666	5,055	132,721	0	0	132,721
Obligation to return securities received as collateral	34,980	(4,935)	30,045	0	0	30,045
Trading liabilities	23,332	67,759	91,091	0	(275)	90,816
Short-term borrowings	20,102	(5,264)	14,838	0	3,803	18,641
Long-term debt	35,485	111,512	146,997	437	700	148,134
Brokerage payables	44,400	20,276	64,676	0	0	64,676
Other liabilities	12,008	45,359	57,367	51	219	57,637
Total liabilities	298,138	567,861	865,999	4,241	11,756	881,996
Total shareholders' equity	17,318	17,449	34,767	35,498	(34,767)	35,498
Noncontrolling interests	3,510	3,884	7,394	0	(608)	6,786
Total equity	20,828	21,333	42,161	35,498	(35,375)	42,284
Total liabilities and equity	318,966	589,194	908,160	39,739	(23,619)	924,280

¹ Includes eliminations and consolidation adjustments.

Condensed consolidating balance sheets (continued)

end of 2011	Credit Suisse (USA), Inc., consolidated	Bank parent company and other subsidiaries ¹	Bank	Group parent company	Other Group subsidiaries ¹	Credit Suisse Group
Assets (CHF million)						
Cash and due from banks	3,698	107,526	111,224	13	(664)	110,573
Interest-bearing deposits with banks	87	4,106	4,193	0	(1,921)	2,272
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	153,625	83,310	236,935	0	28	236,963
Securities received as collateral	34,189	(3,998)	30,191	0	0	30,191
Trading assets	91,458	188,290	279,748	0	(195)	279,553
Investment securities	0	3,652	3,652	0	1,508	5,160
Other investments	6,719	6,196	12,915	34,137	(33,826)	13,226
Net loans	24,658	194,776	219,434	5,603	8,376	233,413
Premises and equipment	1,110	5,880	6,990	0	203	7,193
Goodwill	597	7,103	7,700	0	891	8,591
Other intangible assets	112	168	280	0	8	288
Brokerage receivables	17,951	25,494	43,445	0	1	43,446
Other assets	16,114	61,966	78,080	190	26	78,296
Total assets	350,318	684,469	1,034,787	39,943	(25,565)	1,049,165
Liabilities and equity (CHF million)						
Due to banks	92	39,985	40,077	4,697	(4,627)	40,147
Customer deposits	0	304,130	304,130	0	9,271	313,401
Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions	151,655	24,904	176,559	0	0	176,559
Obligation to return securities received as collateral	34,189	(3,998)	30,191	0	0	30,191
Trading liabilities	29,291	98,518	127,809	0	(49)	127,760
Short-term borrowings	15,881	10,235	26,116	0	0	26,116
Long-term debt	40,029	121,324	161,353	1,444	(142)	162,655
Brokerage payables	47,847	20,187	68,034	0	0	68,034
Other liabilities	10,124	52,043	62,167	128	922	63,217
Total liabilities	329,108	667,328	996,436	6,269	5,375	1,008,080
Total shareholders' equity	16,979	12,424	29,403	33,674	(29,403)	33,674
Noncontrolling interests	4,231	4,717	8,948	0	(1,537)	7,411
Total equity	21,210	17,141	38,351	33,674	(30,940)	41,085
Total liabilities and equity	350,318	684,469	1,034,787	39,943	(25,565)	1,049,165

¹ Includes eliminations and consolidation adjustments.

Condensed consolidating statements of cash flows

in 2012	Credit Suisse (USA), Inc., consolidated	Bank parent company and other subsidiaries ¹	Bank	Group parent company	Other Group subsidiaries ¹	Credit Suisse Group
Operating activities of continuing operations (CHF million)						
Net cash provided by/(used in) operating activities of continuing operations	(5,118)	(6,871)	(11,989)	357 ²	(1,042)	(12,674)
Investing activities of continuing operations (CHF million)						
(Increase)/decrease in interest-bearing deposits with banks	(2)	317	315	0	(131)	184
(Increase)/decrease in central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	25,125	21,808	46,933	0	19	46,952
Purchase of investment securities	0	(276)	(276)	0	(204)	(480)
Proceeds from sale of investment securities	0	936	936	0	0	936
Maturities of investment securities	0	1,442	1,442	0	184	1,626
Investments in subsidiaries and other investments	78	(2,025)	(1,947)	(3,584)	3,492	(2,039)
Proceeds from sale of other investments	1,903	1,015	2,918	110	76	3,104
(Increase)/decrease in loans	1,075	(11,189)	(10,114)	1,154	(1,925)	(10,885)
Proceeds from sale of loans	0	1,090	1,090	0	0	1,090
Capital expenditures for premises and equipment and other intangible assets	(364)	(863)	(1,227)	0	(15)	(1,242)
Proceeds from sale of premises and equipment and other intangible assets	16	10	26	0	0	26
Other, net	235	3,441	3,676	28	(21)	3,683
Net cash provided by/(used in) investing activities of continuing operations	28,066	15,706	43,772	(2,292)	1,475	42,955
Financing activities of continuing operations (CHF million)						
Increase/(decrease) in due to banks and customer deposits	78	(15,020)	(14,942)	(1,015)	2,902	(13,055)
Increase/(decrease) in short-term borrowings	4,114	(15,757)	(11,643)	0	3,803	(7,840)
Increase/(decrease) in central bank funds purchased, securities sold under repurchase agreements and securities lending transactions	(20,402)	(19,556)	(39,958)	0	0	(39,958)
Issuances of long-term debt	879	36,338	37,217	10	1,178	38,405
Repayments of long-term debt	(5,094)	(49,371)	(54,465)	(1,149)	(322)	(55,936)
Issuances of common shares	0	0	0	1,930	0	1,930
Sale of treasury shares	0	0	0	367	7,988	8,355
Repurchase of treasury shares	0	0	0	(495)	(8,364)	(8,859)
Dividends paid/capital repayments	0	(321)	(321)	(944)	(31)	(1,296)
Excess tax benefits on share based awards	0	42	42	0	(42)	0
Other, net	(1,715)	5,318	3,603	3,180	(6,389)	394
Net cash provided by/(used in) financing activities of continuing operations	(22,140)	(58,327)	(80,467)	1,884	723	(77,860)
Effect of exchange rate changes on cash and due from banks (CHF million)						
Effect of exchange rate changes on cash and due from banks	(118)	(1,046)	(1,164)	57	(124)	(1,231)
Net increase/(decrease) in cash and due from banks (CHF million)						
Net increase/(decrease) in cash and due from banks	690	(50,538)	(49,848)	6	1,032	(48,810)
Cash and due from banks at beginning of period	3,698	107,526	111,224	13	(664)	110,573
Cash and due from banks at end of period	4,388	56,988	61,376	19	368	61,763

¹ Includes eliminations and consolidation adjustments. ² Consists of dividend payments from Group companies of CHF 166 million and CHF 46 million from bank and non-bank subsidiaries, respectively, and other cash items from parent company operations such as Group financing.

Condensed consolidating statements of cash flows (continued)

	Credit Suisse (USA), Inc., consolidated	Bank parent company and other subsidiaries ¹	Bank	Group parent company	Other Group subsidiaries ¹	Credit Suisse Group
in 2011						
Operating activities of continuing operations (CHF million)						
Net cash provided by/(used in) operating activities of continuing operations	11,109	25,994	37,103	431 ²	1,096	38,630
Investing activities of continuing operations (CHF million)						
(Increase)/decrease in interest-bearing deposits with banks	(1)	(1,019)	(1,020)	0	288	(732)
(Increase)/decrease in central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	(19,677)	4,996	(14,681)	0	(540)	(15,221)
Purchase of investment securities	0	(1,232)	(1,232)	0	(310)	(1,542)
Proceeds from sale of investment securities	0	2,118	2,118	0	0	2,118
Maturities of investment securities	0	2,294	2,294	0	168	2,462
Investments in subsidiaries and other investments	10	(1,420)	(1,410)	(101)	(271)	(1,782)
Proceeds from sale of other investments	4,269	2,055	6,324	9	451	6,784
(Increase)/decrease in loans	6,326	(21,144)	(14,818)	547	(2,971)	(17,242)
Proceeds from sale of loans	0	689	689	0	0	689
Capital expenditures for premises and equipment and other intangible assets	(477)	(1,250)	(1,727)	0	(12)	(1,739)
Proceeds from sale of premises and equipment and other intangible assets	0	11	11	0	0	11
Other, net	3	186	189	0	33	222
Net cash provided by/(used in) investing activities of continuing operations	(9,547)	(13,716)	(23,263)	455	(3,164)	(25,972)
Financing activities of continuing operations (CHF million)						
Increase/(decrease) in due to banks and customer deposits	(27)	27,651	27,624	(1,514)	1,825	27,935
Increase/(decrease) in short-term borrowings	(21,783)	25,881	4,098	0	0	4,098
Increase/(decrease) in central bank funds purchased, securities sold under repurchase agreements and securities lending transactions	29,310	(22,128)	7,182	0	0	7,182
Issuances of long-term debt	3,395	30,255	33,650	10	574	34,234
Repayments of long-term debt	(9,974)	(26,617)	(36,591)	(489)	(47)	(37,127)
Issuances of common shares	44	(46)	(2)	1,129	0	1,127
Sale of treasury shares	0	615	615	550	10,688	11,853
Repurchase of treasury shares	0	(612)	(612)	(201)	(10,977)	(11,790)
Dividends paid/capital repayments	0	(481)	(481)	(1,560)	93	(1,948)
Other, net	(3,897)	1,118	(2,779)	617	(346)	(2,508)
Net cash provided by/(used in) financing activities of continuing operations	(2,932)	35,636	32,704	(1,458)	1,810	33,056
Effect of exchange rate changes on cash and due from banks (CHF million)						
Effect of exchange rate changes on cash and due from banks	(65)	(627)	(692)	567	(508)	(633)
Net cash provided by/(used in) operating activities of discontinued operations (CHF million)						
Net cash provided by / (used in) operating activities of discontinued operations	0	25	25	0	0	25
Net increase/(decrease) in cash and due from banks (CHF million)						
Net increase/(decrease) in cash and due from banks	(1,435)	47,312	45,877	(5)	(766)	45,106
Cash and due from banks at beginning of period	5,133	60,214	65,347	18	102	65,467
Cash and due from banks at end of period	3,698	107,526	111,224	13	(664)	110,573

¹ Includes eliminations and consolidation adjustments. ² Consists of dividend payments from Group companies of CHF 162 million and CHF 188 million from bank and non-bank subsidiaries, respectively, and other cash items from parent company operations such as Group financing.

Condensed consolidating statements of cash flows (continued)

in 2010	Credit Suisse (USA), Inc., consolidated	Bank parent company and other subsidiaries ¹	Bank	Group parent company	Other Group subsidiaries ¹	Credit Suisse Group
Operating activities of continuing operations (CHF million)						
Net cash provided by/(used in) operating activities of continuing operations	26,915	(19,998)	6,917	3,577 ²	(2,266)	8,228
Investing activities of continuing operations (CHF million)						
(Increase)/decrease in interest-bearing deposits with banks	4,967	(6,727)	(1,760)	0	1,662	(98)
(Increase)/decrease in central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	(9,985)	(17,556)	(27,541)	0	23	(27,518)
Purchase of investment securities	0	(2,580)	(2,580)	0	(172)	(2,752)
Proceeds from sale of investment securities	0	988	988	0	0	988
Maturities of investment securities	0	3,555	3,555	29	164	3,748
Investments in subsidiaries and other investments	(263)	(1,103)	(1,366)	(68)	(240)	(1,674)
Proceeds from sale of other investments	847	1,308	2,155	5	307	2,467
(Increase)/decrease in loans	98	6,026	6,124	715	(2,869)	3,970
Proceeds from sale of loans	0	817	817	0	0	817
Capital expenditures for premises and equipment and other intangible assets	(510)	(1,170)	(1,680)	0	(9)	(1,689)
Proceeds from sale of premises and equipment and other intangible assets	0	17	17	0	0	17
Other, net	68	146	214	0	61	275
Net cash provided by/(used in) investing activities of continuing operations	(4,778)	(16,279)	(21,057)	681	(1,073)	(21,449)
Financing activities of continuing operations (CHF million)						
Increase/(decrease) in due to banks and customer deposits	(12)	27,475	27,463	(1,767)	695	26,391
Increase/(decrease) in short-term borrowings	5,953	4,981	10,934	0	0	10,934
Increase/(decrease) in central bank funds purchased, securities sold under repurchase agreements and securities lending transactions	(16,158)	9,061	(7,097)	0	0	(7,097)
Issuances of long-term debt	497	55,734	56,231	0	1,679	57,910
Repayments of long-term debt	(6,343)	(43,008)	(49,351)	(465)	(1,574)	(51,390)
Issuances of common shares	0	1,567	1,567	32	(1,590)	9
Sale of treasury shares	0	2,082	2,082	39	22,628	24,749
Repurchase of treasury shares	0	(1,623)	(1,623)	(2,103)	(23,120)	(26,846)
Dividends paid/capital repayments	0	(3,589)	(3,589)	(2,378)	3,167	(2,800)
Excess tax benefits on share based awards	478	130	608	0	7	615
Other, net	(2,850)	(494)	(3,344)	2,395	1,502	553
Net cash provided by/(used in) financing activities of continuing operations	(18,435)	52,316	33,881	(4,247)	3,394	33,028
Effect of exchange rate changes on cash and due from banks (CHF million)						
Effect of exchange rate changes on cash and due from banks	(558)	(5,905)	(6,463)	(4)	312	(6,155)
Net cash provided by/(used in) operating activities of discontinued operations (CHF million)						
Net cash provided by / (used in) operating activities of discontinued operations	0	(42)	(42)	0	0	(42)
Net increase/(decrease) in cash and due from banks (CHF million)						
Net increase/(decrease) in cash and due from banks	3,144	10,092	13,236	7	367	13,610
Cash and due from banks at beginning of period	1,989	50,122	52,111	11	(265)	51,857
Cash and due from banks at end of period	5,133	60,214	65,347	18	102	65,467

¹ Includes eliminations and consolidation adjustments. ² Consists of dividend payments from Group companies of CHF 3,063 million and CHF 269 million from bank and non-bank subsidiaries, respectively, and other cash items from parent company operations such as Group financing.

40 Credit Suisse Group parent company

- ▶ Refer to "Note 39 – Subsidiary guarantee information" for the condensed Credit Suisse Group parent company financial information.

41 Significant valuation and income recognition differences between US GAAP and Swiss GAAP banking law (true and fair view)

The Group's consolidated financial statements have been prepared in accordance with US GAAP.

FINMA requires Swiss-domiciled banks which present their financial statements under either US GAAP or International Financial Reporting Standards (IFRS) to provide a narrative explanation of the major differences between Swiss GAAP banking law (true and fair view) and its primary accounting standard.

The principal provisions of the Banking Ordinance and the FINMA Circular 2008/2, "Accounting – banks", governing financial reporting for banks (Swiss GAAP) differ in certain aspects from US GAAP. The following are the major differences:

- ▶ Refer to "Note 1 – Summary of significant accounting policies" for a detailed description of the Group's accounting policies.

Scope of consolidation

Under US GAAP, the Group does not consolidate certain entities that issue redeemable preferred securities. Under Swiss GAAP, these entities would continue to be consolidated as the Group holds 100% of the voting rights.

Under Swiss GAAP, majority-owned subsidiaries that are not considered long-term investments or do not operate in the core business of the Group are either accounted for as financial investments or as equity method investments. US GAAP has no such exception relating to the consolidation of majority-owned subsidiaries.

Fair value option

Unlike US GAAP, Swiss GAAP generally does not allow the fair value option concept that creates an optional alternative measurement treatment for certain non-trading financial assets and liabilities, guarantees and commitments. The fair value option permits the use of fair value for initial and subsequent measurement with changes in fair value recorded in the consolidated statements of income.

For issued structured products that include own debt and meet certain restrictive conditions, fair value measurement is applied on a case-by-case basis. The related changes in fair value of both the embedded derivative and the host contract

are recorded in trading revenues, except for fair value adjustments relating to own credit that cannot be recognized in the consolidated statements of income.

Other issued structured products which are not in the scope of this interpretation or for which fair value accounting is not elected under Swiss GAAP but for which the fair value option is elected under US GAAP continue to be bifurcated for Swiss GAAP purposes. This means that the embedded derivative is carried at fair value and the host contract is accounted for at amortized cost.

Other non-trading assets measured at fair value

Under US GAAP, all of our mortgage servicing rights and most of our life settlement contracts are reported at fair value, with changes in value reported in the consolidated statements of operations.

Under Swiss GAAP, mortgage servicing rights and life settlement contracts are carried at the lower of cost or market.

Goodwill amortization

Under US GAAP, goodwill is not amortized but must be tested for impairment annually or more frequently if an event or change in circumstances indicates that the goodwill may be impaired.

Under Swiss GAAP, goodwill is amortized over its useful life, generally not exceeding five years, except for justified cases where a maximum useful life of up to 20 years is acceptable. In addition, goodwill is tested for impairment.

Intangible assets with indefinite lives

Under US GAAP, intangible assets with indefinite lives are not amortized but are tested for impairment annually or more frequently if an event or change in circumstances indicates that the asset may be impaired.

Under Swiss GAAP, intangibles assets with indefinite lives are amortized over a useful life, up to a maximum of five years. In addition, these assets are tested for impairment.

Pensions and post-retirement benefits

Under US GAAP, the liability and related pension expense is determined based on the projected unit credit actuarial calculation of the benefit obligation.

Under Swiss GAAP, the liability and related pension expense is primarily determined based on the pension plan valuation in accordance with Swiss GAAP FER 26. A pension asset is recorded if a statutory overfunding of a pension plan leads to a future economic benefit, and a pension liability is recorded if a statutory underfunding of a pension plan leads to a future economic obligation. Pension expenses include the required contributions defined by Swiss law, any additional contribution mandated by the pension fund trustees and any change in value of the pension asset or liability between two measurement dates as determined on the basis of the annual year-end pension plan valuation.

Loan origination fees

US GAAP requires the deferral of certain fees received upfront in connection with the loan origination for loans not held under the fair value option.

Under Swiss GAAP, only upfront payments or fees that are considered interest-related components are deferred (e.g., premiums and discounts). Fees received from the borrower which are considered service-related fees such as commitment fees, structuring fees and arrangement fees are immediately recognized in commission income.

Sale of financial instruments held at amortized cost

Under US GAAP, the gain or loss on sale or early redemption of a financial instrument is immediately recognized in the consolidated statements of operations.

Under Swiss GAAP, the gain or loss on sale or early redemption of an interest-related financial instrument held at amortized cost is deferred over the remaining original term of the financial instrument.

Extinguishment of own debt

Under US GAAP, repurchased or reacquired own debt instruments are extinguished and gains or losses from extinguishment are immediately recognized in other income.

Under Swiss GAAP, repurchased own debt is only extinguished if the respective securities are legally extinguished. Gains or losses from extinguishment of own debt that was accounted for at amortized cost are deferred and amortized over the original term of the repurchased instruments. For reacquired own debt instruments that are not legally extinguished, the repurchased own debt instruments are either held as financial investments at the lower of cost or market or as trading assets at fair value. The carrying value of the repur-

chased instruments is offset against the respective liability of own debt instruments issued.

Real estate held for investment

Under US GAAP, real estate held for investment is valued at cost less accumulated depreciation and any impairment.

Under Swiss GAAP, real estate held for investment that the Group intends to hold permanently is also valued at cost less accumulated depreciation and any other-than-temporary impairment. If the Group does not intend to hold real estate permanently, it is carried at the lower of cost or market.

Sale and leaseback transactions

Under US GAAP, gains from the sale of property subject to a sale and leaseback agreement are deferred and amortized over the leaseback period.

Under Swiss GAAP, gains from the sale of property subject to a sale and leaseback agreement are only deferred if the provisions of the leaseback contract indicate that the leaseback is a capital lease; if the leaseback contract meets the requirements of an operating lease, such gains are immediately recognized upon sale of the property.

Investments in securities

Available-for-sale securities

Under US GAAP, available-for-sale securities are valued at fair value. Unrealized gains and losses due to fluctuations in fair value (including foreign exchange) are not recorded in the consolidated statements of operations but included net of tax in AOCI, which is part of total shareholders' equity. Declines in fair value below cost deemed to be other-than-temporary are recognized as impairments in the consolidated statements of operations, except for amounts relating to factors other than credit loss on debt securities with no intent or requirement to sell that continue to be included in AOCI. The new cost basis will not be changed for subsequent recoveries in fair value.

Under Swiss GAAP, available-for-sale securities are accounted for at the lower of cost or market with valuation reductions and recoveries due to market fluctuations recorded in other ordinary expenses and income, respectively. Foreign exchange gains and losses are recognized in net trading income.

Non-marketable equity securities

Under US GAAP, non-marketable equity securities are valued at cost less other-than-temporary impairment or at fair value.

Under Swiss GAAP, non-marketable equity securities are carried at the lower of cost or market.

Impairments on held-to-maturity securities

Under US GAAP, declines in fair value of held-to-maturity securities below cost deemed to be other-than-temporary are recognized as impairments in the consolidated statements of operations except for amounts relating to factors other than credit loss on debt securities held with no intent or requirement to sell that are included in AOCI. The impairment cannot be reversed in future periods.

Under Swiss GAAP, all impairments are recognized in the consolidated statements of income. Impairments recognized on held-to-maturity securities are reversed up to the amortized cost if the fair value of the instrument subsequently recovers. A reversal is recorded in the consolidated statements of income.

Trading positions

Under both US GAAP and Swiss GAAP, positions classified in the trading portfolio are valued at fair value. Under US GAAP, this classification is based on management's intent concerning the specific instrument, whereas under Swiss GAAP, the prevailing criteria is the active management of the specific instrument in the context of a documented trading strategy.

Derivatives used for cash flow hedges

Under US GAAP, the effective portion of a cash flow hedge is reported in AOCI.

Under Swiss GAAP, the effective portion of a cash flow hedge is recorded in the compensation account in other assets or other liabilities.

Security collateral received in securities lending transactions

Under US GAAP, security collateral received in securities lending transactions are recorded as assets and a corresponding liability to return the collateral is recognized.

Under Swiss GAAP, security collateral received and the obligation to return collateral of securities lending transactions are not recognized on the balance sheet.

Derecognition of financial instruments

Under US GAAP, financial instruments are only derecognized if the transaction meets certain criteria.

Under Swiss GAAP, a financial instrument is derecognized when the economic control has been transferred from the seller to the buyer.

Discontinued operations

Under US GAAP, the assets and liabilities of an operation held-for-sale are separated from the ordinary captions of the consolidated balance sheets and are reported as discontinued operations measured at the lower of the carrying value or fair value less cost to sell. Accordingly, income and expense from discontinued operations are reported in a separate line item of the consolidated statements of operations.

Under Swiss GAAP, these positions remain in their initial balance sheet captions until disposed of and continue to be valued according to the respective captions.

Extraordinary income and expenses

Unlike US GAAP, Swiss GAAP does report certain expenses or revenues as extraordinary. Extraordinary income and expenses are reported net of tax.

Reserves for general banking risks

US GAAP does not allow general unallocated provisions.

Under Swiss GAAP, reserves for general banking risks are recorded as a separate component between liabilities and shareholders' equity. Reserves for general banking risks are established or released through extraordinary expense and extraordinary income, respectively, or result from the reallocation of provisions which are no longer economically required.

Loan commitments

Under US GAAP, the Group includes unused credit facilities that can be revoked at its sole discretion upon notice to the client in loan commitments.

Under Swiss GAAP, credit facilities that can be revoked at the Group's sole discretion are only disclosed if the notice period exceeds six weeks.

42 Risk assessment

In accordance with the Swiss Code of Obligations the following disclosure provides information regarding the risk assessment process, which was in place for the reporting period and followed by the Board.

The primary objectives of risk management are to protect the financial strength and reputation of the Group, while ensuring that capital is well deployed to support business activities and grow shareholder value. The risk management organization reflects the specific nature of the various risks in order to ensure that risks are managed within set limits in a transparent and timely manner.

The Board is responsible for the strategic direction, supervision and control of the Group and for defining its overall tolerance for risk in the form of a risk appetite statement. The Board has delegated certain responsibilities regarding risk management and oversight to the Risk Committee, the Audit Committee and to the Executive Board.

The Board's Risk Committee is responsible for assisting the Board in fulfilling its oversight responsibilities by providing guidance regarding risk governance and the review and assessment of the risk appetite framework including capital adequacy, the major risk exposures and the approval of risk limits. In addition to its other responsibilities such as reviewing the quarterly and annual financial statements and the performance and effectiveness of internal and external auditors, the Audit Committee reviews management's report on internal control over financial reporting (SOX 404), the annual report on the internal control system (ICS) and the annual compliance report.

Within the Executive Board of the Group, the Chief Risk Officer (CRO) is responsible for providing risk management oversight

and for establishing an organizational basis to manage and report on all risk management matters. The Capital Allocation and Risk Management Committee (CARMC), the Risk Processes and Standards Committee and the Reputation Risk and Sustainability Committee have been established to assist the Executive Board, and certain responsibilities regarding risk management and oversight have been delegated to these committees. CARMC is comprised of at least five members of the Executive Board and senior management appointed by the CEO and operates in the position risk cycle for setting position risk standards and monitoring related limits, the finance and capital cycle for asset/liability management, funding, liquidity and capital matters, and the ICS cycle for operational risks, legal and compliance issues and internal control matters. CARMC may delegate its authority to set and approve certain limits for position risk, funding, liquidity and capital to the CRO or divisional risk management committees. The divisional risk management committees regularly review and discuss division-specific market and credit risk matters, operational risks, legal and compliance issues and internal control matters.

During the reporting period, the Board received the quarterly risk reports from the CRO and the annual ICS and compliance reports from the office of the General Counsel, which formed the basis of the Board's risk reviews. Additional risk information was provided at each meeting of the Board's Risk Committee and at most Board meetings. The Board, assisted by its Risk and Audit Committees, performed a systematic risk assessment in accordance with established policies and procedures.

Controls and procedures

Evaluation of disclosure controls and procedures

The Group has evaluated the effectiveness of the design and operation of its disclosure controls and procedures as of the end of the period covered by this report under the supervision and with the participation of management, including the Group CEO and Chief Financial Officer (CFO), pursuant to Rule 13(a)-15(a) under the Securities Exchange Act of 1934 (the Exchange Act). There are inherent limitations to the effectiveness of any system of controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective controls and procedures can only provide reasonable assurance of achieving their control objectives.

The CEO and CFO concluded that, as of December 31, 2012, the design and operation of the Group's disclosure controls and procedures were effective, in all material respects, to ensure that information required to be disclosed in reports filed and submitted under the Exchange Act is recorded, processed, summarized and reported as and when required.

Management report on internal control over financial reporting

The management of the Group is responsible for establishing and maintaining adequate internal control over financial reporting. The Group's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with US GAAP. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies or procedures may deteriorate.

Management has made an evaluation and assessment of the Group's internal control over financial reporting as of December 31, 2012 using the criteria issued by the Committee of Sponsoring Organizations of the Treadway Commission in "Internal Control – Integrated Framework".

Based upon its review and evaluation, management, including the Group CEO and CFO, has concluded that the Group's internal control over financial reporting is effective as of December 31, 2012.

KPMG AG, the Group's independent auditors, have issued an unqualified opinion on the effectiveness of the Group's internal control over financial reporting as of December 31, 2012, as stated in their report, which follows.

Changes in internal control over financial reporting

There were no changes in the Group's internal control over financial reporting during the period covered by this report that have materially affected, or are reasonably likely to materially affect the Group's internal control over financial reporting.



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Report of the Independent Registered Public Accounting Firm to the General Meeting of Shareholders of
Credit Suisse Group AG, Zurich

We have audited Credit Suisse Group AG and subsidiaries' (the "Group") internal control over financial reporting as of December 31, 2012, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Group's board of directors and management are responsible for maintaining effective internal control over financial reporting and the Group's management is responsible for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Group's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Group maintained, in all material respects, effective internal control over financial reporting as of December 31, 2012, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) and Swiss Auditing Standards, the consolidated balance sheets of the Group as of December 31, 2012 and 2011, and the related consolidated statements of operations, changes in equity, comprehensive income and cash flows, and notes thereto, for each of the years in the three-year period ended December 31, 2012, and our report dated March 22, 2013 expressed an unqualified opinion on those consolidated financial statements.

KPMG AG

 Simon Ryder
Licensed Audit Expert
Auditor in Charge

Anthony Anzivino
Global Lead Partner

Zurich, Switzerland
 March 22, 2013

VI

Parent company financial statements – Credit Suisse Group

- 383 Report of the Statutory Auditor**
- 385 Parent company financial statements**
- 387 Notes to the financial statements**
(see the following page for a detailed list)
- 399 Proposed appropriation of retained earnings and capital distribution**
- 400 Report on the conditional increase of share capital**

Parent company financial statements

385 Statements of income

386 Balance sheets

Notes to the financial statements

387 1 Accounting principles

387 2 Contingent liabilities

**387 3 Compensation to members of the
Executive Board
and the Board of Directors**

396 4 Principal participations

**396 5 Own shares held by the company and by
group companies**

396 6 Significant shareholders

**397 7 Share capital, conditional, conversion and
authorized capital of Credit Suisse Group**

398 8 General reserves

398 9 Risk assessment



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Report of the Statutory Auditor on the Financial Statements to the General Meeting of Shareholder of

Credit Suisse Group AG, Zurich

As statutory auditor, we have audited the accompanying financial statements of Credit Suisse Group AG (the "Group"), which comprise the balance sheet, income statement and notes for the year ended December 31, 2012.

Board of Directors' Responsibility

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

Auditor's Responsibility

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

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

Opinion

In our opinion, the financial statements for the year ended December 31, 2012 comply with Swiss law and the Group's articles of incorporation.



*Credit Suisse Group AG, Zurich
Report of the Statutory Auditor on the
Financial Statements to the
General Meeting of Shareholder*

Report on Other Legal Requirements

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

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

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

KPMG AG

Simon Ryder
Licensed Audit Expert
Auditor in Charge

Ralph Dicht
Licensed Audit Expert

Zurich, March 22, 2013

Parent company financial statements

Statements of income

in	2012	2011
Income (CHF million)		
Dividend income from investments in group companies	272	362
Other financial income	82	156
Gain on sale of noncurrent assets	145	41
Other income	167	195
Total income	666	754
Expenses (CHF million)		
Financial expenses	223	167
Compensation and benefits	60	68
Other expenses	43	41
Valuation adjustments, write-offs and provisions	0	2
Tax expense	16	20
Total expenses	342	298
Net income	324	456

Balance sheets

	Reference to notes	end of	
		2012	2011
Assets (CHF million)			
Cash with group companies		19	13
Receivables from third parties		8	16
Accrued income and prepaid expenses – group companies		161	217
Total current assets		188	246
Investments in group companies	4	38,534	35,005
Long-term loans to group companies		4,459	5,859
Financial investments		51	41
Total noncurrent assets		43,044	40,905
Total assets		43,232	41,151
Liabilities and shareholders' equity (CHF million)			
Payables to third parties		25	5
Payables to group companies		3,376	4,310
Accrued expenses and deferred income – third parties		65	71
Accrued expenses and deferred income – group companies		23	67
Total short-term liabilities		3,489	4,453
Long-term loans from group companies		812	2,087
Provisions		312	312
Total long-term liabilities		1,124	2,399
Total liabilities		4,613	6,852
Share capital	7	53	49
General reserves	8	4,810	1,800
Reserves from capital contributions		14,661	13,679
General legal reserves		19,471	15,479
Reserves for own shares	5	3,929	3,929
Free reserves		10,500	10,500
Retained earnings brought forward		4,342	3,886
Net income		324	456
Retained earnings		4,666	4,342
Total shareholders' equity		38,619	34,299
Total liabilities and shareholders' equity		43,232	41,151

Notes to the financial statements

1 Accounting principles

The financial statements of the Group Parent company are prepared in accordance with the regulations of the Swiss Code of Obligations and are stated in CHF. The financial year ends on December 31.

2 Contingent liabilities

end of	2012	2011
CHF million		
Aggregate indemnity liabilities, guarantees and other contingent liabilities (net of exposures recorded as liabilities)	51,363	54,056
of which have been entered into on behalf of subsidiaries	51,363	54,056

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

3 Compensation to members of the Executive Board and the Board of Directors

As required by applicable Swiss law (Article 663b bis and Article 663c, paragraph 3 of the Swiss Code of Obligations), the following disclosure describes compensation paid to and equity holdings of the members of the Board of Directors (Board of Directors) and the members of the Executive Board as well as loans granted to this group of people and persons and companies related to them.

Executive Board compensation

Executive Board compensation for 2012

in	Short-term awards					Pension and similar benefits and other benefits ¹	Dividend equivalents ²	Payments and awards due to contractual agreements ³	Total compensation ⁴
	Base salary	Unrestricted cash	Value of STI awards	Value of LTI awards					
2012 (CHF million, except where indicated)									
13 members ⁵	17.75	13.56 ⁶	20.95 ⁷	15.40 ⁸		4.28	2.18	–	74.12
% of total compensation	24%	18%	28%	21%					
of which highest paid:									
Robert Shafir	1.40	0.70	3.50	2.80		1.91 ⁹	0.28	–	10.59
% of total compensation	13%	7%	33%	26%					
of which CEO:									
Brady W. Dougan	2.50	0.50	2.50	2.00		0.04	0.23	–	7.77
% of total compensation	32%	6%	32%	26%					

¹ Other benefits consist of housing allowances, lump sum expenses, child allowances and carried interest. ² Share awards carry the right to an annual payment equal to the dividend payable on each Group share. The dividend equivalents were paid in respect of awards granted in prior years. ³ During 2012, there were no payments made to Executive Board members for contractual agreements. ⁴ Does not include CHF 3.9 million of charitable contributions made by the Group for which the CEO and a former Executive Board member are able to make recommendations. ⁵ Of the 13 members, 5 left the Executive Board during 2012: Karl Landert and Antonio Quintella stepped down from the Executive Board effective April 30, 2012 and May 31, 2012, respectively, and Osama Abbasi, Walter Berchtold and Fawzi Kyriakos-Saad left the Executive Board effective November 30, 2012. The base salary and incentive compensation for these individuals has been pro rated accordingly. These individuals were paid incentive compensation in the form of unrestricted cash and STI awards for their performance in their respective roles on the Executive Board in 2012. ⁶ Includes pro rated unrestricted cash of CHF 10.2 million paid to the five individuals who left the Executive Board during 2012. ⁷ All short-term incentive awards for 2012 were granted as performance shares. The applicable Group share price for the performance share awards was CHF 24.62. ⁸ Long-term incentive awards vest over a five year period, payable on the third, fourth and fifth anniversaries of the grant date. The final value at vesting depends on the achievement of pre-defined performance criteria linked to the average relative total shareholder return and average return on equity. ⁹ CHF 1.87 million of this amount was granted as carried interest in 2012 (see below). In addition, in connection with his role at the time as CEO of the Asset Management division, in 2008 Mr. Shafir received a carried interest award in certain alternative investment funds. The value realized over time depends on the investment performance of the funds over their lifetime up to fifteen years. The initial value of the award is determined by making assumptions about the return that will be realized on the funds. The aggregate theoretical value of these awards was approximately USD 10 million assuming an estimated 9 percent return on all fund investments over their projected lifetime, and reducing this estimated return by 25 percent to reflect potential underperformance in some of the funds.

2012 total compensation of the CEO and highest paid Executive Board member

For CEO Brady Dougan, the Compensation Committee evaluated the performance of the Group as well as the performance of the Executive Board. In recommending the incentive compensation to the Board of Directors for Mr. Dougan, the Compensation Committee considered the improved financial position of the Group in 2012, reflected in an underlying pre-tax income of CHF 5.0 billion, more than double the CHF 2.4 billion in the prior year. In addition, the Compensation Committee considered the achievement of targets and the significant progress made in transitioning the business to the new regulatory and market environment and to meeting challenging new capital requirements, that came into effect in January 2013 with the implementation of Basel III in Switzerland. In particular, the Compensation Committee acknowledged that by year-end 2012 as compared to 2011, the Group reduced Basel III risk-weighted assets by CHF 55 billion to CHF 285 billion, reduced its balance sheet by CHF 125 billion, achieved a 9.0% Look-through Swiss Core Capital ratio and improved its leverage ratio (up to

5.8% from 4.6%). The Compensation Committee also recognized the steady progress made towards meeting the Group's challenging CHF 4.4 billion run-rate cost reduction target by year-end 2015, and the successful transformation of the Group's businesses, including the creation of an integrated Private Banking & Wealth Management division and the changes and realignment measures implemented within the Investment Banking business. Given the strong performance of Mr. Dougan during 2012 and his achievements in positioning the firm for the future, the Board of Directors decided upon the recommendation by the Compensation Committee to award Mr. Dougan unrestricted cash of CHF 0.5 million, an STI award of CHF 2.5 million and an LTI award of CHF 2.0 million, which were regarded as appropriate award levels in the current environment.

The highest paid member of the Executive Board in 2012 was Robert Shafir. For 2012, Mr. Shafir was awarded unrestricted cash of CHF 0.7 million, an STI award of CHF 3.5 million and an LTI award of CHF 2.8 million. Mr. Shafir's incentive compensation in 2012 was awarded in consideration of his continued strong performance. The Compensation Committee

noted that, in particular, Mr. Shafir had successfully repositioned the former Asset Management division while improving financial results through higher net revenues and lower total operating expenses. He also assumed the role of CEO for the Americas, in addition to his role as Head of the Asset Management division, after Mr. Antonio Quintella left the Executive Board in May 2012. In addition, for 2012 Mr. Shafir was granted a carried interest in certain alternative investment funds in the Asset Management business with a value of CHF 1.87 million. This award was granted to align Mr. Shafir with the overall special capital program where he is required to restructure the Asset Management business. Carried interest is a participation in the investment performance of a private equity or hedge fund portfolio, the value of which will vary significantly depending on the performance of the underlying portfolio.

Other aspects of Executive Board compensation

Charitable contributions

As in the prior three years, a portion of the Executive Board incentive compensation pool for 2012 was approved by the Compensation Committee to fund charitable contributions by the Group. The total amount approved for charitable contributions was CHF 3.9 million for 2012. The contributions will benefit eligible registered charities. The CEO and a former Executive Board

member are able to make recommendations in respect of the allocation of the 2012 contributions to various specific charities.

Minimum share ownership requirements

The Group applies minimum share ownership requirements for members of the Executive Board and members of the divisional and regional management committees as follows:

- CEO: 350,000 shares;
- Other Executive Board members: 150,000 shares;
- Executives responsible for Private Banking & Wealth Management and Investment Banking: 50,000 shares; and
- Executives responsible for Shared Services functions: 20,000 shares.

The thresholds include all Group shares held by or on behalf of these executive employees, including unvested share awards. All affected executive employees are restricted from selling shares (including vested share awards) until they meet the minimum share ownership requirements. The Group prohibits all employees from entering into transactions to hedge the value of unvested share awards. Pledging of unvested share awards by Executive Board members is also not permitted unless expressly approved by the Compensation Committee.

Executive Board compensation for 2011

in	Unrestricted Base salary	Value of share awards	Value of PAF2 awards	Pension and similar benefits and other benefits ¹	Dividend equivalents ²	Payments and awards due to contractual agreements ³	Total compensation ⁴
2011 (CHF million, except where indicated)							
13 members	19.38	– ⁵	32.83 ⁶	12.48 ⁷	2.66	2.85	– ⁸ 70.20
% of total compensation	28%		47%	18%			
of which highest paid:							
Robert S. Shafir	1.32	–	4.39	2.37	0.02	0.40	– ⁸ 8.50
% of total compensation	16%		52%	28%			
of which CEO:							
Brady W. Dougan	2.50	–	3.00	–	0.02	0.30	– ⁸ 5.82
% of total compensation	43%		52%				

¹ Other benefits consist of housing allowances, lump sum expenses and child allowances. ² Share awards carry the right to an annual payment equal to the dividend of one Group share. The dividend equivalents were paid in respect of awards granted in prior years. ³ During 2011, there were no payments made to Executive Board members for contractual agreements. ⁴ Does not include CHF 13 million of charitable contributions made by the Group for which certain Executive Board members, including the CEO, were able to make recommendations. ⁵ As of December 31, 2011, no members of the Executive Board received unrestricted cash. ⁶ Includes CHF 22.8 million of performance share awards; the applicable Group share price was CHF 21.90. ⁷ The value of the 2011 Partner Asset Facility was the fair value as of the grant date of March 1, 2012.

Contract lengths, change of control and termination provisions

All members of the Executive Board have employment contracts with the Group. The contracts do not specify a contract length

and are valid until terminated. Members of the Executive Board are required by contract to give six months' notice of termination of employment. The Group must also give members of the Executive Board six months' notice of termination of employment.

There are no other contracts, agreements or arrangements with the members of the Executive Board that provide for payments or benefits in connection with termination of employment that are not generally available to other employees of the Group. For example, in the event of a termination of employment, pre-defined conditions apply to the balances of outstanding compensation awards, depending on whether the termination of employment was voluntary, involuntary or the result of a change in control.

In the case of a change in control, the treatment of outstanding awards for all employees, including Executive Board members, will be determined by the Compensation Committee or the Board of Directors. In the case of a change in control, there are no provisions in the employment contracts of Execu-

tive Board members that require the payment of any type of extraordinary benefits, including special severance awards.

In the event of the termination of the employment of an Executive Board member without cause, there are no pre-arranged contractual rights to a severance payment. Nonetheless, the amount and terms of a severance payment may be agreed between the Group and the respective Executive Board member.

Former Executive Board members

During 2012, five individuals left the Executive Board. As of December 31, 2012, all five individuals continued to be employed by the Group. Agreements were entered into with four of the individuals to terminate their employment during 2013.

Executive Board holdings and values of deferred share-based awards by individual

end of	Number of owned shares ¹	Number of unvested share awards	Number of owned shares and unvested share awards	Number of unvested ISUs	Number of unvested SISUs	Number of options	Value of unvested awards at grant (CHF)	Current value of unvested awards (CHF)
December 31, 2012								
Brady W. Dougan	906,929	666,068	1,572,997	–	76,102	–	18,945,613	19,815,939
Romeo Cerutti	80,279	320,261	400,540	–	23,272	–	8,446,679	9,172,331
Tobias Guldmann	57,763	375,725	433,488	–	29,090	–	9,964,935	10,808,561
David R. Mathers	0	461,439	461,439	–	15,130	1,095 ²	11,174,895	12,724,392
Hans-Ulrich Meister	178,198	550,776	728,974	–	46,546	–	14,848,594	15,948,497
Robert S. Shafir	387,544	736,377	1,123,921	–	62,320	–	19,807,159	21,325,210
Pamela A. Thomas-Graham	4,583	239,137	243,720	–	14,382	–	6,342,875	6,768,957
Eric M. Varvel	62,169	454,785	516,954	–	55,470	–	13,996,715	13,623,809
Total	1,677,465 ³	3,804,568	5,482,033	–	322,312	1,095	103,527,465	110,187,696
December 31, 2011								
Brady W. Dougan	870,586	117,754	988,340	–	114,153	–	12,538,963	5,118,187
Osama S. Abbasi	233,801	75,354	309,155	3,771	44,232	–	6,218,957	2,804,282
Walter Berchtold	700,040	157,005	857,045	42,023	106,473	–	15,093,404	7,653,886
Romeo Cerutti	37,543	66,426	103,969	7,260	34,908	–	5,343,325	2,554,139
Tobias Guldmann	20,124	66,426	86,550	8,399	43,635	–	5,968,402	2,796,587
Fawzi Kyriakos-Saad	199,942	75,354	275,296	35,973	34,425	–	6,667,886	3,997,001
Karl Landert	96,248	66,426	162,674	34,039	45,381	–	6,967,319	3,957,127
David R. Mathers	16,420	78,503	94,923	17,588	22,695	14,960 ⁴	5,547,285	3,003,091
Hans-Ulrich Meister	46,676	108,696	155,372	39,751	69,819	–	10,554,425	5,679,330
Antonio C. Quintella	112,323	37,677	150,000	–	–	–	1,559,828	831,531
Robert S. Shafir	190,489	127,522	318,011	84,480	93,480	–	14,460,480	8,574,359
Pamela A. Thomas-Graham	4,583	46,372	50,955	–	21,573	–	3,368,158	1,499,546
Eric M. Varvel	0	139,810	139,810	39,183	83,205	–	12,721,715	6,636,589
Total	2,528,775	1,163,325	3,692,100	312,467	713,979	14,960	107,010,147	55,105,655

¹ Includes shares that were initially granted as deferred compensation and have vested. ² Consists of options with an expiration date of January 22, 2013 and an exercise price of CHF 30.60. ³ In addition to the number of owned shares shown, the following Executive Board members held an aggregate number of 2,320 mandatory and contingent convertible securities (MACCS): Brady Dougan (1,336), Romeo Cerutti (60), Hans-Ulrich Meister (262), Robert Shafir (571), Eric Varvel (91); these securities are convertible into an aggregate number of 143,033 shares on March 29, 2013 at a conversion price of CHF 16.29, with settlement and delivery of shares in early April 2013. ⁴ Consists of 1,095 options with an expiration date of January 22, 2013 and an exercise price of CHF 30.60 and 13,865 options with an expiration date of December 3, 2012 and an exercise price of CHF 34.10.

Generally, former members of our most senior executive body who no longer provide services to the Group upon their request are still eligible to receive office infrastructure and secretarial support. These services are based on existing resources and are not used on a regular basis. Except as described above, no additional fees, severance payments or other forms of compensation were paid to former members of the Executive Board who no longer provide services to the Group or related parties during 2012.

Executive Board shareholdings and loans

Executive Board shareholdings

The shareholdings as disclosed in the table below include the holdings of the respective members of the Executive Board, their immediate family members and companies where they have a controlling interest. The unvested share-based awards do not include awards granted after December 31, 2012. The increase in the number of unvested share awards at the end of 2012 compared to 2011 was due to the decision by all the Executive Board members to convert into share-based awards all of their unvested cash-based Adjustable Performance Plan awards from 2010 and 2009, and the share-based awards granted in 2012 for 2011. The voluntary conversion option was offered to all employees holding cash Adjustable Performance Plan awards in the context of the capital strengthening measures announced in July 2012.

The value of share-based compensation awards granted to members of the Executive Board in prior years, but not yet fully vested, varies depending on the Group share price and other factors influencing the fair value of the award. The table "Executive Board holdings and values of deferred share-based awards by individual" shows the value of the unvested share-based compensation awards held by members of the Executive Board as of December 31, 2012. The aggregate cumulative value of these unvested share-based awards as of December 31, 2012 was 6% higher compared to the value of the awards as of their respective grant dates.

As a result of the conversion of the Adjustable Performance Plan cash awards to share awards during 2012, the remaining cash-based deferred compensation awards granted to certain Executive Board members in prior years are the 2008 Partner Asset Facility (PAF) and the 2011 Partner Asset Facility (PAF2) awards. The aggregate value of such cash-based awards at their grant dates was CHF 12.2 million compared to a value CHF 20.1 million as of December 31, 2012. The value of these awards varies depending upon the value of the underlying portfolios linked to the PAF and PAF2 awards and the length of the remaining deferral period.

Executive Board loans

A large majority of loans outstanding to members of the Executive Board are mortgages or loans against securities. Such loans are made on the same terms available to employees pursuant to widely available employee benefit plans. As of December 31, 2012, 2011 and 2010, outstanding loans to the members of the Executive Board amounted to CHF 8 million, CHF 22 million and CHF 18 million, respectively. The number of individuals with outstanding loans at the beginning and the end of 2012 was six and three, respectively, and the highest loan outstanding was CHF 4 million to Eric Varvel.

All mortgage loans to members of the Executive Board are granted either with variable or fixed interest rates over a certain period. Typically, fixed-rate mortgages are granted for periods of up to ten years. Interest rates applied are based on refinancing costs plus a margin and interest rates and other terms are consistent with those applicable to other employees. Loans against securities are granted at interest rates and on terms applicable to such loans granted to other employees. When granting a loan to these individuals, the same credit approval and risk assessment procedures apply as for loans to other employees. Unless otherwise noted, all loans to Executive Board members were made in the ordinary course of business and substantially on the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons and in consideration of the terms which apply to all Group employees, and did not involve more than the normal risk of collectability or present other unfavorable features.

Board of Directors compensation

Compensation to members of the Board of Directors is set in accordance with the Articles of Association, the Group's Organizational Guidelines and Regulations and the Compensation Committee Charter. The annual compensation paid to members of the Board of Directors is set by the Board of Directors based on the recommendation of the Compensation Committee. All members of the Board of Directors receive a base board fee plus a committee fee or an additional fee that reflects the respective Board of Directors member's role, time commitment and scope of responsibility on the Board of Directors. The full-time Chairman of the Board of Directors, the Vice-Chairman of the Board of Directors and the three committee chairmen assume the greatest responsibility and dedicate the most time in fulfilling their board duties. As such, these individuals receive a higher annual base board fee than other board members and may receive additional fees which vary according to their specific role. The base and committee fee amounts are set by the Board upon recommendation of the Compensation Committee for the 12-month period from

the current Annual General Meeting (AGM) to the following year's AGM. Fees paid to Board of Directors members are in the form of cash and Group shares, which are blocked from being sold for a period of four years. By compensating Board of Directors members to a significant degree in the form of blocked Group shares, we ensure alignment of their interests with the interests of our shareholders.

Members of the Board of Directors without designated leadership responsibilities (ten individuals) each received an

annual base board fee for 2012 of CHF 250,000 and an annual committee fee for serving on the Audit, Risk or Compensation Committees. The committee fees were CHF 150,000 for the Audit Committee, CHF 100,000 for the Risk Committee and CHF 100,000 for the Compensation Committee. Members of the Chairman's and Governance Committee do not receive a committee fee.

Board of Directors compensation for 2012

in	Base board fee	Committee fee	Additional fees ¹	Other compen- sa- tion categories ²	Total compen- sa- tion	Awarded in cash	% of total compen- sa- tion	Awarded in Group shares	% of total compen- sa- tion	Number of Group shares ³
2012/2013 (CHF)										
Urs Rohner, Chairman ⁴	2,500,000	–	2,500,000	234,881	5,234,881	3,984,881	76%	1,250,000	24%	50,772
Peter Brabeck-Letmathe, Vice-Chairman ⁵	400,000	–	–	–	400,000	200,000	50%	200,000	50%	9,026
Jassim Bin Hamad J.J. Al Thani ⁵	250,000	–	–	–	250,000	125,000	50%	125,000	50%	5,641
Robert H. Benmosche ⁵	250,000	100,000	–	–	350,000	175,000	50%	175,000	50%	7,898
Iris Bohnet ⁵	250,000	100,000	–	–	350,000	175,000	50%	175,000	50%	7,898
Noreen Doyle ⁵	250,000	100,000	182,600	–	532,600	357,600	67%	175,000	33%	7,898
Jean-Daniel Gerber ⁵	250,000	150,000	–	–	400,000	200,000	50%	200,000	50%	9,026
Walter B. Kielholz ⁵	250,000	100,000	–	–	350,000	175,000	50%	175,000	50%	7,898
Andreas N. Koopmann ⁵	250,000	100,000	–	–	350,000	175,000	50%	175,000	50%	7,898
Jean Lanier ⁵	250,000	250,000	–	–	500,000	250,000	50%	250,000	50%	11,282
Anton van Rossum ⁵	250,000	100,000	–	–	350,000	175,000	50%	175,000	50%	7,898
Aziz R.D. Syriani, Chairman of the Compensation Committee ⁴	350,000	–	400,000	–	750,000	522,500	70%	227,500	30%	9,241
David W. Syz ⁵	250,000	150,000	–	–	400,000	200,000	50%	200,000	50%	9,026
Richard E. Thornburgh, Chairman of the Risk Committee ⁴	400,000	–	1,000,000	–	1,400,000	900,000	64%	500,000	36%	20,309
John Tiner, Chairman of the Audit Committee ⁴	400,000	–	1,000,000	–	1,400,000	900,000	64%	500,000	36%	20,309
Total	6,550,000	1,150,000	5,082,600	234,881	13,017,481	8,514,981	65%	4,502,500	35%	192,020

¹ Includes the additional fees for the full-time Chairman and the three committee chairmen as well as the additional fees paid to Noreen Doyle in 2012 as a non-executive director of two of the Group's UK subsidiaries, Credit Suisse International and Credit Suisse Securities Europe Limited. The additional fees of CHF 182,600 for Noreen Doyle corresponded to the annual fees of GBP 125,000 which Noreen Doyle received in 2012 as a non-executive director (annual fee of GBP 100,000) and audit committee chair (additional fee of GBP 25,000) of Credit Suisse International and Credit Suisse Securities Europe Limited. ² Other compensation for the Chairman included lump sum expenses, child and health care allowances and pension benefits. ³ The value of the Group shares is included in total compensation. Group shares are subject to a four-year blocking period. ⁴ The Chairman and the three committee chairmen received an annual base board fee paid in cash. They also received additional fees paid in cash and/or share awards as determined by the Board in the course of the regular compensation process. The additional fees awarded to these four individuals for 2012 were paid in Group shares (50%) and cash (50%). The applicable Group share price was CHF 24.62. ⁵ Except for the Chairman and the three committee chairmen, members of the Board were paid an annual base board fee and a committee fee for their respective committee membership in advance for the period from one AGM to the other, i.e., from April 26, 2012 to April 27, 2013. The annual committee fees are CHF 150,000 for the Audit Committee and CHF 100,000 for each of the Risk and Compensation Committees. For 2012, these total combined fees were paid in Group shares (50%) and cash (50%). The applicable Group share price as of the 2012 annual general meeting was CHF 22.16.

Compensation of the Chairman of the Board of Directors

The Chairman of the Board of Directors is paid a base board fee plus an additional fee, which is proposed by the Compensation Committee and approved by the Board of Directors. The additional fee awarded to the Chairman can vary from year to year, depending on Group and individual performance. The base board and the additional fee awarded to the Chairman reflect his full-time status and active role taken in shaping the Group's strategy, governing the Group's affairs and representing the Group vis-à-vis shareholders. The Chairman coordinates the work within the Board of Directors, works with the committee chairmen to coordinate the tasks of the committees and ensures that Board of Directors members are provided with sufficient information for performing their duties. In particular, the Chairman of the Board of Directors drives the Board of Directors agenda and key Board of Directors topics, especially regarding the strategic development of the Group, succession planning, structure and organization of the Group, as well as compensation and compensation structure, including the performance evaluation and compensation of the CEO and the Executive Board. He chairs the Board of Directors, the Chairman's and Governance Committee and the shareholder meetings, leads the Group's corporate governance and takes an active role in representing the Group to the key shareholders, investors, regulators and supervisors, industry associations and other stakeholders.

For 2012, Chairman Urs Rohner received total compensation of CHF 5.2 million, of which CHF 2.5 million was the base board fee, CHF 2.5 million was additional fees and CHF 0.2 million was other compensation, consisting mainly of pension-related benefits. Of the CHF 5.2 million, CHF 4.0 million was awarded in cash and CHF 1.2 million was awarded in Group shares, blocked for a period of four years. For the prior year, Urs Rohner received total compensation of CHF 4.3 million, for his successive roles as Vice-Chairman and Chairman, which he assumed at the AGM in April of 2011. The total compensation awarded to the Chairman for 2012 reflects the improved financial position of the Group and Urs Rohner's performance under difficult circumstances as evaluated by the Compensation Committee. In particular, it is in recognition of Mr. Rohner's leadership of the Board of Directors, his impact in closely steering and monitoring the strategic development of the Group, including the alignment of business structure and organization to the new regulatory requirements, as well as his active engagement with key stakeholders and regulators and representation of the Group in a variety of industry associations.

Compensation of the Vice-Chairman of the Board of Directors and the committee chairmen

Peter Brabeck-Letmathe, in the role of Vice-Chairman, received an annual base board fee of CHF 400,000 but no committee or additional fees. Aziz R.D. Syriani, Richard E. Thornburgh and John Tiner, each in the role of committee chairman, received an annual base board fee plus an additional fee, which reflects the greater responsibility and time commitment required to perform the role of a committee chairman. The annual base board fee for the chairmen of the Audit and Risk Committees for 2012 was CHF 400,000 and the annual base board fee for the chairman of the Compensation Committee was CHF 350,000. The base board fees for the committee chairmen are set by the Compensation Committee for the 12-month period from the current AGM to the following year's AGM. The additional fees awarded to the three committee chairmen may vary from year to year, according to their overall time commitment, and are determined and paid for the current year, in alignment with the annual variable compensation cycle. The additional fees paid to the Audit and Risk Committee chairmen, who also serve on other committees as regular members, reflect the additional time commitment required to serve as regular members on such committees, which they do not chair.

Former members of the Board of Directors

Three former members of the Board of Directors are eligible to receive office infrastructure and secretarial support. These services are based on existing resources and are not used on a regular basis. No additional fees, severance payments or other forms of compensation were paid to current or former members of the Board of Directors or related parties during 2012.

Board of Directors compensation for 2011

in	Base board fee	Committee fee	Compen- sation for functional duties	Other compen- sation categories ¹	Total compen- sation	Awarded in cash	% of total compen- sation	Awarded in Group shares	% of total compen- sation	Number of Group shares ²
2011/2012 (CHF)										
Urs Rohner, Chairman ^{3,4}	2,100,000	–	2,000,000	234,881	4,334,881	3,334,881	77%	1,000,000	23%	45,663
Hans-Ulrich Doerig, former Chairman ³	750,000	–	666,667	–	1,416,667	1,416,667	100%	–	–	–
Peter Brabeck-Letmathe, Vice-Chairman	400,000	–	–	–	400,000	200,000	50%	200,000	50%	5,088
Jassim Bin Hamad J.J. Al Thani ⁵	250,000	–	–	–	250,000	125,000	50%	125,000	50%	3,180
Robert H. Benmosche ⁵	250,000	100,000	–	–	350,000	175,000	50%	175,000	50%	4,452
Noreen Doyle ^{5,6}	250,000	100,000	–	–	350,000	175,000	50%	175,000	50%	4,452
Walter B. Kielholz ⁵	250,000	100,000	–	–	350,000	175,000	50%	175,000	50%	4,452
Andreas N. Koopmann ⁵	250,000	100,000	–	–	350,000	175,000	50%	175,000	50%	4,452
Jean Lanier ⁵	250,000	250,000	–	–	500,000	250,000	50%	250,000	50%	6,360
Anton van Rossum ⁵	250,000	100,000	–	–	350,000	175,000	50%	175,000	50%	4,452
Aziz R.D. Syriani, Chairman of the Compensation Committee ⁴	350,000	–	400,000	–	750,000	522,500	70%	227,500	30%	10,389
David W. Syz ⁵	250,000	150,000	–	–	400,000	200,000	50%	200,000	50%	5,088
Richard E. Thornburgh, Chairman of the Risk Committee ⁴	400,000	–	1,000,000	–	1,400,000	900,000	64%	500,000	36%	22,832
John Tiner, Chairman of the Audit Committee ⁴	400,000	–	666,666 ⁷	–	1,066,666	733,333	69%	333,333	31%	15,221
Peter F. Weibel ⁵	250,000	150,000	465,000 ⁷	–	865,000	665,000	77%	200,000	23%	5,088
Total	6,650,000	1,050,000	5,198,333	234,881	13,133,214	9,222,381	70%	3,910,833	30%	141,169

¹ Other compensation included lump sum expenses, child and health care allowances and pension benefits. ² The value of the Group shares is included in total compensation. Group shares are subject to a four-year blocking period. ³ Hans-Ulrich Doerig and Urs Rohner served in the roles of full-time Chairman and full-time Vice Chairman, respectively, from January 2011 until the AGM in April 2011. As of the 2011 AGM, Urs Rohner succeeded Hans-Ulrich Doerig in the role of full-time Chairman. ⁴ Members of the Board with functional duties received an annual base board fee paid in cash. In addition, they received variable compensation paid in cash and/or share awards as determined by the Board in the course of the regular management compensation process. Generally, variable compensation awarded for 2011 was paid in Group shares (50%) and cash (50%). The applicable Group share price was CHF 21.90. ⁵ Members of the Board without functional duties were paid an annual base board fee and a committee fee for their respective committee membership in advance for the period from one AGM to the other, i.e., from April 29, 2011 to April 27, 2012. The annual committee fees are CHF 150,000 for the Audit Committee and CHF 100,000 for the Risk and Compensation Committees. For 2011, these total combined fees were paid in Group shares (50%) and cash (50%). The applicable Group share price as of the 2011 AGM was CHF 39.31. ⁶ In July 2011, Noreen Doyle was appointed as a non-executive director and audit committee chair of the Group's UK subsidiaries Credit Suisse International and Credit Suisse Securities Europe Limited and was paid a total of GBP 50,000 in fees. ⁷ Peter F. Weibel was the Chairman of the Audit Committee until the 2011 annual general meeting, at which time John Tiner took over the role.

Board of Directors shareholdings and loans

Board of Directors shareholdings

The shareholdings as disclosed in the following table include the holdings of the respective members of the Board of Directors, their immediate family members and companies in which they have a controlling interest. As of December 31, 2012, there were no Board of Directors members with outstanding options.

Board of Directors shareholdings by individual

in	2012	2011
December 31 (shares)¹		
Urs Rohner	244,422	221,056
Peter Brabeck-Letmathe	120,999	108,820
Jassim Bin Hamad J.J. Al Thani	11,790	5,696
Robert H. Benmosche	30,872	23,304
Iris Bohnet	7,898	–
Noreen Doyle	41,324	31,837
Jean-Daniel Gerber	9,826	–
Walter B. Kielholz	292,424	281,891
Andreas N. Koopmann	30,469	21,400
Jean Lanier	43,881	30,912
Anton van Rossum	48,598	38,831
Aziz R.D. Syriani	76,774	66,385
David W. Syz	92,745	81,193
Richard E. Thornburgh	218,456	283,600
John Tiner	24,799	8,625
Total	1,295,277²	1,203,550³

¹ Includes Group shares that are subject to a blocking period of up to four years. ² In addition to the shareholdings shown, the following Board members held an aggregate number of 1,519 mandatory and contingent convertible securities (MACCS): Urs Rohner (395), Peter Brabeck-Letmathe (175), Jassim Bin Hamad J.J. Al Thani (17), Iris Bohnet (11), Walter Kielholz (431), Andreas Koopmann (44), Aziz Syriani (113), Richard Thornburgh (297) and John Tiner (36); these securities are convertible into an aggregate number of 93,247 shares on March 29, 2013 at a conversion price of CHF 16.29, with settlement and delivery of shares in early April 2013. ³ Excludes 72,232 shares held by Peter Weibel as of December 31, 2011, who stepped down from the Board as of April 27, 2011.

Board of Directors loans

A large majority of loans outstanding to members of the Board of Directors are mortgages or loans against securities. Such loans are made to Board members on the same terms available to third-party clients. As of December 31, 2012, 2011 and 2010, outstanding loans to the members of the Board of Directors amounted to CHF 40 million, CHF 34 million and CHF 35 million, respectively.

Members of the Board of Directors with loans do not benefit from employee conditions, but are subject to conditions applied to clients with a comparable credit standing. Members of the Board of Directors who were previously employees of the Group may still have outstanding loans, which were extended to them at the time that employee conditions applied to them. Unless otherwise noted, all loans to members of the Board of Directors were made in the ordinary course of business and substantially on the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons, and did not involve more than the normal risk of collectability or present other unfavorable features. In addition to the loans listed below, the Group or any of its banking subsidiaries may enter into financing and other banking agreements with companies in which current members of the Board have a significant influence as defined by the US Securities and Exchange Commission, such as holding executive and/or board level roles in these companies. Unless otherwise noted, loans extended by the Group to such companies are also made in the ordinary course of business and at prevailing market conditions. As of December 31, 2012, 2011 and 2010, there was no loan exposure to such related party companies that was not made in the ordinary course of business and at prevailing market conditions.

Board of Directors loans by individual

in	2012	2011
December 31 (CHF)		
Urs Rohner	5,034,157	5,090,650
Peter Brabeck-Letmathe	27,520,527	15,833,928
Walter B. Kielholz	4,200,000	5,050,000
Andreas N. Koopmann	2,775,000	2,775,000
David W. Syz	1,500,000	1,500,000
Richard E. Thornburgh	0	14,266
Total¹	41,029,684	30,263,844²

¹ Includes loans to immediate family members. ² Excludes a loan of CHF 3,950,000 held by Peter Weibel as of December 31, 2011, who stepped down from the Board as of April 27, 2011.

Banking relationships

- ▶ Refer to "Banking relationships" and "Related party transactions" in Note 28 – Related parties in V – Consolidated financial statements – Credit Suisse Group for further information on the company's principal participations.

4 Principal participations

- ▶ Refer to "Note 38 – Significant subsidiaries and equity method investments" in V – Consolidated financial statements – Credit Suisse Group for further information on the company's principal participations.

5 Own shares held by the company and by group companies

	2012	2011		
	Share equivalents	CHF million	Share equivalents	CHF million
At beginning of financial year				
Physical holdings ¹	4,010,074	89	12,228,377	461
Holdings, net of pending obligations	1,718,838	38	(85,968)	(3)
At end of financial year				
Physical holdings ¹	27,036,831	602	4,010,074	89
Holdings, net of pending obligations	167,682	4	1,718,838	38

¹ Representing 2.0%, 0.3% and 1.0% of issued shares as of December 31, 2012, 2011 and 2010, respectively.

6 Significant shareholders

- ▶ Refer to "Note 3 – Business developments and subsequent events" in V – Consolidated financial statements – Credit Suisse Group for further information.

7 Share capital, conditional, conversion and authorized capital of Credit Suisse Group

	No. of registered shares	Par value in CHF	No. of registered shares	Par value in CHF
Share capital as of December 31, 2011			1,224,333,062	48,973,323
Conditional capital				
Warrants and convertible bonds				
AGM of April 24, 2009	100,000,000	4,000,000		
Subscriptions in 2011	(16,493,873)	(659,755)		
AGM of April 29, 2011 – increase	400,000,000	16,000,000		
Remaining capital	483,506,127 ¹	19,340,245		
Staff shares				
AGM of May 4, 2007	96,509,721	3,860,389		
Subscriptions in 2007–2011	(36,214,871)	(1,448,595)		
Subscriptions in 2012	(38,812,660)	(1,552,506)	38,812,660	1,552,506
Remaining capital	21,482,190	859,288		
Staff shares (Donaldson, Lufkin & Jenrette option programs)				
AGM of May 4, 2007	7,290,153	291,606		
Subscriptions in 2007–2011	(2,250,057)	(90,002)		
Board meeting of February 8, 2012 – cancellation	(5,040,096)	(201,604)		
Remaining capital	–	–		
Conversion capital				
AGM of April 27, 2012	200,000,000	8,000,000		
Remaining capital	200,000,000 ²	8,000,000		
Authorized capital				
Acquisitions of companies/participations				
AGM of April 29, 2011	100,000,000	4,000,000		
AGM of April 27, 2012 – increase	50,000,000	2,000,000		
Scrip dividend in May 2012	(24,195,537)	(967,821)	24,195,537	967,821
Acquisition of Credit Suisse Hedging-Griffo Investimentos S.A. in July 2012	(33,488,663)	(1,339,547)	33,488,663	1,339,547
Remaining capital	92,315,800 ³	3,692,632		
Share capital as of December 31, 2012			1,320,829,922	52,833,197

¹ 400.0 million registered shares reserved for Buffer Capital Notes and 83.5 million registered shares reserved for mandatory and contingent convertible securities. ² 98.9 million registered shares reserved for Buffer Capital Notes and 50.0 million registered shares reserved for mandatory and contingent convertible securities. ³ 66.5 million registered shares reserved for mandatory and contingent convertible securities.

8 General reserves

The increase of CHF 3,010 million in general reserves represents the proceeds received in connection with the issuance of mandatory and contingent convertible securities in July 2012. In early April 2013, after the conversion of the securities and the issuance of the shares, the amount of CHF 3,010

million will be transferred to share capital (CHF 8 million / par value for newly issued shares) and to reserves from capital contributions (CHF 3,002 million / capital surplus for newly issued shares).

9 Risk assessment

- ▶ Refer to "Note 42 – Risk assessment" in V – Consolidated financial statements – Credit Suisse Group for further information on the company's risk assessment in accordance with the Swiss Code of Obligations.

Proposed appropriation of retained earnings and capital distribution

Proposed appropriation of retained earnings

	2012
end of	
Retained earnings (CHF million)	
Retained earnings brought forward	4,342
Net income	324
Retained earnings available for appropriation	4,666
To be carried forward	4,666
Total	4,666

Proposed distribution against reserves from capital contributions

	2012
end of	
Reserves from capital contributions (CHF million)	
Balance at beginning of year	13,679
Capital surplus for issued shares	1,926
Capital distribution	(944)
Balance at end of year	14,661
Distribution of CHF 0.10 per registered share in cash ¹	(154)
Distribution of new shares (stock dividend) ^{1,2}	(2)
Balance after distribution	14,505

¹ 1,320.7 million registered shares – net of own shares held by the company – at December 31, 2012 plus 18.8 million shares issued for share-based compensation in early 2013 and 200.0 million shares to be issued in connection with the conversion of mandatory and contingent convertible securities on March 29, 2013 with settlement and delivery of shares in early April 2013. The number of registered shares eligible for distribution may change due to the issuance of new registered shares and activities in own shares. ² Represents transfer of CHF 0.04 par value per newly issued share to share capital.



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Confirmation to the Board of Directors relating to the Conditional Increase of Share Capital of
Credit Suisse Group AG, Zurich

We have been engaged to audit the issuance of new shares during the period from 1 January 2012 to 31 December 2012 according to the resolutions of the general meeting of shareholders from 29 September 2000 in accordance with article 653f para. 1 CO.

It is the responsibility of the board of directors to issue the new shares in accordance with the provisions in the articles of incorporation. Our responsibility is to audit whether the issuance has been conducted in accordance with the provisions of Swiss law and the articles of incorporation. We confirm that we meet the licensing and independence requirements as stipulated by Swiss law.

Our audit was conducted in accordance with Swiss Auditing Standards, which require that an audit be planned and performed to obtain reasonable assurance that material breaches of Swiss law or the articles of incorporation are recognized. We have performed the procedures deemed necessary under the circumstances and believe that our audit provides a reasonable basis for our opinion.

In our opinion, the issuance of 38,812,660 registered shares with nominal value of CHF 0.04 each and a total nominal value of CHF 1,552,506.40 complies with Swiss law and the articles of incorporation.

KPMG AG

Simon Ryder
Licensed Audit Expert

Ralph Dicht
Licensed Audit Expert

Zurich, 6 February 2013

Appendix

A-2 Selected five-year information

A-4 List of abbreviations

A-6 Glossary

A-10 Investor information

A-12 Financial calendar and contacts

Selected five-year information

Selected information – Group

in / end of	2012	2011	2010	2009	2008
Condensed consolidated statements of operations (CHF million)					
Net revenues	23,966	26,225	31,386	33,294	9,268
Provision for credit losses	170	187	(79)	506	813
Total operating expenses	21,615	22,577	23,978	24,711	23,357
Income/(loss) from continuing operations before taxes and extraordinary items	2,181	3,461	7,487	8,077	(14,902)
Income tax expense/(benefit)	496	671	1,548	1,835	(4,596)
Income/(loss) from continuing operations before extraordinary items	1,685	2,790	5,939	6,242	(10,306)
Income/(loss) from discontinued operations, net of tax	0	0	(19)	169	(531)
Net income/(loss)	1,685	2,790	5,920	6,411	(10,837)
Less net income/(loss) attributable to noncontrolling interests	336	837	822	(313)	(2,619)
Net income/(loss) attributable to shareholders	1,349	1,953	5,098	6,724	(8,218)
of which from continuing operations	1,349	1,953	5,117	6,555	(7,687)
of which from discontinued operations	0	0	(19)	169	(531)
Earnings per share (CHF)					
Basic earnings/(loss) per share from continuing operations	0.82	1.37	3.93	5.14	(7.51)
Basic earnings/(loss) per share	0.82	1.37	3.91	5.28	(8.01)
Diluted earnings/(loss) per share from continuing operations	0.81	1.36	3.91	5.01	(7.51)
Diluted earnings/(loss) per share	0.81	1.36	3.89	5.14	(8.01)
Consolidated balance sheet (CHF million)					
Total assets	924,280	1,049,165	1,032,005	1,031,427	1,170,350
Share capital	53	49	47	47	47
Shareholders' equity	35,498	33,674	33,282	37,517	32,302
Shares outstanding (million)					
Shares outstanding	1,293.8	1,220.3	1,173.9	1,169.2	1,163.9
Dividend per share (CHF)					
Dividend per share	0.75 ¹	0.75	1.30	2.00	0.10
Ratios (%)					
Return on assets ²	0.1	0.3	0.6	0.6	(0.6)
Return on equity attributable to shareholders	3.9	6.0	14.4	18.3	(21.1)
Dividend payout ratio	91.5 ¹	54.7	33.2	37.9	(1.2)
Equity to asset ratio	3.8	3.2	3.2	3.6	2.8

¹ Proposal of the Board of Directors to the Annual General Meeting on April 26, 2013. Refer to "Capital trends and capital distribution proposal" in II – Operating and financial review – Core Results – Information and developments for further information. ² Based on amounts attributable to shareholders.

Selected information – Group (continued)

in / end of	2012	2011	2010	2009	2008
Average utilized economic capital (CHF million)					
Private Banking & Wealth Management	9,981	10,115	9,934	9,398	9,220
Investment Banking	18,729	18,882	19,586	19,051	27,426
Credit Suisse	31,218	30,782	31,121	28,957	37,162
Pre-tax return on average utilized economic capital (%)					
Private Banking & Wealth Management	38.5	29.9	42.4	46.8	31.7
Investment Banking	11.4	(2.6)	19.0	37.0	(68.9)
Credit Suisse	7.6	11.8	24.7	28.6	(39.6)

Selected information – Bank

in / end of	2012	2011	2010	2009	2008
Condensed consolidated statements of operations (CHF million)					
Net revenues	23,533	25,187	30,533	32,869	8,650
Provision for credit losses	88	123	(121)	460	801
Total operating expenses	21,472	22,563	24,118	24,638	23,410
Income/(loss) from continuing operations before taxes and extraordinary items	1,973	2,501	6,536	7,771	(15,561)
Income tax expense/(benefit)	478	459	1,307	1,853	(4,878)
Income/(loss) from continuing operations before extraordinary items	1,495	2,042	5,229	5,918	(10,683)
Income/(loss) from discontinued operations, net of tax	0	0	(19)	170	(531)
Net income/(loss)	1,495	2,042	5,210	6,088	(11,214)
Less net income/(loss) attributable to noncontrolling interests	(600)	901	802	(697)	(3,379)
Net income/(loss) attributable to shareholders	2,095	1,141	4,408	6,785	(7,835)
of which from continuing operations	2,095	1,141	4,427	6,615	(7,304)
of which from discontinued operations	0	0	(19)	170	(531)
Consolidated balance sheet (CHF million)					
Total assets	908,160	1,034,787	1,019,586	1,020,226	1,163,849
Share capital	4,400	4,400	4,400	4,400	4,400
Shareholder's equity	34,767	29,403	29,769	33,294	28,666
Number of shares outstanding (million)					
Number of shares outstanding	44.0	44.0	44.0	44.0	44.0

List of abbreviations

A

ABO	Accumulated benefit obligation
ABS	Asset-backed securities
ADS	American Depository Shares
AES®	Advanced Execution Services
AGM	Annual general meeting
AIG	American International Group, Inc.
A-IRB	Advanced Internal Ratings-Based Approach
AMA	Advanced measurement approach
AMF	Asset Management Finance LLC
AoA	Articles of Association
AOCI	Accumulated other comprehensive income/(loss)
APP	Adjustable Performance Plan
ASC	Accounting Standards Codification
ASU	Accounting Standards Updates

B

BBA	Bachelor of Business Administration
BCBS	Basel Committee on Banking Supervision
BCM	Business Continuity Management
BCN	Buffer capital notes
BIS	Bank for International Settlements
Board	Board of directors
BORO	Bank Operational Risk Oversight
bp	basis point

C

CARMC	Capital Allocation and Risk Management Committee
CDO	Collateralized debt obligation
CDS	Credit default swap
CET1	Common equity tier 1
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CFTC	Commodity Futures Trading Commission
CMBS	Commercial mortgage-backed securities
CoE	Centers of excellence
COO	Chief Operating Officer
CP	Commercial paper
CPR	Constant prepayment rate
CRM	Credit Risk Management
CRO	Chief Risk Officer

D

DOJ	United States Department of Justice
DVA	Debit valuation adjustment

E

EBRD	European Bank for Reconstruction and Development
ECB	European Central Bank
EMEA	Europe, Middle East and Africa
EMIR	European Market Infrastructure Regulation
ETF	Exchange-traded funds
EU	European Union

F

FASB	Financial Accounting Standards Board
Fed	US Federal Reserve
FINMA	Swiss Financial Market Supervisory Authority
FINRA	Financial Industry Regulatory Authority
FNMA	Federal National Mortgage Association (Fannie Mae)
FSA	UK Financial Services Authority
FSMA	Financial Services and Markets Act 2000

G

G-7	Group of seven leading industry nations
G-20	Group of Twenty Finance Ministers and Central Bank Governors
GAAP	Generally accepted accounting standards
G-SIB	Global Systemically Important Bank
GSE	Government-sponsored enterprise

I

ICS	Internal control system
IPO	Initial public offering
IRC	Incremental risk charge
IRS	Internal Revenue Service
ISU	Incentive Share Unit
IT	Information technology

J

JD	Doctor of Jurisprudence
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K

KPI	Key performance indicator
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L	
LCR	Liquidity coverage ratio
LGD	Loss given default
LIBOR	London Interbank Offered Rate
LTI	Long-term incentive
LTV	Loan-to-value
M	
M&A	Mergers and acquisitions
MACCS	Mandatory and contingent convertible securities
MBA	Master of Business Administration
MiFID	Markets in Financial Instruments Directive
MSRB	Municipal Securities Rulemaking Board
MRTC	Material risk takers and controllers
N	
NAV	Net asset value
NCFE	National Century Financial Enterprises, Inc.
NRV	Negative replacement value
NSFR	Net stable funding ratio
NYSE	New York Stock Exchange
O	
OGR	Organizational Guidelines and Regulations
OTC	Over-the-counter
P	
PAF	2008 Partner Asset Facility
PAF2	2011 Partner Asset Facility
PBO	Projected benefit obligation
PD	Probability of default
PFIC	Passive foreign investment company
PIP	Performance Incentive Plan
PRV	Positive replacement value
PSA	Prepayment speed assumption
Q	
QIA	Qatar Investment Authority
R	
RAR	Risk Analytics and Reporting
RMBS	Residential mortgage-backed securities
ROE	Return on equity
RTSR	Relative total shareholder return
RWA	Risk-weighted assets

S	
SEC	US Securities and Exchange Commission
SEI	Significant economic interest
SESTA	Swiss Federal Act of Stock Exchanges and Securities Trading
SISU	Scaled Incentive Share Unit
SIX	SIX Swiss Exchange
SNB	Swiss National Bank
SOX	US Sarbanes-Oxley Act of 2002
SPE	Special purpose entity
SPIA	Single premium immediate annuity
SRM	Strategic Risk Management
STI	Short-term incentive
T	
TRM	Technology Risk Management
TRS	Total return swap
U	
UHNWI	Ultra-high-net-worth individuals
UK	United Kingdom
US	United States of America
US GAAP	Accounting principles generally accepted in the US
V	
VaR	Value-at-risk
VIE	Variable interest entity
VIX	Chicago Board of Options Exchange Market Volatility Index

Glossary

A

Advanced Execution Services® (AES®) AES® is a suite of algorithmic trading strategies, tools, and analytics operated by Credit Suisse to facilitate global equity trading. By employing algorithms to execute client orders and limit volatility, AES® helps institutions and hedge funds reduce market impact. AES® provides access to exchanges in more than 35 countries worldwide via more than 45 leading trading platforms.

Advanced internal ratings-based approach (A-IRB) Under the A-IRB approach, risk weights are determined by using internal risk parameters. We have received approval from FINMA to use, and have fully implemented, the A-IRB approach whereby we provide our own estimates for probability of default (PD), loss given default (LGD) and exposure at default (EAD). We use the A-IRB approach to determine our institutional credit risk and most of our retail credit risk.

Advanced measurement approach (AMA) The AMA is used for measuring operational risk. The methodology is based upon the identification of a number of key risk scenarios that describe the major operational risks we face. Groups of senior staff review each scenario and discuss the likelihood of occurrence and the potential severity of loss. Internal and external loss data, along with certain business environment and internal control factors, such as self-assessment results and key risk indicators, are considered as part of this process. Based on the output from these meetings, we enter the scenario parameters into an operational risk model that generates a loss distribution from which the level of capital required to cover operational risk is determined. We have received approval from FINMA to use an internal model for the calculation of operational risk capital, which is aligned with the requirements of the AMA under the Basel framework.

Affluent clients We define affluent clients as individuals having assets under management in excess of CHF 50,000.

American depository shares (ADS) An American depository receipt is a negotiable certificate evidencing an ADS, issued by a depository bank, that represents all or part of an underlying share of a foreign-based company held in custody.

B

Backtesting Backtesting is a process used to evaluate the performance of VaR models. It consists of a comparison between actual trading revenues and 1-day, 99% VaR. Regulators also use backtesting to evaluate model performance. VaR models that experience less than five exceptions in a rolling 12-month period are deemed to be statistically correct and attract no additional regulatory capital charges.

Basel II In June 2006, the Basel Committee on Banking Supervision (BCBS) published its comprehensive version of the revised framework for the international convergence of capital measurement and capital standards known as Basel II. Basel II describes the framework for measuring capital adequacy and the minimum standards to be achieved by the adopting supervisory authorities. This framework is based on three pillars, which are viewed as mutually reinforcing.

Pillar 1: Minimum Capital Requirements – requires an institution to hold sufficient capital to cover its credit, market and operational risks. Pillar 2: Supervisory Review Process – discusses the role of supervisors in ensuring that institutions have in place a proper process for assessing and maintaining their capital ratios above the minimum requirements. Pillar 3: Market Discipline – sets out disclosure requirements, especially for those institutions seeking approval to use their own internal models to calculate their capital requirements.

Basel II.5 In June 2009, the BCBS published revisions to the Basel II market risk framework, commonly referred to Basel II.5. The revisions require the trading book capital charge for a bank using the internal models approach for market risk to be subject to a general market risk capital charge. A bank that has approval to model specific risk will also be subject to an incremental risk capital charge. The BCBS required the implementation of Basel II.5 for BIS purposes no later than December 31, 2011.

Basel III In December 2010, the BCBS issued the Basel III framework, which is a comprehensive set of reform measures to strengthen the regulation, supervision and risk management of the banking sector. These measures aim to improve the banking sector's ability to absorb shocks arising from financial and economic stress, whatever the source, improve risk management and governance and strengthen banks' transparency and disclosures. Phased-in from January 1, 2013 through January 1, 2019.

Basel Committee on Banking Supervision (BCBS) The Basel Committee on Banking Supervision (BCBS) provides a forum for regular cooperation on banking supervisory matters. Its objective is to enhance the understanding of key supervisory issues and improve the quality of banking supervision worldwide. It seeks to do so by exchanging information on national supervisory issues, approaches and techniques, with a view to promoting common understanding. At times, the Committee uses this common understanding to develop guidelines and supervisory standards in areas where they are considered desirable. In this regard, the Committee is best known for its international standards on capital adequacy; the Core Principles for Effective Banking Supervision; and the Concordat on cross-border banking supervision.

Booking center Part of a legal entity of Credit Suisse AG that is registered with a domestic banking license where client assets are administered and booked.

C

Collateralized debt obligation (CDO) A CDO is a type of structured asset-backed security whose value and payments are derived from a portfolio of underlying fixed-income assets.

Commercial mortgage-backed securities (CMBS) CMBS are a type of mortgage-backed security that is secured by loans on commercial property and can provide liquidity to real estate investors and commercial lenders.

Commercial paper (CP) Commercial paper is an unsecured money-market security with a fixed maturity of 1 to 364 days, issued by large banks and corporations to raise funds to meet short term debt obligations.

Constant prepayment rate (CPR) A loan prepayment rate that is equal to the proportion of the principal of a pool of loans that is assumed to be paid off prematurely in each period. The calculation of this estimate is based on a number of factors such as historical prepayment rates for previous loans that are similar to ones in the pool and on future economic outlooks.

Credit default swap (CDS) A CDS is a contractual agreement in which the buyer of the swap pays a periodic fee in return for a contingent payment by the seller of the swap following a credit event of a reference entity. A credit event is commonly defined as bankruptcy, insolvency, receivership, material adverse restructuring of debt or failure to meet payment obligations when due.

Credit valuation adjustment (CVA) The CVA represents the market value of counterparty credit risk for uncollateralized OTC derivative instruments.

D

Derivatives Derivatives are financial instruments or contracts that meets all of the following three characteristics: (1) their value changes in response to changes in an underlying price, such as interest rate, security price, foreign exchange rate, credit rating/price, or index; (2) they require no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors; and (3) their terms require or permit net settlement (US GAAP) or they settle at a future date (IFRS).

Debit valuation adjustment (DVA) The DVA represents the market value of our own credit risk for uncollateralized OTC derivative instruments.

F

Fair value The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Flow-based Flow-based businesses refer to products that are generally more liquid, less complex and less volatile and which tend to provide a more stable earnings base generated from fees and/or trading activity initiated by or in facilitation of client business. Flow-based businesses include foreign exchange, interest-rate products, cash equities, vanilla derivative products and prime services.

G

G-7 The G-7 represents the finance ministers from seven industrialized nations: the US, UK, France, Germany, Italy, Canada and Japan.

G-20 The G-20 represents the finance ministers and central bank governors from 19 countries plus the European Union.

H

Haircut The percentage by which an asset's market value is reduced for the purpose of calculating capital, margin requirements and collateral levels. This is used to provide a cushion when lending against collateral to account for possible adverse movements in the value of the collateral.

High-net-worth individuals We define high-net-worth individuals as individuals having assets under management in excess of CHF 1 million.

I

Incremental risk charge (IRC) The IRC represents an estimate of the issuer default and migration risk of positions in the trading book over a one-year capital horizon at a 99.9% confidence level, taking into account the liquidity horizons of individual positions. This includes sovereign debt, but excludes securitizations and correlation products.

L

Liquidity coverage ratio (LCR) The LCR aims to ensure that banks have a stock of unencumbered high-quality liquid assets available to meet liquidity needs for a 30-day time horizon under a severe stress scenario. The LCR is comprised of two components: the value of the stock of high quality liquid assets in stressed conditions and the total net cash outflows calculated according to specified scenario parameters. The ratio of liquid assets over net cash outflows should be at least 100%.

London interbank offered rate (LIBOR) LIBOR is a daily reference rate based on the interest rates at which banks borrow unsecured funds from other banks in the London wholesale money market.

Loss given default (LGD) LGD parameters consider seniority, collateral, counterparty industry and, in certain cases, fair value markdowns. LGD estimates are based on an empirical analysis of historical loss rates and are calibrated to reflect time and cost of recovery as well as economic downturn conditions. For much of the Private Banking & Wealth Management loan portfolio, the LGD is primarily dependent upon the type and amount of collateral pledged. For other retail credit risk, predominantly loans secured by financial collateral, pool LGDs differentiate between standard and higher risks, as well as domestic and foreign transactions. The credit approval and collateral monitoring processes are based on loan-to-value limits. For mortgages (residential or commercial), recovery rates are differentiated by type of property.

M

Match funded Match funded balance sheet items consist of assets and liabilities with close to equal liquidity durations and value so that the liquidity and funding generated or required by the positions are substantially equivalent.

Material risk takers and controllers (MRTC) MRTC are employees whose activities are considered to have a potentially material impact on the Group's risk profile.

N

Negative replacement value (NRV) NRV represents the negative fair value of a derivative financial instrument at a given financial reporting date. A negative replacement value reflects the amount payable to the counterparty if the derivative transaction would settle at the reporting date, or alternatively, the cost at a given reporting date to close an open derivative position with a fully offsetting transaction.

Net stable funding ratio (NSFR) The NSFR is intended to ensure banks maintain a structurally sound long-term funding profile beyond one year and is a complementary measure to the LCR. It is structured to ensure that illiquid assets are funded with an appropriate amount of stable long-term funds. The standard is defined as the ratio of available stable funding over the amount of required stable funding. The ratio should always be at least 100%.

Netting agreements Netting agreements are contracts between two parties where under certain circumstances, such as insolvency, bankruptcy or any other credit event, mutual claims from outstanding business transactions can be offset against each other. The inclusion of a legally binding netting agreement reduces the default risk from a gross to a net amount.

O

Over-the-counter (OTC) Over-the-counter securities and derivatives are not traded on an exchange but via private contracts between counterparties.

P

Position risk Component of the economic capital framework which is used to assess, monitor and report risk exposures throughout the Group. Position risk is the level of unexpected loss in economic value on our portfolio of positions over a one-year horizon which is exceeded with a given small probability (1% for risk management purposes; 0.03% for capital management purposes).

Positive replacement value (PRV) PRV represents the positive fair value of a derivative financial instrument at a given reporting date. A positive replacement value reflects the amount receivable from the counterparty if the derivative transaction would settle at the reporting date, or alternatively, the cost at a given reporting date to enter into the exact same transaction for the residual term, if the existing counterparty should default.

Probability of default (PD) PD parameters capture the risk of a counterparty defaulting over a one-year time horizon. PD estimates are based on time-weighted averages of historical default rates by rating grade, with low-default-portfolio estimation techniques applied for higher quality rating grades. Each PD reflects the internal rating for the relevant obligor.

R

Regulatory VaR Regulatory VaR is a version of VaR that uses an exponential weighting technique that automatically increases VaR where recent short-term market volatility is greater than long-term volatility in the two-year dataset. Regulatory VaR uses an expected shortfall calculation based on average losses, and a ten-day holding period adjusted to one day for presentation purposes. This results in a more responsive VaR model, as the overall increases in market volatility are reflected almost immediately in the regulatory VaR model.

Repurchase agreements Repurchase agreements are securities sold under agreements to repurchase substantially identical securities. These transactions normally do not constitute economic sales and are therefore treated as collateralized financing transactions and are carried in the balance sheet at the amount of cash received (liability) and cash disbursed (asset), respectively.

Residential mortgage-backed securities (RMBS) RMBS are a type of mortgage-backed security composed of a wide array of different non-commercial mortgage debts. It securitizes the mortgage payments of non-commercial real estate. Different residential mortgages with varying credit ratings are pooled together and sold in tranches to investors.

Reverse repurchase agreements Reverse repurchase agreements are purchases of securities under agreements to resell substantially identical securities. These transactions normally do not constitute economic sales and are therefore treated as collateralized financing transactions and are carried in the balance sheet at the amount of cash received (liability) and cash disbursed (asset), respectively.

Risk management VaR Risk management VaR is a version of VaR that uses an exponential weighting technique that automatically adjusts VaR where recent short-term market volatility differs from long-term volatility in the two-year dataset. Risk management VaR uses an expected shortfall calculation based on average losses, and a one-day holding period. This results in a more responsive VaR model, as the overall changes in market volatility are reflected almost immediately in the risk management VaR model.

Risk mitigation Risk mitigation refers to measures undertaken by the Group or the Bank to actively manage its risk exposure. For credit risk exposure, such measures would normally include utilizing credit hedges and collateral, such as cash and marketable securities. Credit hedges represent the notional exposure that can be transferred to other market counterparties, generally through the use of credit default swaps.

Risk-weighted assets (RWA) The value of the Group's assets weighted according to certain identified risks for compliance with regulatory provisions.

S

Stressed VaR Stressed VaR replicates a VaR calculation on the current portfolio of the Group or the Bank, taking into account a one-year observation period relating to significant financial stress; it helps reduce the pro-cyclicality of the minimum capital requirements for market risk.

Swiss Financial Supervisory Authority (FINMA) FINMA, as an independent supervisory authority, protects creditors, investors and policy holders, ensuring the smooth functioning of the financial markets and preserving their reputation. In its role as state supervisory authority, FINMA acts as an oversight authority of banks, insurance companies, exchanges, securities dealers, collective investment schemes, distributors and insurance intermediaries. It is responsible for combating money laundering and, where necessary, conducts restructuring and bankruptcy proceedings and issues operating licenses for companies in the supervised sectors. Through its supervisory activities, it ensures that supervised institutions comply with the requisite laws, ordinances, directives and regulations and continues to fulfill the licensing requirements. FINMA also acts as a regulatory body; it participates in legislative procedures, issues its own ordinances and circulars where authorized to do so, and is responsible for the recognition of self-regulatory standards.

T

Too Big to Fail In 2011, the Swiss Parliament passed legislation relating to big banks. The legislation includes capital and liquidity requirements and rules regarding risk diversification and emergency plans designed to maintain systemically relevant functions even in the event of threatened insolvency.

Total return swap (TRS) A TRS is a swap agreement in which one party makes payments based on a set rate, either fixed or variable, while the other party makes payments based on the return of an underlying asset, which includes both the income it generates and any capital gains. In total return swaps, the underlying asset, referred to as the reference asset, is usually an equity index, loans, or bonds.

U

Ultra-high-net-worth individuals Ultra-high-net-worth individuals have assets under management in excess of CHF 50 million or total wealth exceeding CHF 250 million.

V

Value-at-Risk (VaR) VaR is a technique used to measure the potential loss in fair value of financial instruments based on a statistical analysis of historical price trends and volatilities. VaR as a concept is applicable for all financial risk types with valid regular price histories; the use of VaR allows the comparison of risk in different businesses, such as fixed income and equity.

Investor information

Share data

in / end of	2012	2011	2010
Share price (common shares, CHF)			
Average	21.23	31.43	45.97
Minimum	16.01	19.65	37.04
Maximum	27.20	44.99	56.40
End of period	22.26	22.07	37.67
Share price (American Depository Shares, USD)			
Average	22.70	35.36	44.16
Minimum	16.20	21.20	36.54
Maximum	29.69	47.63	54.57
End of period	24.56	23.48	40.41
Market capitalization			
Market capitalization (CHF million)	29,402	27,021	44,683
Market capitalization (USD million)	32,440	28,747	47,933
Dividend per share (CHF)			
Dividend per share	0.75 ¹	0.75 ^{2, 3}	1.30 ³

¹ Proposal of the Board of Directors to the Annual General Meeting on April 26, 2013. Refer to "Capital trends and capital distribution proposal" in II – Operating and financial review – Core Results – Information and developments for further information. ² The distribution was payable in cash or, subject to any legal restrictions applicable in shareholders' home jurisdictions, in new shares of Credit Suisse Group at the option of the shareholder. ³ Paid out of reserves from capital contributions.

Share performance



Ticker symbols / stock exchange listings

	Common shares	ADS ¹
Ticker symbols		
Bloomberg	CSGN VX	CS US
Reuters	CSGN.VX	CS.N
Telekurs	CSGN,380	CS,065
Stock exchange listings		
Swiss security number	1213853	570660
ISIN number	CH0012138530	US2254011081
CUSIP number	-	225 401 108

¹ One American Depository Share (ADS) represents one common share.

Bond ratings

as of March 15, 2013	Moody's	Standard & Poor's	Fitch Ratings
Credit Suisse Group AG ratings			
Short term	-	-	F1
Long term	A2	A	A
Outlook	Stable	Negative	Stable
Credit Suisse AG ratings			
Short term	P-1	A-1	F1
Long term	A1	A+	A
Outlook	Stable	Negative	Stable

Foreign currency translation rates

	End of			Average in		
	2012	2011	2010	2012	2011	2010
1 USD / 1 CHF	0.92	0.94	0.94	0.93	0.88	1.04
1 EUR / 1 CHF	1.21	1.22	1.25	1.20	1.23	1.38
1 GBP / 1 CHF	1.48	1.45	1.45	1.48	1.42	1.61
100 JPY / 1 CHF	1.06	1.21	1.15	1.17	1.11	1.19

Financial calendar and contacts

Financial calendar

First quarter 2013 results	Wednesday, April 24, 2013
Annual General Meeting	Friday, April 26, 2013
Capital distribution payment – cash	Monday, May 6, 2013
Capital distribution payment – stock	Monday, May 13, 2013
Second quarter 2013 results	Thursday, July 25, 2013
Third quarter 2013 results	Thursday, October 24, 2013

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Results and financial information	www.credit-suisse.com/results
Printed copies	Credit Suisse AG Publikationenbestellungen/HC96
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US share register and transfer agent

ADS depositary bank	Deutsche Bank Trust Company Americas
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Cautionary statement regarding forward-looking information

This report contains statements that constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. In addition, in the future we, and others on our behalf, may make statements that constitute forward-looking statements. Such forward-looking statements may include, without limitation, statements relating to the following:

- our plans, objectives or goals;
- our future economic performance or prospects;
- the potential effect on our future performance of certain contingencies; and
- assumptions underlying any such statements.

Words such as "believes," "anticipates," "expects," "intends" and "plans" and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements. We do not intend to update these forward-looking statements except as may be required by applicable securities laws.

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that predictions, forecasts, projections and other outcomes described or implied in forward-looking statements will not be achieved. We caution you that a number of important factors could cause results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements. These factors include:

- the ability to maintain sufficient liquidity and access capital markets;
- market and interest rate fluctuations and interest rate levels;
- the strength of the global economy in general and the strength of the economies of the countries in which we conduct our operations, in particular the risk of continued slow economic recovery or downturn in the US or other developed countries in 2013 and beyond;
- the direct and indirect impacts of deterioration or slow recovery in residential and commercial real estate markets;
- adverse rating actions by credit rating agencies in respect of sovereign issuers, structured credit products or other credit-related exposures;

- the ability to achieve our strategic objectives, including improved performance, reduced risks, lower costs and more efficient use of capital;
- the ability of counterparties to meet their obligations to us;
- the effects of, and changes in, fiscal, monetary, trade and tax policies, and currency fluctuations;
- political and social developments, including war, civil unrest or terrorist activity;
- the possibility of foreign exchange controls, expropriation, nationalization or confiscation of assets in countries in which we conduct our operations;
- operational factors such as systems failure, human error, or the failure to implement procedures properly;
- actions taken by regulators with respect to our business and practices in one or more of the countries in which we conduct our operations;
- the effects of changes in laws, regulations or accounting policies or practices;
- competition in geographic and business areas in which we conduct our operations;
- the ability to retain and recruit qualified personnel;
- the ability to maintain our reputation and promote our brand;
- the ability to increase market share and control expenses;
- technological changes;
- the timely development and acceptance of our new products and services and the perceived overall value of these products and services by users;
- acquisitions, including the ability to integrate acquired businesses successfully, and divestitures, including the ability to sell non-core assets;
- the adverse resolution of litigation and other contingencies;
- the ability to achieve our cost efficiency goals and cost targets; and
- our success at managing the risks involved in the foregoing.

We caution you that the foregoing list of important factors is not exclusive. When evaluating forward-looking statements, you should carefully consider the foregoing factors and other uncertainties and events, including the information set forth in *I – Information on the company – Risk factors*.

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