BASE LISTING DOCUMENT DATED 13 APRIL 2012

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

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CREDIT SUISSE

(incorporated under the laws of Switzerland)

Base Listing Document relating to Structured Products to be issued by

Credit Suisse AG

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

We accept full responsibility for the accuracy of the information contained in this document and confirm, having made all reasonable enquiries, that to the best of our knowledge and belief there are no other facts the omission of which would make any statement in this document misleading.

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

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

The structured products constitute our general unsecured contractual obligations and of no other person and will rank equally among themselves and with all our other unsecured obligations (save for those obligations preferred by law) upon liquidation. If you purchase any structured products you are relying upon our creditworthiness and have no rights under such structured products against (a) the company which has issued the underlying securities; (b) the trustee or the manager of the underlying unit trust; or (c) the index compiler of any underlying index or any company constituting the underlying index.

Sponsor and Manager

Credit Suisse (Hong Kong) Limited

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IMPORTANT INFORMATION

What is this document about?

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

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

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

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

What are our credit ratings?

Our senior long term debt ratings as of 12 April 2012 were:

Rating agency	*Credit ratings*
Moody's Investors Service	Aa1
Standard and Poor's Ratings Services	A+
Fitch Ratings	A

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

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

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

(c) a high credit rating is not necessarily indicative of low risk. Our credit ratings as of the above date are for reference only and may be subject to change thereafter. You may visit *www.credit-suisse.com* to obtain information about our credit ratings. Any downgrading of our credit ratings could result in a reduction in the value of the structured products.

The structured products are not rated.

Are we regulated by any bodies referred to in rule 15A.13(2) or (3) of the listing rules?

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

Are we subject to any litigation?

Save as disclosed in the section headed "Legal Proceedings Information extracted from Credit Suisse Group AG annual report 2011" set out in appendix 6 of this document, we and our affiliates are not aware of any litigation or claims of material importance in the context of any issue of the structured products.

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

Save as disclosed in the section headed "Our financial statements extracted from Credit Suisse Group AG annual report 2011" set out in appendix 5 of this document, there has been no material adverse change in our financial position since 31 December 2011. You may access our latest publicly available financial information by visiting our website at *www.credit-suisse.com*.

Do you need to pay any transaction cost?

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

Do you need to pay any tax?

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

Authorised representatives and acceptance of service

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

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

Where can you inspect the relevant documents?

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

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

(b) annual report 2011 of Credit Suisse Group AG (**Credit Suisse Group AG annual report 2011**);

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

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

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

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

The listing documents are also available on the following websites of HKEx:

(a) in respect of warrants, at *http://www.hkex.com.hk/eng/dwrc/search/listsearch.asp.*

(b) in respect of CBBCs, at *http://www.hkex.com.hk/eng/cbbc/search/listsearch.asp.*

各上市文件亦可於下列香港交易所網站瀏覽:

(a) 就一系列權證而言, *http://www.hkex.com.hk/chi/dwrc/search/listsearch_c.asp.*

(b) 就一系列牛熊證而言, *http://www.hkex.com.hk/chi/cbbc/search/listsearch_c.asp.*

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

Our auditors have given and have not withdrawn their written consent dated 13 April 2012 regarding the inclusion of their two reports and/or the references to their name in this document, in the form and context in which they are included. Their two reports were not prepared exclusively for incorporation in this document. Our auditors do not have any shareholding in us, nor do they have the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for our securities.

Placing and sale and grey market dealings

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

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

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

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

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

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

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

Governing law of the structured products

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

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

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

Undefined terms

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

OVERVIEW OF WARRANTS

What is a derivative warrant?

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

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

How and when can you get back your investment?

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

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

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

How do our warrants work?

Ordinary warrants

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

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

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

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

Call warrants

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

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

Put warrants

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

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

Other types of warrants

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

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

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

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

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

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

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

(a) the exercise price or the strike level;

(b) the depth of market and the liquidity of the underlying asset and/or futures contracts relating to the underlying asset;

(c) the probable range of the cash settlement amount;

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

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

(f) any changes in interim interest rates and dividend yields;

(g) expected dividend payments or other distributions on the underlying asset or on any components comprising the index;

(h) the supply and demand for that warrant; and/or

(i) our creditworthiness.

What is your maximum loss?

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

How can you get information about the warrants after issue?

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

OVERVIEW OF CBBCs

What are CBBCs?

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

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

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

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

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

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

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

There are 2 categories of CBBCs, namely:

(a) category R CBBCs; and

(b) category N CBBCs.

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

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

What are the mandatory call features of CBBCs?

Mandatory call event

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

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

(b) at or above the call price or the call level (in the case of a callable bear contract),

at any time during the observation period.

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

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

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

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

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

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

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

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

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

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

Category R CBBCs vs. category N CBBCs

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

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

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

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

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

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

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

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

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

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

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

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

How is the funding cost calculated?

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

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

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

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

Do you own the underlying asset?

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

What are the factors determining the price of a CBBC?

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

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

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

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

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

(d) probable range of cash settlement amount;

(e) the time remaining to expiry;

(f) any change(s) in interim interest rates;

(g) expected dividend payments or other distribution on the underlying asset or on any components comprising the underlying index;

(h) the supply and demand for the CBBCs;

(i) the depth of the market or liquidity of future contracts relating to the underlying index;

(j) any related transaction costs; and/or

(k) our creditworthiness.

What is your maximum loss?

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

How can you get information about the CBBCs after issue?

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

TAXATION

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

Taxation in Switzerland

Gain on sale or redemption

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

Stamp tax

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

Taxation in Hong Kong

Profits tax

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

(a) dividends of any company;

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

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

Stamp duty

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

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

Taxation in United States of America

United States Taxation for Non-U.S. Investors

CIRCULAR 230 NOTICE. THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE: (1) ANY U.S. FEDERAL TAX ADVICE CONTAINED HEREIN, INCLUDING ANY OPINION OF COUNSEL REFERRED TO HEREIN, IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED BY ANY TAXPAYER FOR THE PURPOSE OF AVOIDING U.S. FEDERAL TAX PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER; (2) ANY SUCH ADVICE IS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE TRANSACTIONS DESCRIBED HEREIN (OR IN ANY SUCH OPINION OF COUNSEL); AND (3) EACH

TAXPAYER SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

Substitute Dividend and Dividend Equivalent Payments

The United States Hiring Incentives to Restore Employment Act (the "Act") and recently-proposed regulations treat a "dividend equivalent" payment as a dividend from sources within the United States. Under the Act, unless reduced by an applicable tax treaty with the United States, such payments generally will be subject to U.S. withholding tax. A "dividend equivalent" payment is (i) a substitute dividend payment made pursuant to a securities lending or a sale-repurchase transaction that (directly or indirectly) is contingent upon, or determined by reference to, the payment of a dividend from sources within the United States, (ii) a payment made pursuant to a "specified notional principal contract" that (directly or indirectly) is contingent upon, or determined by reference to, the payment of a dividend from sources within the United States, and (iii) any other payment determined by the IRS to be substantially similar to a payment described in the preceding clauses (i) and (ii). Proposed regulations provide criteria for determining whether a notional principal contract will be a specified notional principal contract, effective for payments made after December 31, 2012.

Proposed regulations address whether a payment is a dividend equivalent. The proposed regulations provide that an equity-linked instrument that provides for a payment that is a substantially similar payment is treated as a notional principal contract for these purposes. An equity-linked instrument is a financial instrument or combination of financial instruments that references one or more underlying securities to determine its value, including a futures contract, forward contract, option, or other contractual arrangement. Although it is not certain, an equity-linked instrument could include instruments treated as indebtedness for U.S. federal income tax purposes. The proposed regulations consider any payment, including the payment of the purchase price or an adjustment to the purchase price, to be a substantially similar payment (and, therefore, a dividend equivalent payment) if made pursuant to an equity-linked instrument that is contingent upon or determined by reference to a dividend (including payments pursuant to a redemption of stock that gives rise to a dividend) from sources within the United States. The rules for equity-linked instruments under the proposed regulations will be effective for payments made after the rules are finalized. Where the securities reference an interest in a fixed basket of securities or a "customized index," each security or component of such basket or customized index is treated as an underlying security in a separate notional principal contract for purposes of determining whether such notional principal contract is a specified notional principal contract or an amount received is a substantially similar payment.

We will treat any portion of a payment on the securities that is substantially similar to a dividend as a dividend equivalent payment, which will be subject to U.S. withholding tax unless reduced by an applicable tax treaty and a properly executed IRS Form W-8 (or other qualifying documentation) is provided. Investors should consult their tax advisors regarding whether payments on the securities constitute dividend equivalent payments.

Securities Held Through Foreign Accounts

Under the Act and recently proposed regulations, a 30% withholding tax is imposed on "withholdable payments" and certain "passthru payments" made to foreign financial institutions (and their more than 50% affiliates) unless the payee foreign financial institution agrees, among other things, to disclose the identity of any U.S. individual with an account at the institution (or the institution's affiliates) and to annually report certain information about such account. "Withholdable payments" include (1) payments of interest (including original issue discount), dividends, and other items of fixed or determinable annual or periodical gains, profits, and income ("FDAP"), in each case, from sources within the United States, and (2) gross proceeds from the sale of any property of a type which can produce interest or dividends from sources within the United States. "Passthru payments" generally are certain payments attributable to withholdable payments. The Act also requires withholding agents making withholdable payments to certain foreign entities that do not disclose the name, address, and taxpayer identification number of any substantial U.S. owners (or certify that they do not have any substantial United States owners) to withhold tax at a rate of 30%. We will treat payments on the securities as withholdable payments for these purposes.

Withholding under the Act described above will apply to all withholdable payments and certain passthru payments without regard to whether the beneficial owner of the payment is a U.S. person, or would otherwise be entitled to an exemption from the imposition of withholding tax pursuant to an applicable tax treaty with the United States or pursuant to U.S. domestic law. Unless a foreign financial institution is the beneficial owner of a payment, it will be subject to refund or credit in accordance with the same procedures and limitations applicable to other taxes withheld on FDAP payments provided that the beneficial owner of the payment furnishes such information as the IRS determines is necessary to determine whether such beneficial owner is a United States owned foreign entity and the identity of any substantial United States owners of such entity. Pursuant to the proposed regulations, the Act's withholding regime generally will apply to (i) withholdable payments (other than gross proceeds of the type described above) made after December 31, 2013, (ii) payments of gross proceeds of the type described above with respect to a sale or disposition occurring after December 31, 2014, and (iii) passthru payments made after December 31, 2016. Additionally, the provisions of the Act discussed above generally will not apply to obligations (other than an instrument that is treated as equity for U.S. tax purposes or that lacks a stated expiration or term) that are outstanding on January 1, 2013. Thus, if you hold your securities through a foreign financial institution or foreign corporation or trust, a portion of any of your payments made after December 31, 2013 may be subject to 30% withholding.

PLACING AND SALE

General

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

United States of America

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

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a **relevant member state**), with effect from and including the date on which the prospectus directive is implemented in that relevant member state (the **relevant implementation date**), no offer of structured products which are the subject of the offering contemplated by this base listing document as completed by the relevant supplemental listing document in relation thereto to the public in that relevant member state has been, or will be, made except for, with effect from and including the relevant implementation date, an offer of structured products to the public in that relevant member state may be made:

(a) if the supplemental listing document in relation to the structured products specifies that an offer of those structured products may be made other than pursuant to Article 3(2) of the prospectus directive in that relevant member state (a **non-exempt offer**), following the date of publication of a prospectus in relation to such structured products which has been approved by the competent authority in that relevant member state or, where appropriate, approved in another relevant member state and notified to the competent authority in that relevant member state, provided that any such prospectus has subsequently been completed by the supplemental listing document contemplating such non-exempt offer, in accordance with the prospectus directive, in the period beginning and ending on the dates specified in such prospectus or supplemental listing document, as applicable and the issuer has consented in writing to its use for the purpose of that non-exempt offer;

(b) at any time to any legal entity which is a qualified investor as defined in the prospectus directive;

(c) at any time to fewer than 100 or, if the relevant member state has implemented the relevant provisions of the 2010 PD amending directive, 150 natural or legal persons (other than qualified investors as defined in the prospectus directive) subject to obtaining prior consent of the relevant dealer or dealers nominated by us for any such offer; or

(d) at any time in any other circumstances falling within article 3(2) of the prospectus directive,

provided that no such offer of structured products referred to in (b) to (d) above shall require us or any dealer to publish a prospectus pursuant to article 3 of the prospectus directive or supplement a prospectus pursuant to article 16 of the prospectus directive.

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

United Kingdom

Any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (**FSMA**)) in connection with the issue or sale of the structured products has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in circumstances in which section 21(1) of the FSMA would not, if we were not an authorised person, apply to us. All applicable provisions of the FSMA have been complied with, and will be complied with, with respect to anything done by it in relation to any structured products in, from or otherwise involving the United Kingdom.

RISK FACTORS

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

General risks relating to us

Ultimate holding company of our group

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

Structured products are unsecured obligations

Each series of structured products constitutes our general unsecured contractual obligations and of no other person and will rank equally with our other unsecured contractual obligations. At any given time, the number of our structured products outstanding may be substantial.

Repurchase of our structured products

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

Our creditworthiness

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

(a) any company which issues the underlying shares;

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

(c) the index compiler of the underlying index.

We do not guarantee the repayment of your investment in any structured products.

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

No deposit liability or debt obligation

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

Conflicts of interest

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

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

General risks relating to structured products

You may lose all your investment in the structured product

Structured products involve a high degree of risk, and are subject to a number of risks which may include interest, foreign exchange, time value, market, and/or political risks. Structured products may expire worthless. Options, warrants and asset linked instruments are priced primarily on the basis of the price or level of the underlying asset, the volatility of the underlying asset's price or level and the time remaining to expiry of the structured product.

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

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

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

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

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

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

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

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

Possible illiquidity of secondary market

It is not possible to predict:

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

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

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

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

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

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

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

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

Interest rates

Investments in the structured products may involve interest rate risk with respect to the currency of denomination of the underlying assets and/or the structured products. A variety of factors influence interest rates such as macro economic, governmental, speculative and market sentiment factors. Such fluctuations may have an impact on the value of the structured products at any time prior to valuation of the underlying assets relating to the structured products.

Exchange rate risk

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

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

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

Taxes

You may be required to pay stamp duty or other taxes or other documentary charges. If you are in doubt as to your tax position, you should consult your own independent tax advisers. In addition, you should be aware that tax regulations and their application by the relevant taxation authorities change from time to time. Accordingly, it is not possible to predict the precise tax treatment which will apply at any given time. See the section headed "Taxation" for further information.

Modification to the conditions

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

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

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

(c) made to correct a manifest error; or

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

Possible early termination for illegality or impracticability

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

Risks relating to the underlying asset

You have no right to the underlying asset

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

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

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

Valuation risk

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

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

Adjustment related risk

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

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

Suspension of trading

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

Delay in settlement

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

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

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

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

Risks relating to structured products over trusts

General risks

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

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

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

Exchange traded funds

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

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

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

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

Synthetic exchange traded funds

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

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

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

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

Risks relating to our warrants

Time decay

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

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

Risks relating to our CBBCs

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

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

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

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

Mandatory call event is irrevocable

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

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

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

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

Delay in announcements of a mandatory call event

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

Non-recognition of post MCE trades

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

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

Residual value will not include residual funding cost

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

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

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

Unwinding of hedging arrangements

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

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

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

Possible early termination for hedging disruption

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

Risks relating to the legal form of the structured products

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

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

You should be aware of the following risks:

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

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

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

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

Fee arrangements with brokers and conflicts of interest of brokers

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

Effect of the combination of risk factors unpredictable

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

GENERAL INFORMATION ABOUT US

Incorporation, registered office and objective

We were established on 5 July 1856 and registered in the Commercial Register of the Canton of Zurich on 27 April 1883 for an unlimited duration under the name of Schweizerische Kreditanstalt. Our name was changed to Credit Suisse First Boston on 11 December 1996 (by entry in the Commercial Register), effective as of 1 January 1997. Our name was then changed to Credit Suisse, effective as of 13 May 2005. Our name was further changed to Credit Suisse AG, effective as of 9 November 2009. We are a joint stock corporation established under Swiss law. Our share capital amounts to CHF 4,399,665,200, which is divided into 43,996,652 fully paid-up registered shares with a par value of CHF 100 each.

Members of our board of directors as of 12 April 2012*

Name	Office held	Office address
Urs Rohner	Chairman	Credit Suisse Group AG Paradeplatz 8 8070 Zurich Switzerland
Peter Brabeck-Letmathe	Vice Chairman	Nestlé SA Avenue Nestlé 55 1800 Vevey, Switzerland
Jassim Bin Hamad J.J. Al Thani	Director	Qatar Islamic Bank (QIB) Grand Hamad Avenue P.O. Box 559 Doha, Qatar
Robert H. Benmosche	Director	American International Group, Inc. President & CEO, 180 Maiden Lane, 41st Floor, New York, NY 10038, USA
Noreen Doyle	Director	Credit Suisse Group AG Paradeplatz 8 8070 Zurich Switzerland
Walter B. Kielholz	Director	Swiss Reinsurance Company Ltd. Mythenquai 50/60 8022 Zurich Switzerland
Andreas N. Koopmann	Director	Credit Suisse Group AG Paradeplatz 8 8070 Zurich Switzerland
Jean Lanier	Director	Credit Suisse Group AG Paradeplatz 8 8070 Zurich Switzerland
Anton van Rossum	Director	Credit Suisse Group AG Paradeplatz 8 8070 Zurich Switzerland

Name	Office held	Office address
Aziz R. D. Syriani	Director	The Olayan Group 111 Poseidonos Avenue P.O. Box 70228, Glyfada Athens 16610, Greece
David W. Syz	Director	ecodocs AG Dufourstrasse 21 8702 Zollikon Switzerland
Richard E. Thornburgh	Director	Corsair Capital LLC 717 Fifth Avenue, 24th Floor New York, 10022 USA
John Tiner	Director	23 Savile Row, London W1S 2ET, UK
Peter F. Weibel	Director	Credit Suisse Group AG Paradeplatz 8 8070 Zurich Switzerland

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

ERISA matters

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

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

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

1. Definitions

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

"**Base Listing Document**" means the base listing document relating to Structured Products dated 13 April 2012 and issued by the Issuer (including any addenda to such base listing document issued by the Issuer from time to time);

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

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

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

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

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

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

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

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

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

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

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

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

“**Issuer**” means Credit Suisse AG;

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

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

“**Register Maintenance Agreement**” means:

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

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

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

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

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

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

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

2. Form, Status and Transfer

2.1 ***Form***

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

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

2.2 ***Status***

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

2.3 ***Transfer***

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

3. Register and Transfer Office

3.1 ***Maintenance of Register***

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

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

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

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

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

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

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

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

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

4. Purchases

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

5. Global Certificate

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

6. Meetings of Holders and Modifications to Conditions

6.1 *Meetings of Holders*

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

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

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

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

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

6.2 *Modification*

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

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

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

(c) made to correct a manifest error; or

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

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

7. Notices

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

8. Illegality or Impracticability

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

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

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

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

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

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

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

9. Further Issues

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

10. Good Faith and Commercially Reasonable Manner

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

11. Governing Law

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

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

12. Language

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

APPENDIX 2 — PRODUCT CONDITIONS OF THE WARRANTS

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

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

1. Definitions

For the purposes of these Product Conditions:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"**Market Disruption Event**" means:

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

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

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

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

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

"**Settlement Date**" means the third CCASS Settlement Day after the Expiry Date;

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

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

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

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

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

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

2. Warrant Rights and Exercise Expenses

2.1 ***Warrant Rights***

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

2.2 ***Exercise Expenses***

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

3. Exercise of Warrants

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

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

3.2 ***Automatic Exercise***

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

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

3.3 ***Cancellation***

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

3.4 ***Cash Settlement***

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

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

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

4. Adjustments

4.1 *Rights Issues*

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

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

Where:

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

E: Existing Entitlement immediately prior to the Rights Offer

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

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

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

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

For the purposes of these Product Conditions:

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

4.2 ***Bonus Issues***

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

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

Where:

Adjustment Factor = 1 + N

E: Existing Entitlement immediately prior to the Bonus Issue

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

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

4.3 ***Subdivisions or Consolidations***

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

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

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

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

4.4 ***Merger or Consolidation***

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

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

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

4.5 ***Cash Distribution***

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

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

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

Where:

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

E: The existing Entitlement immediately prior to the Cash Distribution

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

CD: The amount of Cash Distribution per Share

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

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

4.6 ***Other Adjustments***

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

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

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

4.7 ***Notice of Determinations***

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

5. Liquidation

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

6. Delisting

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

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

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

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

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

1. Definitions

For the purposes of these Product Conditions:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

“**Market Disruption Event**” means:

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

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

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

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

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

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

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

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

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

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

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

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

"**Settlement Date**" means the third CCASS Settlement Day after the Expiry Date;

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

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

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

2. Warrant Rights and Exercise Expenses

2.1 *Warrant Rights*

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

2.2 *Exercise Expenses*

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

3. Exercise of Warrants

3.1 *Exercise of Warrants in Board Lots*

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

3.2 *Automatic Exercise*

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

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

3.3 ***Cancellation***

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

3.4 ***Cash Settlement***

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

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

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

4. Adjustments to the Index

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

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

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

If:

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

(b) on the Valuation Date the Index Compiler or (if applicable) the Successor Index Compiler fails to calculate and publish the Index (other than as a result of a Market Disruption Event), then the Issuer shall determine the closing level on the Valuation Date using, in lieu of a published level for the Index, the level for the Index as at that Valuation Date as determined by the Issuer in accordance with the formula for and method of calculating the Index last in effect prior to that change or failure, but using only those securities/commodities that comprised the Index immediately prior to that change or failure.

4.3 ***Other Adjustments***

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

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

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

4.4 ***Notice of Determinations***

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

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

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

1. Definitions

For the purposes of these Product Conditions:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

“**Market Disruption Event**” means:

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

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

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

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

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

“**Settlement Date**” means the third CCASS Settlement Day after the Expiry Date;

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

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

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

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

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

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

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

2. Warrant Rights and Exercise Expenses

2.1 ***Warrant Rights***

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

2.2 ***Exercise Expenses***

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

3. Exercise of Warrants

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

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

3.2 ***Automatic Exercise***

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

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

3.3 ***Cancellation***

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

3.4 ***Cash Settlement***

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

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

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

4. Adjustments

4.1 *Rights Issues*

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

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

Where:

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

E: Existing Entitlement immediately prior to the Rights Offer

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

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

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

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

For the purposes of these Product Conditions:

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

4.2 ***Bonus Issues***

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

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

Where:

Adjustment Factor = 1 + N

E: Existing Entitlement immediately prior to the Bonus Issue

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

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

4.3 ***Subdivisions or Consolidations***

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

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

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

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

4.4 ***Merger or Consolidation***

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

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

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

4.5 ***Cash Distribution***

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

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

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

Where:

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

E: The existing Entitlement immediately prior to the Cash Distribution

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

CD: The amount of Cash Distribution per Unit

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

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

4.6 ***Other Adjustments***

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

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

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

4.7 ***Notice of Determinations***

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

5. Termination or Liquidation

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

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

6. Delisting

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

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

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

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

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

1. Definitions

For the purposes of these Product Conditions:

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

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

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

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

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

(if applicable) converted from Underlying Currency into Hong Kong dollars at the Exchange Rate

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

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

(if applicable) converted from Underlying Currency into Hong Kong dollars at the Exchange Rate

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

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

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

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

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

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

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

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

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

"**Market Disruption Event**" means:

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

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

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

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

"**Settlement Date**" means the third CCASS Settlement Day after the Expiry Date;

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

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

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

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

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

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

Business Day will be used more than once in determining the Average Price, so that in no event shall there be less than five official closing prices used to determine the Average Price.

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

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

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

2. Warrant Rights and Exercise Expenses

2.1 ***Warrant Rights***

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

2.2 ***Exercise Expenses***

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

3. Exercise of Warrants

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

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

3.2 ***Automatic Exercise***

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

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

3.3 ***Cancellation***

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

3.4 ***Cash Settlement***

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

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

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

4. Adjustments

4.1 ***Rights Issues***

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

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

Where:

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

E: Existing Entitlement immediately prior to the Rights Offer

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

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

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

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

For the purposes of these Product Conditions:

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

4.2 ***Bonus Issues***

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

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

Where:

Adjustment Factor = 1 + N

E: Existing Entitlement immediately prior to the Bonus Issue

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

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

4.3 ***Subdivisions or Consolidations***

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

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

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

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

4.4 ***Merger or Consolidation***

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

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

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

4.5 ***Cash Distribution***

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

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

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

Where:

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

E: The existing Entitlement immediately prior to the Cash Distribution

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

CD: The amount of Cash Distribution per Share

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

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

4.6 ***Other Adjustments***

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

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

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

4.7 ***Notice of Determinations***

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

5. Liquidation

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

6. Delisting

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

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

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

APPENDIX 3 — PRODUCT CONDITIONS OF THE CBBCs

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

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

1. Definitions

For the purposes of these Product Conditions:

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

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

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

(a) following a Mandatory Call Event:

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

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

(b) at expiry:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"**Market Disruption Event**" means:

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

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

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

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

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

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

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

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

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

"**MCE Valuation Period**" means:

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

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

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

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

For the purposes of this definition,

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

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

shall each be considered as one session only; and

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"**Settlement Date**" means the third CCASS Settlement Day immediately following (a) the Valuation Date; or (b) the end of the MCE Valuation Period, as the case may be;

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

"**Spot Level**" means:

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

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

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

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

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

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

2. Hedging Disruption

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

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

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

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

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

(d) the general unavailability of:

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

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

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

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

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

3. CBBC Rights and Exercise Expenses

3.1 *CBBC Rights*

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

3.2 *Exercise Expenses*

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

4. Exercise of CBBCs

4.1 *Exercise of CBBCs in Board Lots*

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

4.2 *Automatic exercise*

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

4.3 *Mandatory Call Event*

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

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

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

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

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

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

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

4.4 ***Entitlement***

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

4.5 ***Exercise Expenses***

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

4.6 ***Cancellation***

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

4.7 ***Cash Settlement***

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

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

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

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

In the absence of gross negligence or wilful misconduct on its part, none of the Issuer, the Registrar or their respective agents shall have any responsibility for any errors or omissions in the calculation of the Cash Settlement Amount.

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

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

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

4.10 ***Trading in the CBBCs***

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

5. Adjustments to the Index

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

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

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

If:

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

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

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

5.3 ***Other Adjustments***

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

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

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

5.4 ***Notice of Determinations***

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

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

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

1 Definitions

For the purposes of these Product Conditions:

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

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

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

(a) following a Mandatory Call Event:

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

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

(b) at expiry:

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

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

and

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

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

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

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

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

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

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

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

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

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

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

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

"**Mandatory Call Event**" occurs when the Spot Price of the Shares at any time during the Observation Period is:

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

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

"**Market Disruption Event**" means:

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

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

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

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

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

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

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

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

For the purposes of this definition,

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

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

shall each be considered as one session only;

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

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

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

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

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

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

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

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

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

and

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

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

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

"**Settlement Date**" means the third CCASS Settlement Day following (a) the Valuation Date; or (b) the end of the MCE Valuation Period, as the case may be;

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

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

"**Spot Price**" means:

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

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

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

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

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

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

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

"**Valuation Date**" means the Trading Day immediately preceding the Expiry Date unless the Issuer determines, in its sole and absolute discretion, that a Market Disruption Event has occurred, then that day shall be postponed until the first succeeding Trading Day on which the Issuer determines that there is no Market Disruption Event, unless the Issuer determines that there is a Market Disruption Event occurring on each of the four Trading Days immediately following the original date which (but for the Market Disruption Event) would have been the Valuation Date. In that case:

(a) the fourth Trading Day immediately following the original date shall be deemed to be the Valuation Date (regardless of the Market Disruption Event); and

(b) the Issuer shall determine the Closing Price on the basis of its good faith estimate of the price that would have prevailed on that day but for the occurrence of the Market Disruption Event.

2. Hedging Disruption

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

2.2 ***Hedging Disruption Event***: A "**Hedging Disruption Event**" occurs if the Issuer determines that it is or has become not reasonably practicable or it has otherwise become undesirable, for any reason, for the Issuer wholly or partially (X) to establish, re-establish, substitute or maintain a relevant hedging transaction (a "**Relevant Hedging Transaction**") it deems necessary or desirable to hedge the Issuer's obligations in respect of the CBBCs or (Y) to freely realize, recover, receive, repatriate, remit or transfer the proceeds of the Relevant Hedging Transactions between accounts within the jurisdiction of the Relevant Hedging Transactions (the "**Affected Jurisdiction**") or from accounts within the Affected Jurisdiction to accounts outside of the Affected Jurisdiction. The reasons for such determination by the Issuer may include, but are not limited to, the following:

(a) any material illiquidity in the market for the Shares;

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

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

(d) the general unavailability of:

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

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

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

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

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

3. CBBC Rights and Exercise Expenses

3.1 ***CBBC Rights***

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

3.2 ***Exercise Expenses***

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

4. Exercise of CBBCs

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

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

4.2 ***Automatic exercise***

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

4.3 ***Mandatory Call Event***

(a) Subject to Product Condition 4.3(b) below, following a Mandatory Call Event, the CBBCs will be terminated automatically and the Issuer shall have no further obligation under the CBBCs except for the payment of the Cash Settlement Amount (net of any Exercise Expenses) (if any) on the Settlement Date. The Issuer will notify the Holders of the occurrence of the Mandatory Call Event in accordance with General Condition 7. Trading in the CBBCs will be suspended immediately upon the occurrence of a Mandatory Call Event and any Post MCE Trades will be cancelled and will not be recognised by the Stock Exchange or the Issuer.

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

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

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

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

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

4.4 ***Entitlement***

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

4.5 ***Exercise Expenses***

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

4.6 ***Cancellation***

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

4.7 ***Cash Settlement***

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

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

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

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

In the absence of gross negligence or wilful misconduct on its part, none of the Issuer, the Registrar or their respective agents shall have any responsibility for any errors or omissions in the calculation of the Cash Settlement Amount.

The purchase of CBBCs does not confer on any Holder of such CBBCs any rights (whether in respect of voting, distributions or otherwise) in relation to the Shares.

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

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

4.10 ***Trading in the CBBCs***

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

5. Adjustments

5.1 ***Rights Issues***

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

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

Where:

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

E: Existing Entitlement immediately prior to the Rights Offer

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

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

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

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

For the purposes of these Product Conditions:

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

5.2 ***Bonus Issues***

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

Adjusted Entitlement = Adjustment Factor x E

Where:

Adjustment Factor = 1 + N

E: Existing Entitlement immediately prior to the Bonus Issue

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

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

5.3 ***Subdivisions or Consolidations***

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

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

(b) in the case of a Consolidation, the Entitlement in effect immediately prior thereto will be decreased whereas the Strike Price and the Call Price (each of which shall be rounded to the nearest Hong Kong dollar 0.001) will be increased in the same ratio as the Consolidation,

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

5.4 ***Merger or Consolidation***

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

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

For the avoidance of doubt, any remaining Shares shall not be affected by this Product Condition 5.4 and, where cash is offered in substitution for Shares or is deemed to replace Substituted Securities as described above, references in these Product Conditions to the Shares shall include any such cash.

5.5 ***Cash Distribution***

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

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

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

Where:

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

E: The existing Entitlement immediately prior to the Cash Distribution

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

CD: The amount of Cash Distribution per Share

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

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

5.6 ***Other Adjustments***

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

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

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

5.7 ***Notice of Determinations***

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

6. Liquidation

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

7. Delisting

7.1 *Adjustments following delisting*

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

7.2 *Listing on another exchange*

Without prejudice to the generality of Product Condition 7.1, where the Shares are, or, upon the delisting, become, listed on any other stock exchange, the General Conditions and these Product Conditions may, in the absolute discretion of the Issuer, be amended to the extent necessary to allow for the substitution of that other stock exchange in place of the Stock Exchange and the Issuer may, without the consent of the Holders, make such adjustments to the entitlements of Holders on exercise (including, if appropriate, by converting foreign currency amounts at prevailing market rates into Hong Kong currency) as may be appropriate in the circumstances.

7.3 *Adjustments binding*

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

PART C — PRODUCT CONDITIONS OF CALLABLE BULL/BEAR CONTRACTS OVER SINGLE UNIT TRUSTS (CASH SETTLED)

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

1. Definitions

For the purposes of these Product Conditions:

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

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

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

(a) following a Mandatory Call Event:

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

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

(b) at expiry:

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

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

and

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

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

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

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

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

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

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

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

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

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

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

“**Mandatory Call Event**” occurs when the Spot Price of the Units at any time during the Observation Period is:

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

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

“**Market Disruption Event**” means:

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

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

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

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

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

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

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

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

For the purposes of this definition,

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

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

shall each be considered as one session only;

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

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

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

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

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

"**Product Conditions**" means these product terms and conditions. These Product Conditions apply to each series of cash settled callable bull/bear contracts over single unit trusts;

"**Residual Value**" means, in respect of every Board Lot:

(a) in respect of a series of callable bull contracts, an amount calculated by the Issuer equal to:

$$\frac{\text{Entitlement x (Minimum Trade Price - Strike Price) x one Board Lot}}{\text{Number of CBBC(s) per Entitlement}}$$

and

(b) in respect of a series of callable bear contracts, an amount calculated by the Issuer equal to:

$$\frac{\text{Entitlement x (Strike Price - Maximum Trade Price) x one Board Lot}}{\text{Number of CBBC(s) per Entitlement}}$$

"**Settlement Currency**" means the currency specified as such in the relevant Supplemental Listing Document;

"**Settlement Date**" means the third CCASS Settlement Day following (a) the Valuation Date; or (b) the end of the MCE Valuation Period, as the case may be;

"**Settlement Disruption Event**" means an event beyond the control of the Issuer as a result of which the Issuer is unable to procure payment of the Cash Settlement Amount electronically through CCASS to the Designated Bank Account;

"**Spot Price**" means:

(a) in respect of a continuous trading session of the Stock Exchange, the price per Unit concluded by means of automatic order matching on the Stock Exchange as reported in the official real-time dissemination mechanism for the Stock Exchange during such continuous trading session of the Stock Exchange in accordance with the Trading Rules, excluding direct business (as defined in the Trading Rules); and

(b) in respect of a pre-opening session or a closing auction session (if applicable) of the Stock Exchange (as the case may be), the final Indicative Equilibrium Price (IEP) (as defined in the Trading Rules) of the Unit (if any) calculated at the end of the pre-order matching period of such pre-opening session or closing auction session (if applicable) (as the case may be) in accordance with the Trading Rules, excluding direct business (as defined in the Trading Rules),

subject to such modification and amendment prescribed by the Stock Exchange from time to time;

"**Stock Exchange**" means The Stock Exchange of Hong Kong Limited;

"**Strike Price**" means the price specified as such in the relevant Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 5;

"**Trading Day**" means a day on which the Stock Exchange is scheduled to open for trading for its regular trading sessions;

"**Trading Rules**" means the Rules and Regulations of the Exchange prescribed by the Stock Exchange from time to time;

"**Trust**" means the trust specified as such in the relevant Supplemental Listing Document;

"**Unit**" means the unit specified as such in the relevant Supplemental Listing Document; and

"**Valuation Date**" means the Trading Day immediately preceding the Expiry Date unless the Issuer determines, in its sole and absolute discretion, that a Market Disruption Event has occurred, then that day shall be postponed until the first succeeding Trading Day on which the Issuer determines that there is no Market Disruption Event, unless the Issuer determines that there is a Market Disruption Event occurring on each of the four Trading Days immediately following the original date which (but for the Market Disruption Event) would have been the Valuation Date. In that case:

(a) the fourth Trading Day immediately following the original date shall be deemed to be the Valuation Date (regardless of the Market Disruption Event); and

(b) the Issuer shall determine the Closing Price on the basis of its good faith estimate of the price that would have prevailed on that day but for the occurrence of the Market Disruption Event.

2. Hedging Disruption

2.1 ***Notification***: The Issuer shall as soon as reasonably practicable give notice to the Holders in accordance with General Condition 7 if it determines that a Hedging Disruption Event has occurred. The notice shall specify the consequence of such Hedging Disruption Event as determined by the Issuer pursuant to Product Condition 2.3.

2.2 ***Hedging Disruption Event***: A "**Hedging Disruption Event**" occurs if the Issuer determines that it is or has become not reasonably practicable or it has otherwise become undesirable, for any reason, for the Issuer wholly or partially (X) to establish, re-establish, substitute or maintain a relevant hedging transaction (a "**Relevant Hedging Transaction**") it deems necessary or desirable to hedge the Issuer's obligations in respect of the CBBCs or (Y) to freely realize, recover, receive, repatriate, remit or transfer the proceeds of the Relevant Hedging Transactions between accounts within the jurisdiction of the Relevant Hedging Transactions (the "**Affected Jurisdiction**") or from accounts within the Affected Jurisdiction to accounts outside of the Affected Jurisdiction. The reasons for such determination by the Issuer may include, but are not limited to, the following:

(a) any material illiquidity in the market for the Units;

(b) a change in any applicable law (including, without limitation, any tax law) or the promulgation of, or change in, the interpretation of any court, tribunal or regulatory authority with competent jurisdiction of any applicable law (including any action taken by a taxing authority);

(c) a material decline in the creditworthiness of a party with whom the Issuer has entered into any such Relevant Hedging Transaction; or

(d) the general unavailability of:

(i) market participants who will agree to enter into a Relevant Hedging Transaction; or

(ii) market participants who will so enter into a Relevant Hedging Transaction on commercially reasonable terms.

2.3 ***Consequences***: The Issuer, in the event of a Hedging Disruption Event, may determine to:

(a) terminate the CBBCs. In such circumstances the Issuer will, however, if and to the extent permitted by the Applicable Law pay to each Holder in respect of each CBBC held by such Holder an amount calculated by it as the fair market value of the CBBC immediately prior to such termination less the cost to the Issuer of unwinding any related hedging arrangements. Payment will be made to the Holder in such manner as shall be notified to the Holder in accordance with General Condition 7; or

(b) make any other adjustment to the Product Conditions as it considers appropriate in order to maintain the theoretical value of the CBBCs after adjusting for the relevant Hedging Disruption Event.

3. CBBC Rights and Exercise Expenses

3.1 ***CBBC Rights***

Every Board Lot gives each Holder, upon due exercise and compliance with Product Condition 4, the right to receive the payment of the Cash Settlement Amount (net of any Exercise Expenses), if any.

3.2 ***Exercise Expenses***

On exercise of the CBBCs, Holders will be obliged to give an irrevocable authorisation to the Issuer to deduct all Exercise Expenses in accordance with Product Condition 4.

4. Exercise of CBBCs

4.1 ***Exercise of CBBCs in Board Lots***

CBBCs may only be exercised in Board Lots or integral multiples thereof.

4.2 ***Automatic exercise***

If no Mandatory Call Event has occurred during the Observation Period, the CBBCs will be deemed to be automatically exercised on the Expiry Date if the Cash Settlement Amount is greater than zero (without notice being given to the Holders).

4.3 ***Mandatory Call Event***

(a) Subject to Product Condition 4.3(b) below, following a Mandatory Call Event, the CBBCs will be terminated automatically and the Issuer shall have no further obligation under the CBBCs except for the payment of the Cash Settlement Amount (net of any Exercise Expenses) (if any) on the Settlement Date. The Issuer will notify the Holders of the occurrence of the Mandatory Call Event in accordance with General Condition 7. Trading in the CBBCs will be suspended immediately upon the occurrence of a Mandatory Call Event and any Post MCE Trades will be cancelled and will not be recognised by the Stock Exchange or the Issuer.

(b) A Mandatory Call Event is irrevocable unless it is triggered as a result of any of the following events:

(i) system malfunction or other technical errors of the Stock Exchange and such event is reported by the Stock Exchange to the Issuer and the Issuer and the Stock Exchange mutually agree that such Mandatory Call Event is to be revoked; or

(ii) manifest errors caused by the relevant third party where applicable and such event is reported by the Issuer to the Stock Exchange, and the Issuer and the Stock Exchange mutually agree that such Mandatory Call Event is to be revoked;

in each case, such mutual agreement must be reached no later than the time specified in the relevant Supplemental Listing Document or such other time as prescribed by the Stock Exchange from time to time.

In both cases, the Mandatory Call Event so triggered will be reversed; and all cancelled trades (if any) will be reinstated and trading of the CBBCs will resume as soon as practicable in accordance with the rules and/or requirements prescribed by the Stock Exchange from time to time.

4.4 ***Entitlement***

Every Board Lot of CBBCs entitles the Holder to receive from the Issuer on the Settlement Date the Cash Settlement Amount (if any).

4.5 ***Exercise Expenses***

Any Exercise Expenses which are not determined by the Issuer by the end of the MCE Valuation Period or the Expiry Date (as the case may be) and deducted from the Cash Settlement Amount prior to delivery to the Holders in accordance with this Product Condition 4, shall be notified by the Issuer to the Holders as soon as practicable after determination thereof and shall be paid by the Holders to the Issuer immediately upon demand.

4.6 ***Cancellation***

The Issuer will procure that the Registrar will, with effect from the first Business Day following the MCE Valuation Period or the Expiry Date (as the case may be), remove from the Register the name of the person in respect of the CBBCs which (a) are the subject of an exercise in accordance with these Product Conditions; or (b) have expired worthless, and thereby cancel the relevant CBBCs.

4.7 ***Cash Settlement***

Upon early termination of the CBBCs following the occurrence of a Mandatory Call Event or an automatic exercise of the CBBCs on the Expiry Date (as the case may be) in accordance with these Product Conditions, the Issuer will make a payment in respect of every Board Lot to the relevant Holder equal to the Cash Settlement Amount (net of any Exercise Expenses). If the Cash Settlement Amount is equal to or less than the Exercise Expense, no amount is payable by the Issuer.

The Cash Settlement Amount shall be despatched not later than the Settlement Date by crediting that amount in accordance with the CCASS Rules to the Designated Bank Account.

If, as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder on the original Settlement Date, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Holder for any interest in respect of the amount due or any loss or damage that such Holder may suffer as a result of the existence of the Settlement Disruption Event.

4.8 *Responsibility of Issuer and Registrar*

In the absence of gross negligence or wilful misconduct on its part, none of the Issuer, the Registrar or their respective agents shall have any responsibility for any errors or omissions in the calculation of the Cash Settlement Amount.

The purchase of CBBCs does not confer on any Holder of such CBBCs any rights (whether in respect of voting, distributions or otherwise) in relation to the Units.

4.9 *Liability of Issuer and Registrar*

Exercise and settlement of the CBBCs is subject to all applicable laws, regulations and practices in force at the relevant time and neither the Issuer nor the Registrar shall incur any liability whatsoever if it is unable to effect the transactions contemplated, after using all reasonable efforts, as a result of any such laws, regulations or practices. Neither the Issuer nor the Registrar shall under any circumstances be liable for any acts or defaults of the CCASS in relation to the performance of its duties in relation to the CBBCs.

4.10 *Trading in the CBBCs*

Subject to Product Condition 4.3(b), trading in CBBCs on the Stock Exchange shall cease (a) immediately upon the occurrence of a Mandatory Call Event or (b) at the close of trading for the Trading Day immediately preceding the Expiry Date (for the avoidance of doubt, in the case when the Stock Exchange is scheduled to open for the morning session only, at the close of trading for the morning session), whichever is the earlier.

5. Adjustments

5.1 *Rights Issues*

If and whenever the Trust shall, by way of Rights (as defined below), offer new Units for subscription at a fixed subscription price to the holders of existing Units pro rata to existing holdings (a "**Rights Offer**"), the Entitlement shall be adjusted to take effect on the Business Day on which trading in the Units becomes ex-entitlement ("**Rights Issue Adjustment Date**") in accordance with the following formula:

$$\text{Adjusted Entitlement} = \text{Adjustment Factor} \times E$$

Where:

$$\text{Adjustment Factor} = \frac{1 + M}{1 + (R/S) \times M}$$

E: The existing Entitlement immediately prior to the Rights Offer

S: Cum-Rights Unit price being the closing price of an existing Unit as derived from the daily quotation sheet of the Stock Exchange on the last Trading Day on which the Units are traded on a Cum-Rights basis

R: Subscription price per new Unit as specified in the Rights Offer plus an amount equal to any distributions or other benefits foregone to exercise the Rights

M: Number of new Unit(s) (whether a whole or a fraction) per existing Unit each holder thereof is entitled to subscribe

Provided that if the adjustment to be made would result in the Entitlement being changed by one per cent. or less, then no adjustment shall be made to the Entitlement. In addition, if adjustment is to be made to the Entitlement, the Issuer shall adjust the Strike Price and the Call Price (each of which shall be rounded to the nearest Hong Kong dollar 0.001) by the reciprocal of the Adjustment Factor, where the reciprocal of the Adjustment Factor means one divided by the relevant Adjustment Factor. This adjustment to the Strike Price and the Call Price shall take effect on the Rights Issue Adjustment Date.

For the purposes of these Product Conditions:

"**Rights**" means the right(s) attached to each existing Unit or needed to acquire one new Unit (as the case may be) which are given to the holders of existing Units to subscribe at a fixed subscription price for new Units pursuant to the Rights Offer (whether by the exercise of one Right, a part of a Right or an aggregate number of Rights).

5.2 ***Bonus Issues***

If and whenever the Trust shall make an issue of Units credited as fully paid to the holders of Units generally (other than pursuant to a scrip distribution or similar scheme for the time being operated by the Trust or otherwise in lieu of a cash distribution and without any payment or other consideration being made or given by such holders) (a "**Bonus Issue**") the Entitlement shall be adjusted on the Business Day on which trading in the Units becomes ex-entitlement ("**Bonus Issues Adjustment Date**") in accordance with the following formula:

Adjusted Entitlement = Adjustment Factor x E

Where:

Adjustment Factor = 1 + N

E: The existing Entitlement immediately prior to the Bonus Issue

N: Number of additional Units (whether a whole or a fraction) received by a holder of existing Units for each Unit held prior to the Bonus Issue

Provided that if the adjustment to be made would result in the Entitlement being changed by one per cent. or less, then no adjustment shall be made to the Entitlement. In addition, if adjustment is to be made to the Entitlement, the Issuer shall adjust the Strike Price and the Call Price (each of which shall be rounded to the nearest Hong Kong dollar 0.001) by the reciprocal of the Adjustment Factor, where the reciprocal of the Adjustment Factor means one divided by the relevant Adjustment Factor. This adjustment to the Strike Price and the Call Price shall take effect on the Bonus Issue Adjustment Date.

5.3 ***Subdivisions or Consolidations***

If and whenever the Trust shall subdivide its Units or any class of its outstanding Units into a greater number of units (a "**Subdivision**") or consolidate the Units or any class of its outstanding Units into a smaller number of units (a "**Consolidation**"), then:

(a) in the case of a Subdivision, the Entitlement in effect immediately prior thereto shall be increased whereas the Strike Price and the Call Price (which shall be rounded to the nearest Hong Kong dollar 0.001) shall be decreased in the same ratio as the Subdivision; and

(b) in the case of a Consolidation, the Entitlement in effect immediately prior thereto shall be decreased whereas the Strike Price and the Call Price (which shall be rounded to the nearest Hong Kong dollar 0.001) shall be increased in the same ratio as the Consolidation,

in each case on the day on which the Subdivision or Consolidation (as the case may be) shall have taken effect.

5.4 ***Merger or Consolidation***

If it is announced that the Trust is to or may merge or consolidate with or into any other trust or consolidate with or into any other trust or corporation (including becoming, by agreement or otherwise, controlled by any person or corporation) (except where the Trust is the surviving trust in a merger) or that it is to or may sell or transfer all or substantially all of its assets, the rights attaching to the CBBCs may in the absolute discretion of the Issuer be amended no later than the Business Day preceding the consummation of such merger, consolidation, sale or transfer (each a "**Restructuring Event**") (as determined by the Issuer in its absolute discretion).

The rights attaching to the CBBCs after the adjustment shall, after such Restructuring Event, relate to the number of units of the trust(s) resulting from or surviving such Restructuring Event or other securities ("**Substituted Securities**") and/or cash offered in substitution for the affected Units, as the case may be, to which the holder of such number of Units to which the CBBCs related immediately before such Restructuring Event would have been entitled upon such Restructuring Event. Thereafter the provisions hereof shall apply to such Substituted Securities, provided that any Substituted Securities may, in the absolute discretion of the Issuer, be deemed to be replaced by an amount in Hong Kong dollars equal to the market value or, if no market value is available, fair value, of such Substituted Securities in each case as determined by the Issuer as soon as practicable after such Restructuring Event is effected.

For the avoidance of doubt, any remaining Units shall not be affected by this Product Condition 5.4 and, where cash is offered in substitution for Units or is deemed to replace Substituted Securities as described above, references in these Product Conditions to the Units shall include any such cash.

5.5 ***Cash Distributions***

No adjustment shall be made for an ordinary cash distribution (whether or not it is offered with a script alternative) ("**Ordinary Distribution**"). For any other forms of cash distribution ("**Cash Distribution**") announced by the Trust, such as a cash bonus, special distribution or extraordinary distribution, no adjustment shall be made unless the value of the Cash Distribution accounts for 2 per cent. or more of the Unit's closing price on the day of announcement by the Trust.

If and whenever the Trust shall make a Cash Distribution credited as fully paid to the holders of Units generally, the Call Price and the Strike Price shall be adjusted to take effect on the Business Day on which trading in the Units becomes ex-entitlement ("**Cash Distribution Adjustment Date**") in accordance with the following formula:

$$\text{Adjusted Entitlement} = \text{Adjustment Factor} \times E$$

Where:

$$\text{Adjustment Factor} = \frac{S - OD}{S - OD - CD}$$

E: The existing Entitlement immediately prior to the Cash Distribution

S: The closing price of the existing Unit as derived from the daily quotation sheet of the Stock Exchange on the Trading Day immediately preceding the Cash Distribution Adjustment Date

CD: The amount of Cash Distribution per Unit

OD: The amount of Ordinary Distribution per Unit, provided that the Ordinary Distribution and the Cash Distribution shall have the same ex-entitlement date. For the avoidance of doubt, the OD shall be deemed to be zero if the ex-entitlement dates of the relevant Ordinary Distribution and Cash Distribution are different

In addition, the Issuer shall adjust the Strike Price and the Call Price (each of which shall be rounded to the nearest Hong Kong dollar 0.001) by the reciprocal of the Adjustment Factor, where the reciprocal of the Adjustment Factor means one divided by the relevant Adjustment Factor. The adjustment to the Strike Price and the Call Price shall take effect on the Cash Distribution Adjustment Date.

5.6 ***Other Adjustments***

Without prejudice to and notwithstanding any prior adjustment(s) made pursuant to the applicable Conditions, the Issuer may (but shall not be obliged to) make such other adjustments to the terms and conditions of the CBBCs as appropriate where any event (including the events as contemplated in the applicable Conditions) occurs and irrespective of, in substitution for, or in addition to the provisions contemplated in the applicable Conditions, provided that such adjustment is:

(a) not materially prejudicial to the interests of the Holders generally (without considering the circumstances of any individual Holder or the tax or other consequences of such adjustment in any particular jurisdiction); or

(b) determined by the Issuer in good faith to be appropriate and commercially reasonable.

5.7 ***Notice of Determinations***

All determinations made by the Issuer pursuant hereto shall be conclusive and binding on the Holders. The Issuer will give, or procure that there is given, notice as soon as practicable of any adjustment or amendment and of the date from which such adjustment or amendment is effective by publication in accordance with General Condition 7.

6. Termination or Liquidation

6.1 In the event of a Termination or the liquidation or dissolution of the trustee of the Trust (including any successor trustee appointed from time to time) ("**Trustee**") (in its capacity as trustee of the Trust) or the appointment of a liquidator, receiver or administrator or analogous person under any applicable law in respect of the whole or substantially the whole of the Trustee's undertaking, property or assets, all unexercised CBBCs will lapse and shall cease to be valid for any purpose. In the case of a Termination, the unexercised CBBCs will lapse and shall cease to be valid on the effective date of the Termination, in the case of voluntary liquidation, on the effective date of the relevant resolution and, in the case of an involuntary liquidation or dissolution, on the date of the relevant court order or, in the case of the appointment of a liquidator or receiver or administrator or analogous person under any applicable law in respect of the whole or substantially the whole of its undertaking, property or assets, on the date when such appointment is effective but subject (in any such case) to any contrary mandatory requirement of law.

6.2 For the purpose of this Product Condition 6, "**Termination**" means (a) the Trust is terminated, or the Trustee or the manager of the Trust (including any successor manager appointed from time to time) ("**Manager**") is required to terminate the Trust under the trust deed ("**Trust Deed**") constituting the Trust or applicable law, or the termination of the Trust commences; (b) the Trust is held or is conceded by the Trustee or the Manager not to have been constituted or to have been imperfectly constituted; (c) the Trustee ceases to be authorised under the Trust to hold the property of the Trust in its name and perform its obligations under the Trust Deed; or (d) the Trust ceases to be authorised as an authorised collective investment scheme under the Securities and Futures Ordinance (Cap 571, The Laws of Hong Kong).

7. Delisting

7.1 *Adjustments following delisting*

If at any time the Units cease to be listed on the Stock Exchange, the Issuer shall give effect to the General Conditions and these Product Conditions in such manner and make such adjustments to the rights attaching to the CBBCs as it shall, in its absolute discretion, consider appropriate to ensure, so far as it is reasonably able to do so, that the interests of the Holders generally are not materially prejudiced as a consequence of such delisting (without considering the individual circumstances of any Holder or the tax or other consequences that may result in any particular jurisdiction).

7.2 *Listing on another exchange*

Without prejudice to the generality of Product Condition 7.1, where the Units are, or, upon the delisting, become, listed on any other stock exchange, the General Conditions and these Product Conditions may, in the absolute discretion of the Issuer, be amended to the extent necessary to allow for the substitution of that other stock exchange in place of the Stock Exchange and the Issuer may, without the consent of the Holders, make such adjustments to the entitlements of Holders on exercise (including, if appropriate, by converting foreign currency amounts at prevailing market rates into Hong Kong currency) as may be appropriate in the circumstances.

7.3 *Adjustments binding*

The Issuer shall determine, in its absolute discretion, any adjustment or amendment and its determination shall be conclusive and binding on the Holders save in the case of manifest error. Notice of any adjustments or amendments shall be given to the Holders in accordance with General Condition 7, as soon as practicable after they are determined.

APPENDIX 4 — OUR GENERAL INFORMATION EXTRACTED FROM CREDIT SUISSE GROUP AG ANNUAL REPORT 2011

We are a wholly owned subsidiary of Credit Suisse Group AG. We have extracted the following sections from the Credit Suisse Group AG annual report 2011 in this appendix 4. References to the following page numbers in this appendix 4 are to the pages in the Credit Suisse Group AG annual report 2011 and not to the pages in this document.

1 Risk management (pages 110-134);

2 Board of Directors (pages 147-162);

3 Executive Board (pages 162-169);

4 Additional information (pages 170-172); and

5 Compensation (pages 173-208).

Risk management

The prudent taking of risk in line with our strategic priorities is fundamental to our business as a leading global bank. In 2011, we continued to prudently manage our risk profile to meet the challenges of a volatile market environment and changing regulatory framework. We strengthened our risk management function, improved our risk management approaches and methodologies and continued to invest significantly in our IT infrastructure. We continued to review our risk appetite framework which 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. Overall position risk increased 2%, average risk management VaR for our trading books decreased 26% and our impaired loans decreased 8%.

Key risk developments in 2011

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. The G-20 and national governments pledged to increase regulation and improve coordination of oversight of banks and financial institutions.

- Refer to "Regulatory capital developments and proposals" in Treasury management for further information on our current regulatory framework on capital, leverage and liquidity, including certain expected changes to this framework.
- Refer to "Regulation and supervision" in I – Information on the company for information on other regulatory developments and proposals.
- Refer to "New risk measurement models" in Market risk for further information on the risk management measures implemented under the Basel II.5 framework.
- Refer to "VaR" in Market risk for further information on the revised VaR methodology implemented in June 2011 for risk management VaR and regulatory VaR.

These and other changes in regulatory requirements will continue to have an impact on our business mix, posing restrictions on some businesses. We are evolving our divisional business models in response to these requirements. We expect complex risk management techniques and measures in the proposed regulatory framework to result in increased costs and resource requirements.

In Investment Banking, our risk profile will be reduced as we focus on downscaling or exiting businesses that generate low returns or have no clear competitive advantage (e.g., commercial mortgage-backed securities (CMBS) origination) and significantly reducing Basel III risk-weighted assets in our fixed income business. Under the specific implications of the new regulatory requirements, we expect the cost of holding credit exposure in the trading book will rise, particularly for securitization positions and credit trading, which will continue to increase the attractiveness of client-focused intermediation businesses over origination and warehousing activities. The Basel III credit risk charge on OTC derivative transactions will become a more significant contributor to risk-weighted assets. In addition, we expect higher capital requirements for OTC derivatives to increase the incentives to move such exposures to centralized exchange counterparties.

The risk profile in Private Banking increased slightly and Asset Management's risk profile remained relatively stable in 2011. While Private Banking and Asset Management are evolving their business strategies, we do not currently expect those changes to significantly increase their risk profiles. Nevertheless, changes in strategic approach do affect risks inherent in a business.

The past year has seen an industry focus on adherence to suitability and appropriateness requirements, focusing on investor protection and increasing the transparency of financial products and services. Suitability and appropriateness of investments for our clients are under continuous review.

Reputational risk has also been a major focus during the year and we have revised our business approach, including with respect to some emerging market countries, certain industries, transactions with politically exposed persons and sovereign wealth funds.

- Refer to "Reputational risk" for further information on reputational risk issues.

Risk management oversight

Risk governance

Fundamental to our business as a leading global bank 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 2011, we continued to strengthen our control culture and systems and invested significantly in our risk infrastructure, processes and risk measurement and tools. We have implemented comprehensive risk management processes and sophisticated control systems, and we work to limit the impact of negative developments by carefully managing concentrations of risks. Further, the business mix of Private Banking, Investment Banking and Asset Management provides a certain amount of risk diversification.

Risk organization

Risks arise in all of our business activities and cannot be eliminated completely, however, we manage risk in our internal control environment. 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;
- 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 the approval of 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 and 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 Board and its Risk Committee, 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 RMC[4]	Investment Banking RMC[4]	Asset Management 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 2011, the function covered:
- Strategic Risk Management (SRM)
- Risk Analytics and Reporting (RAR)
- Credit Risk Management (CRM)
- Bank Operational Risk Oversight (BORO)
- Business Continuity Management
- 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; and BORO acts as the central hub for the divisional operational risk functions. The risk management function also addresses critical risk areas such as business continuity and reputational risk management.

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, 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. Additionally, the traditional boundaries between market risks and credit risk have become blurred. 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 II 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
- Sustaining a stable shareholder dividend
- 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 limit framework of portfolio and position limits at both Group and business division levels. 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

<table>
<tr><th rowspan="2"></th><th rowspan="2">Group-wide</th><th colspan="3">Division-specific</th></tr>
<tr><th>Private Banking</th><th>Investment Banking</th><th>Asset Management</th></tr>
<tr><td>Selected quantitative limits</td><td>Economic capital limits
Liquidity ratios
Leverage ratios
Scenario loss limits</td><td colspan="3">Economic capital limits
Market risk limits
Credit risk limits</td></tr>
<tr><td>Selected qualitative restrictions</td><td>Compliance with international and local laws
Reputational risk</td><td colspan="3">Avoidance of concentration risks
Adherence to suitability & appropriateness requirements
Compliance with industry guidelines and internal policies</td></tr>
</table>

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 and 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 2011 and 2010, 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 and its Risk Committee, 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 2011, 93% of 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 II 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 2011, we made a number of enhancements to the position risk methodology for risk management purposes, including in international lending & counterparty exposures and fixed income trading. For international lending & counterparty exposures, we enhanced the calculation of fair value loan exposures. For fixed income trading, we refined the methodology relating to traded credit exposures to increase the granularity of our spread shocks to cover market sectors and improve yield curve risk modeling. Prior-period balances have been restated for methodology changes in order to show meaningful trends. The total impact of 2011 methodology changes on position risk as of December 31, 2010 was an increase of CHF 306 million, or 3%.

For utilized economic capital used for capital management purposes, within other risks we adjusted our approach for aggregating the risks associated with our defined benefit pension plans. Within economic capital resources, we refined our economic adjustments methodology for anticipated dividends. Prior period balances have been restated for 2011 methodology changes in order to show meaningful trends. The total impact of methodology changes on utilized economic capital and economic capital resources for the Group as of December 31, 2010 was an increase of CHF 674 million, or 2%, and a decrease of CHF 311 million, or 1%, respectively.

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, recent requirements, such as capital charges equivalent to IRC and credit valuation adjustments (CVA), 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.

▸ Refer to “Regulation and supervision” in I – Information on the company and “Regulatory capital developments and proposals” in Treasury – Capital management for further information.

Group position risk

			end of		% change
	2011	2010	2009	11 / 10	10 / 09
Position risk (CHF million)					
Fixed income trading [1]	2,813	2,658	3,220	6	(17)
Equity trading & investments	2,322	2,399	2,874	(3)	(17)
Private banking corporate & retail lending	2,182	2,072	2,284	5	(9)
International lending & counterparty exposures	4,572	4,230	4,396	8	(4)
Emerging markets country event risk	860	632	512	36	23
Real estate & structured assets [2]	2,111	2,597	2,454	(19)	6
Simple sum across risk categories	**14,860**	**14,588**	**15,740**	2	(7)
Diversification benefit [3]	(2,670)	(2,631)	(2,785)	1	(6)
Position risk (99% confidence level for risk management purposes)	**12,190**	**11,957**	**12,955**	2	(8)

Prior 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 2010, position risk for risk management purposes increased 2%, primarily due to higher corporate banking and leveraged finance loan risk in international lending & counterparty exposures, higher exposures in Asia and Eastern Europe in emerging markets country event risk and higher interest rate exposures in fixed income trading. We also had higher commercial loans exposure in private banking corporate & retail lending. These increases were partially offset by lower residential mortgage-backed securities (RMBS) exposure in real estate & structured assets and lower private equity exposure in equity trading & investments.

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 on the hedges 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 portfolio.

Economic capital

	Group			Bank [1]		
end of	**2011**	2010	% change	**2011**	2010	% change
Economic capital resources (CHF million)						
Tier 1 capital [2]	36,844	37,725	–	33,459	35,310	–
Economic adjustments [3]	2,417	2,912	–	2,179	1,491	–
Economic capital resources	**39,261**	**40,637**	(3)	**35,638**	**36,801**	(3)
Utilized economic capital (CHF million)						
Position risk (99.97% confidence level)	21,721	21,262	2	21,020	20,584	2
Operational risk	3,128	2,936	7	3,128	2,936	7
Other risks [4]	8,591	5,773	49	6,805	4,796	42
Utilized economic capital	**33,440**	**29,971**	12	**30,953**	**28,316**	9

Prior economic capital 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 Clariden Leu, Neue Aargauer Bank, BANK-now and Corporate Center. These risks include position and other risks. [2] 2011 reported under Basel II.5. Prior period was reported under Basel II and is therefore not comparable. [3] Primarily includes securitization adjustments, anticipated dividends and unrealized gains on owned real estate. Economic adjustments are made to tier 1 capital to enable comparison between capital utilization and resources under the Basel framework. [4] 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 benefit and an estimate for the impacts of certain methodology changes planned for 2012.

Economic capital by segment

in / end of	**2011**	2010	% change
Utilized economic capital by segment (CHF million)			
Private Banking	7,357	6,477	14
Investment Banking	20,851	19,073	9
Asset Management	3,314	3,345	(1)
Corporate Center [1]	1,922	1,092	76
Utilized economic capital – Group [2]	**33,440**	**29,971**	12
Utilized economic capital – Bank [3]	**30,953**	**28,316**	9
Average utilized economic capital by segment (CHF million)			
Private Banking	6,940	6,589	5
Investment Banking	19,917	20,735	(4)
Asset Management	3,359	3,539	(5)
Corporate Center [1]	1,269	1,113	14
Average utilized economic capital – Group [4]	**31,473**	**31,958**	(2)
Average utilized economic capital – Bank [3]	**29,646**	**30,248**	(2)

Prior economic capital balances have been restated for methodology changes in order to show meaningful trends.
[1] Includes primarily expense risk diversification benefits from the divisions, expense risk and foreign exchange risk between economic capital resources and utilized economic capital. [2] Includes a diversification benefit of CHF 4 million and CHF 16 million as of December 31, 2011 and 2010, respectively. [3] The major difference between economic capital of the Group and the Bank relates to the risks within Clariden Leu, Neue Aargauer Bank, BANK-now and Corporate Center. These risks include position and other risks. [4] Includes a diversification benefit of CHF 12 million and CHF 18 million as of December 31, 2011 and 2010, respectively.

Utilized economic capital trends

Over the course of 2011, our utilized economic capital increased 12%, mainly due to increased expense risk, increased pension risk associated with Credit Suisse defined benefit pension plans, increased foreign exchange risk between utilized economic capital and economic capital resources, and increased position risk. The increases were partially offset by higher economic benefits in relation to our deferred shared-based compensation awards.

For Private Banking, utilized economic capital increased 14%, due to higher pension risk associated with Credit Suisse defined benefit pension plans, increased operational risk and higher position risk for private banking corporate & retail lending.

For Investment Banking, utilized economic capital increased 9%, largely due to increased expense risk, increased pension risk associated with Credit Suisse defined benefit pension plans, and increased position risk. The increases were partially offset by higher economic benefits in relation to our deferred shared-based compensation awards.

For Asset Management, utilized economic capital decreased 1%, primarily due to lower operational risk, partially offset by increased expense risk.

Corporate Center utilized economic capital increased 76% due to higher foreign exchange risk between utilized economic capital and economic capital resources, and higher expense risk.

Market risk

Market risk is the risk of loss arising from adverse changes in interest rates, foreign exchange rates, equity prices, commodity prices and other relevant parameters, such as market volatility. We define our market risk as potential changes in the fair value of financial instruments in response to market movements. A typical transaction may be exposed to a number of different market risks.

We devote considerable resources to 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.

New risk measurement models

We implemented new risk measurement models, including an incremental risk charge (IRC) and stressed VaR, to meet the Basel II.5 market risk framework for FINMA regulatory capital purposes effective January 1, 2011. The 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 make VaR a more useful risk management tool and improve the responsiveness of the model to market volatility. We have approval from FINMA to use this revised VaR methodology for both risk management and regulatory capital purposes. We have restated risk management VaR for prior periods to show meaningful trends. The methodology changes were implemented in June 2011 and are fully reflected in risk management VaR. For regulatory VaR, these methodology changes have been reflected from implementation only. The revisions to the VaR methodology included:

- Historical dataset changed to two years (from three years);
- Exponential weighting to give emphasis to more recent market data and volatility (previously: equal weighting of market data and the use of scaled VaR);
- Expected shortfall calculation based on average losses (previously: losses from a single event);
- One-day holding period for risk management VaR (from a ten-day holding period adjusted to one day, with regulatory VaR continuing to be based on a ten-day holding period); and
- Confidence level changed to 98% for risk management VaR (from 99%, with regulatory VaR continuing to be based on a 99% confidence level).

In addition, we also made asset-class methodology changes, including changing the non-investment grade model to a spread-based rather than a price-based model to better capture issuer-specific basis and maturity risk and modifying the traded loans model to better capture basis risk. We also implemented a single stock volatility model to better capture equity exposures. Additionally, we enhanced the VaR methodology for non-agency RMBS exposures to reflect the risk of assets traded on a price-basis instead of a spread-basis and to better capture non-linear effects and basis risk.

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 global research function and the 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.

One-day, 98% risk management VaR and one-day, 99% regulatory VaR (CHF)

	Risk management VaR (98%)						Regulatory VaR (99%)
in / end of	Interest rate & credit spread	Foreign exchange	Commodity	Equity	Diversification benefit	**Total**	**Total**
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
2009 (CHF million)							
Average	150	21	25	31	(83)	144	143
Minimum	94	6	16	17	– [1]	85	80
Maximum	245	63	40	60	– [1]	237	269
End of period	104	12	18	32	(71)	95	131

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)

						Risk management VaR (98%)	Regulatory VaR (99%)
in / end of	Interest rate & credit spread	Foreign exchange	Commodity	Equity	Diversification benefit	Total	Total
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
2009 (USD million)							
Average	137	19	23	29	(77)	131	128
Minimum	93	6	13	17	– [1]	83	78
Maximum	217	54	38	52	– [1]	210	226
End of period	100	11	17	31	(67)	92	126

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 2011 decreased 7% from 2010 to USD 85 million. The decrease reflected risk reductions across fixed income, particularly in credit and securitized products, amid lower market liquidity and continued low client activity. This was partially offset by increased market volatility, widening credit spreads and reduced diversification benefit.

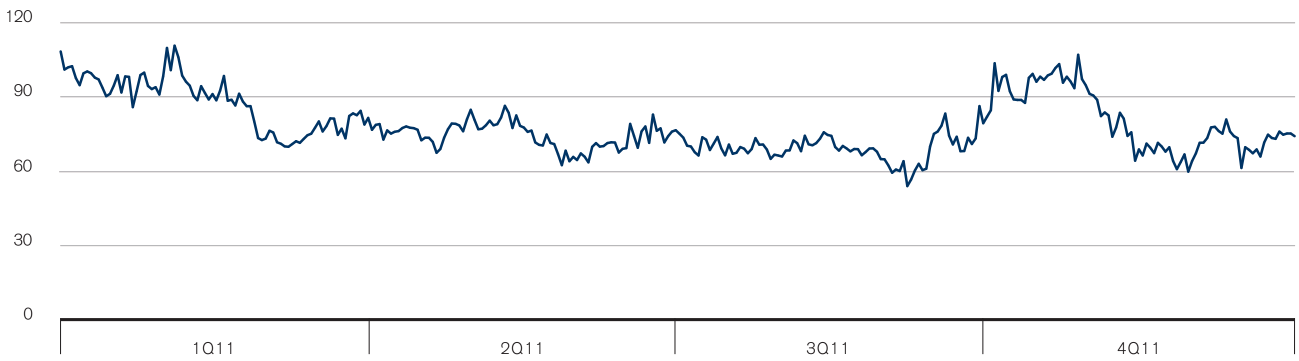
Period-end risk management VaR as of December 31, 2011 was stable at USD 79 million compared to December 31, 2010.

Various techniques are used to assess the accuracy of the VaR model used for trading portfolios, including backtesting. We present backtesting using actual daily trading revenues. Actual daily trading revenues are compared with regulatory 99% VaR calculated using a one-day holding period. A backtesting exception occurs when the trading loss exceeds the daily VaR estimate. We had no such backtesting exceptions in 2011, 2010 and 2009. 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 "Capital management" in Treasury 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 trading revenues for 2011 with those for 2010 and 2009. The dispersion of trading revenues indicates the day-to-day volatility in our trading activities. During 2011, we had 34 days of trading losses with six trading losses exceeding CHF 25 million, compared to six days of trading losses in 2010 with none of the trading losses exceeding CHF 25 million.

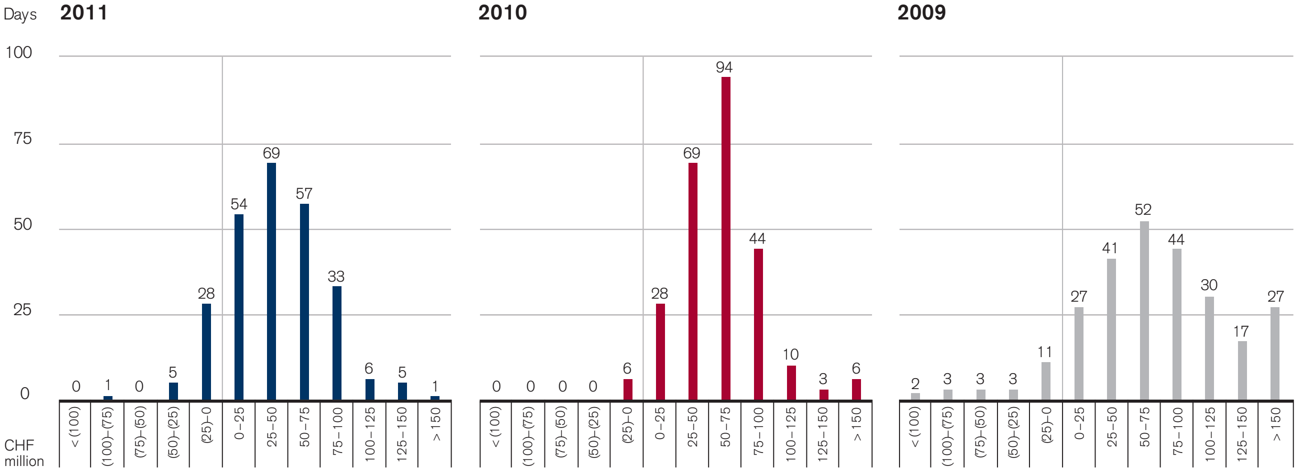
Daily risk management VaR



— One-day risk management VaR (98%)

Excludes risks associated with counterparty and own credit exposures

Actual daily trading revenues



Excludes Clariden Leu and Neue Aargauer Bank.

Trading revenues do not include valuation adjustments associated with counterparty and own credit exposures.

Banking portfolios

Risk measurement and management

The market risks associated with our non-trading portfolios primarily relate to asset and liability mismatch exposures, equity instrument participations and investments in bonds and money market instruments. All of our businesses and the Corporate Center have non-trading portfolios that carry some market risks.

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 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 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.

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 6.6 million as of December 31, 2011, compared to an increase of CHF 8.5 million as of December 31, 2010. The decrease from 2010 was mainly due to the aging of capital instruments, market movements in the value of these instruments and an enhancement of the model for capturing interest rate risk on capital instruments. This was partially offset by the issuance of buffer capital notes in the first quarter of 2011 and a methodology enhancement relating to non-interest-bearing assets and liabilities.

One-basis-point parallel increase in yield curves by currency – non-trading positions

end of	CHF	USD	EUR	GBP	Other	**Total**
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
2010 (CHF million)						
Fair value impact of a one-basis-point parallel increase in yield curves	0.1	7.8	0.1	0.1	0.4	8.5

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 points and 200 basis points 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**
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)
2010 (CHF million)						
Increase(+)/decrease(–) in interest rates						
+200 basis points	27	1,574	4	18	83	1,706
+100 basis points	11	784	5	9	42	851
–100 basis points	22	(729)	(13)	(6)	(38)	(764)
–200 basis points	20	(1,375)	(30)	(6)	(71)	(1,462)

As of December 31, 2011, the fair value impact of an adverse 200-basis-point move in yield curves was a loss of CHF 1.0 billion compared to a loss of CHF 1.5 billion as of December 31, 2010. This risk is monitored on a daily basis. The monthly analysis of the potential impact resulting from a significant change in yield curves indicated that as of the end of 2011 and 2010, the fair value impact of an adverse 200 basis point move in yield curves and adverse interest rate moves, calibrated to a 1-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 626 million in the value of the non-trading portfolio as of December 31, 2011, compared to a decrease of CHF 731 million in the value of the non-trading portfolio as of December 31, 2010.

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 4 million in the value of the non-trading portfolio as of December 31, 2011, compared to a decrease of CHF 11 million as of December 31, 2010.

▸ Refer to "Foreign exchange exposure and interest rate management" in Treasury management for more information.

Credit and debit valuation adjustments

VaR excludes the impact of changes in both counterparty and our own credit spreads on derivative products. The estimated sensitivity to a one basis point increase in credit spreads (counterparty and our own) on derivatives in Investment Banking was a CHF 0.1 million loss as of December 31, 2011, including the impact of hedges. In addition, the estimated sensitivity to a one basis point increase in our own credit spreads on our fair valued structured notes was a CHF 6.6 million gain as of December 31, 2011, including the impact of hedges.

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.

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, guarantees, insurance and collateral (primarily cash, securities and, to a lesser extent, real estate, mainly for Private Banking 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 are non-derivative debt positions (e.g., bonds), and synthetic positions are created through OTC contracts (e.g., CDS and total return swaps).

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.

Selected European credit risk exposures

	Gross credit risk exposure	Risk mitigation		Net credit risk exposure	Inventory	Total credit risk exposure	
December 31, 2011		CDS	Other [1]			**Gross**	**Net**
Greece (EUR billion)							
Sovereigns	0.2	0.1	0.0	0.1	0.0	0.2	0.1
Financial institutions	0.1	0.0	0.1	0.0	0.0	0.1	0.0
Corporates & other	0.5	0.0	0.4	0.1	0.0	0.5	0.1
Total	**0.8**	**0.1**	**0.5**	**0.2**	**0.0**	**0.8**	**0.2**
Ireland (EUR billion)							
Sovereigns	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial institutions	1.7	0.0	1.4	0.3	0.1	1.8	0.4
Corporates & other	0.8	0.0	0.5	0.3	0.1	0.9	0.4
Total	**2.5**	**0.0**	**1.9**	**0.6**	**0.2**	**2.7**	**0.8**
Italy (EUR billion)							
Sovereigns	3.5	2.6	0.4	0.5	0.0	3.5	0.5
Financial institutions	2.0	0.0	1.7	0.3	0.7	2.7	1.0
Corporates & other	2.3	0.3	1.2	0.8	0.2	2.5	1.0
Total	**7.8**	**2.9**	**3.3**	**1.6**	**0.9**	**8.7**	**2.5**
Portugal (EUR billion)							
Sovereigns	0.1	0.1	0.0	0.0	0.0	0.1	0.0
Financial institutions	0.2	0.0	0.2	0.0	0.0	0.2	0.0
Corporates & other	0.2	0.0	0.1	0.1	0.0	0.2	0.1
Total	**0.5**	**0.1**	**0.3**	**0.1**	**0.0**	**0.5**	**0.1**
Spain (EUR billion)							
Sovereigns	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial institutions	1.6	0.0	1.2	0.4	0.5	2.1	0.9
Corporates & other	1.7	0.2	0.8	0.7	0.2	1.9	0.9
Total	**3.3**	**0.2**	**2.0**	**1.1**	**0.7**	**4.0**	**1.8**
Total (EUR billion)							
Sovereigns	3.8	2.8	0.4	0.6	0.0	3.8	0.6
Financial institutions	5.6	0.0	4.6	1.0	1.3	6.9	2.3
Corporates & other	5.5	0.5	3.0	2.0	0.5	6.0	2.5
Total	**14.9**	**3.3**	**8.0**	**3.6**	**1.8**	**16.7**	**5.4**

[1] Includes other hedges (derivative instruments), guarantees, insurance and collateral.

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, 2011 was EUR 3.8 billion. Our net exposure to these sovereigns was EUR 0.6 billion. Our sovereign bond holdings in these countries were entirely offset by short positions in such bonds. Our non-sovereign risk-based credit risk exposure in these countries as of December 31, 2011 included net exposure to financial institutions of EUR 2.3 billion and to corporates and other counterparties of EUR 2.5 billion. A significant majority of the purchased credit protection is transacted with banks outside of the disclosed countries; otherwise such credit risk is reflected in the gross and net exposure to each relevant country.

During the first two months of 2012, the sovereign debt rating of the countries listed in the table were affected as follows: Standard & Poor's lowered the long-term rating by two notches for Italy to BBB+ from A, for Portugal to BB from BBB- and for Spain to A from AA-. Fitch lowered Italy's rating to A- from A+ and Spain to A from AA-, and Moody's downgraded Italy to A3 from A2, Portugal to Ba3 from Ba2 and Spain to A3 from A1. The rating changes did not have a significant impact on the Group's financial condition, result of operations, liquidity or capital resources.

Sources of credit risk

Our credit risk is concentrated in Private Banking and Investment Banking. 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 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 under the Basel II A-IRB approach.

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 creditworthiness 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 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	2011	2010	% change
Credit risk (CHF million)			
Balance sheet			
Gross loans	234,357	219,891	7
of which reported at fair value	20,694	18,552	12
Loans held-for-sale	20,457	24,925	(18)
Traded loans	3,581	4,346	(18)
Derivative instruments [1]	56,254	50,477	11
Total balance sheet	**314,649**	**299,639**	5
Off-balance sheet			
Loan commitments [2]	220,560	209,553	5
Credit guarantees and similar instruments	7,348	7,408	(1)
Irrevocable commitments under documentary credits	5,687	4,551	25
Total off-balance sheet	**233,595**	**221,512**	5
Total credit risk	**548,244**	**521,151**	5

Before risk mitigation, for example, collateral, credit hedges.
[1] Positive replacement value after netting agreements. [2] Includes CHF 138,051 million and CHF 136,533 million at the end of 2011 and 2010, respectively, of unused credit limits which were revocable at our sole discretion upon notice to the client.

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 Investment Banking and Private Banking and, additionally in Private Banking, 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	**2011**	2010	% change
Loans and loan commitments (CHF million)			
Gross loans	234,357	219,891	7
of which Private Banking	197,017	183,664	7
of which Investment Banking	37,329	36,235	3
Loan commitments	220,560	209,553	5
Total loans and loan commitments	**454,917**	**429,444**	6
of which Private Banking	343,721	326,870	5
of which Investment Banking	111,069	102,467	8

The Private Banking 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

end of			**2011**			2010
Internal ratings	Gross exposure	Cash collateral and marketable securities	**Net exposure**	Gross exposure	Cash collateral and marketable securities	**Net exposure**
Risk mitigation (CHF million)						
AAA	2,515	(79)	2,436	1,603	(78)	1,525
AA	7,465	(521)	6,944	6,879	(509)	6,370
A	21,279	(1,022)	20,257	18,582	(1,006)	17,576
BBB	234,578	(133,475)	101,103	223,681	(129,985)	93,696
BB	71,345	(7,716)	63,629	69,275	(6,219)	63,056
B	4,833	(460)	4,373	5,055	(331)	4,724
CCC	429	(2)	427	371	0	371
D	1,277	(162)	1,115	1,424	(173)	1,251
Total loans and loan commitments	**343,721**	**(143,437)**	**200,284** [1]	**326,870**	**(138,301)**	**188,569** [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 CHF 4.8 billion portfolio of originated loans within Corporate & Institutional Clients to capital market investors.

Loans and loan commitments – Investment Banking

end of				**2011**				2010
Internal ratings	Gross exposure	Credit hedges	Cash collateral and marketable securities	**Net exposure**	Gross exposure	Credit hedges	Cash collateral and marketable securities	**Net exposure**
Risk mitigation (CHF million)								
AAA	8,758	(90)	(869)	7,799	8,240	0	(124)	8,116
AA	12,331	(3,228)	(4)	9,099	8,691	(2,070)	0	6,621
A	22,560	(6,773)	(779)	15,008	19,237	(4,183)	0	15,054
BBB	31,289	(9,586)	(673)	21,030	24,239	(6,937)	(189)	17,113
BB	15,156	(2,452)	(474)	12,230	20,903	(2,469)	(2,084)	16,350
B	17,289	(1,738)	(890)	14,661	17,383	(1,316)	(135)	15,932
CCC	1,869	(359)	(1)	1,509	1,906	(350)	(9)	1,547
CC	64	0	(21)	43	286	(59)	0	227
C	241	(113)	(62)	66	246	(96)	0	150
D	1,512	(190)	(19)	1,303	1,336	(291)	0	1,045
Total loans and loan commitments	**111,069**	**(24,529)**	**(3,792)**	**82,748**	**102,467**	**(17,771)**	**(2,541)**	**82,155**

Includes undrawn irrevocable credit facilities.

Loss given default

The Private Banking 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 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 Basel II A-IRB approach. The tables below present our loans, net of risk mitigation, across LGD buckets for Private Banking and Investment Banking.

Loans – Private Banking

end of 2011			Loss given default buckets					
Internal ratings	Funded gross exposure	Funded net exposure	0-10%	11-20%	21-40%	41-60%	61-80%	81-100%
Loss given default (CHF million)								
AAA	1,213	1,211	368	141	405	290	1	6
AA	3,818	3,777	742	1,118	1,610	287	11	9
A	17,405	17,071	5,610	7,674	3,105	603	33	46
BBB	112,061	78,304	22,426	32,335	18,722	4,102	249	470
BB	56,577	52,409	8,096	20,781	16,851	3,835	1,228	1,618
B	4,351	3,953	720	1,271	1,253	547	161	1
CCC	427	425	3	361	34	27	0	0
D	1,165	1,113	110	267	468	160	68	40
Total loans	**197,017**	**158,263**	**38,075**	**63,948**	**42,448**	**9,851**	**1,751**	**2,190**

Loans – Investment Banking

end of 2011			Loss given default buckets					
Internal ratings	Funded gross exposure	Funded net exposure	0-10%	11-20%	21-40%	41-60%	61-80%	81-100%
Loss given default (CHF million)								
AAA	3,846	3,744	0	0	2,675	1,069	0	0
AA	1,611	1,140	0	0	630	510	0	0
A	3,935	2,924	0	0	1,659	1,265	0	0
BBB	9,515	4,854	431	0	794	3,566	63	0
BB	8,530	6,300	55	11	3,827	2,369	38	0
B	7,111	5,281	10	40	1,985	3,046	200	0
CCC	989	635	0	9	465	152	9	0
CC	62	41	0	0	0	41	0	0
C	237	62	4	0	44	14	0	0
D	1,493	1,303	97	0	252	954	0	0
Total loans	**37,329**	**26,284**	**597**	**60**	**12,331**	**12,986**	**310**	**0**

Loans

Compared to the end of 2010, gross loans increased 7% to CHF 234.4 billion. In Private Banking, gross loans increased 7% to CHF 197.0 billion, primarily due to increases in consumer loans and commercial and industrial loans. In Investment Banking, gross loans increased slightly to CHF 37.3 billion, primarily due to increases in loans to financial institutions and commercial and industrial loans.

- Refer to “Note 18 – Loans, allowance for loan losses and credit quality” in V – Consolidated financial statements – Credit Suisse Group.

Impaired loans

Gross impaired loans decreased CHF 145 million to CHF 1.7 billion in 2011. Total non-performing and non-interest-earning loans decreased CHF 281 million across Investment Banking and Private Banking to CHF 1.0 billion. Total other impaired loans increased CHF 136 million to CHF 0.7 billion, as an increase of potential problem loans in Private Banking, driven by isolated cases in both Corporate & Institutional Clients and Wealth Management Clients, was partially offset by a decrease in potential problem loans and restructured loans in Investment Banking.

- Refer to “Impaired loans” in V – Consolidated financial statements – Credit Suisse Group – Note 18 – Loans, allowance for loan losses and credit quality for information on categories of impaired loans.

Allowance for loan losses

We maintain valuation allowances on loans valued at amortized cost, which we consider a reasonable estimate of losses inherent in the existing credit portfolio. We provide for loan losses based on a regular and detailed analysis of all counterparties, taking collateral value into consideration. If uncertainty exists as to the repayment of either principal or interest, a valuation allowance is either created or adjusted accordingly. The allowance for loan losses is revalued by Group credit risk management at least annually or more frequently depending on the risk profile of the borrower or credit relevant events.

Allowance for inherent loan losses

In accordance with accounting principles generally accepted in the US (US GAAP), an inherent loss allowance is estimated for all loans not specifically identified as impaired and that, on a portfolio basis, are considered to contain inherent losses. Inherent losses in the Private Banking 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 2011 were CHF 187 million, compared to net releases of CHF 79 million in 2010. In Private Banking, the net provision for credit losses in 2011 was CHF 110 million, compared to CHF 18 million in 2010. In Investment Banking, the net provision for credit losses in 2011 was CHF 77 million, compared to net releases of CHF 97 million in 2010. In Investment Banking the change reflected higher provisions, mainly relating to a guarantee provided to a third-party bank, and lower releases and recoveries.

Loans

	Private Banking		Investment Banking		Credit Suisse [1]	
end of	**2011**	2010	**2011**	2010	**2011**	2010
Loans (CHF million)						
Mortgages	88,255	84,625	0	0	88,255	84,625
Loans collateralized by securities	26,461	24,552	0	0	26,461	24,552
Consumer finance	6,031	5,026	664	682	6,695	5,708
Consumer	120,747	114,203	664	682	121,411	114,885
Real estate	23,287	21,209	1,898	2,153	25,185	23,362
Commercial and industrial loans	44,620	39,812	15,367	14,861	59,998	54,673
Financial institutions	7,085	7,309	18,288	17,463	25,373	24,764
Governments and public institutions	1,278	1,131	1,112	1,076	2,390	2,207
Corporate & institutional	76,270 [2]	69,461 [2]	36,665	35,553	112,946	105,006
Gross loans	**197,017**	**183,664**	**37,329**	**36,235**	**234,357**	**219,891**
of which reported at fair value	402	–	20,292	18,552	20,694	18,552
Net (unearned income) / deferred expenses	(6)	(2)	(28)	(30)	(34)	(32)
Allowance for loan losses [3]	(743)	(782)	(167)	(235)	(910)	(1,017)
Net loans	**196,268**	**182,880**	**37,134**	**35,970**	**233,413**	**218,842**
Impaired loans (CHF million)						
Non-performing loans	602	626	156	335	758	961
Non-interest-earning loans	230	321	32	19	262	340
Total non-performing and non-interest-earning loans	832	947	188	354	1,020	1,301
Restructured loans	5	4	13	48	18	52
Potential problem loans	603	397	77	113	680	510
Total other impaired loans	608	401	90	161	698	562
Gross impaired loans [3]	**1,440**	**1,348**	**278**	**515**	**1,718**	**1,863**
of which loans with a specific allowance	1,286	1,164	261	487	1,547	1,651
of which loans without a specific allowance	154	184	17	28	171	212
Allowance for loan losses (CHF million)						
Balance at beginning of period [3]	**782**	**937**	**235**	**458**	**1,017**	**1,395**
Net movements recognized in statements of operations	113	26	28	(119)	141	(93)
Gross write-offs	(194)	(202)	(105)	(92)	(299)	(294)
Recoveries	36	40	5	23	41	63
Net write-offs	(158)	(162)	(100)	(69)	(258)	(231)
Provisions for interest	5	2	9	0	14	2
Foreign currency translation impact and other adjustments, net	1	(21)	(5)	(35)	(4)	(56)
Balance at end of period [3]	**743**	**782**	**167**	**235**	**910**	**1,017**
of which individually evaluated for impairment	544	585	106	164	650	749
of which collectively evaluated for impairment	199	197	61	71	260	268
Loan metrics (%)						
Total non-performing and non-interest-earning loans / Gross loans [4]	0.4	0.5	1.1	2.0	0.5	0.6
Gross impaired loans / Gross loans [4]	0.7	0.7	1.6	2.9	0.8	0.9
Allowance for loan losses / Total non-performing and non-interest-earning loans [3]	89.3	82.6	88.8	66.4	89.2	78.2
Allowance for loan losses / Gross impaired loans [3]	51.6	58.0	60.1	45.6	53.0	54.6

[1] Includes Asset Management and Corporate Center. [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 62,036 million and CHF 55,124 million as of December 31, 2011 and 2010, 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.

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 and there is intent to settle net with the counterparty. 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

				2011				2010
end of / due within	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	40.6	208.6	483.0	732.2	38.9	175.0	269.0	482.9
Foreign exchange products	40.6	20.7	14.9	76.2	44.2	25.0	15.8	85.0
Precious metals products	1.5	0.8	0.0	2.3	1.6	0.8	0.0	2.4
Equity/index-related products	9.2	7.2	4.8	21.2	7.2	9.3	3.8	20.3
Credit derivatives	4.5	34.9	23.9	63.3	4.5	26.0	19.0	49.5
Other products	4.9	3.9	2.6	11.4	9.6	7.6	2.1	19.3
OTC derivative instruments	**101.3**	**276.1**	**529.2**	**906.6**	**106.0**	**243.7**	**309.7**	**659.4**
Exchange-traded derivative instruments				22.5				22.4
Netting agreements [1]				(872.9)				(631.4)
Total derivative instruments				**56.2**				**50.4**
of which recorded in trading assets				52.5				47.7
of which recorded in other assets				3.7				2.7

[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	**2011**	2010
Derivative instruments (CHF billion)		
AAA	6.0	5.5
AA	9.6	11.9
A	18.3	15.3
BBB	11.8	7.9
BB or lower	8.0	8.2
OTC derivative instruments	**53.7**	**48.8**
Exchange-traded derivative instruments [1]	2.5	1.6
Total derivative instruments [1]	**56.2**	**50.4**

[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 residing with the management responsible for the relevant business process.

Under this framework, 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 functions at the divisional and Group levels.

The central BORO team within the risk management function focuses on the coordination of consistent policy, tools and practices throughout the firm for the management, measurement, monitoring and reporting of relevant operational risks. This team is also responsible for the overall operational risk framework, measurement methodology and capital calculations.

Business divisions and Shared Services specialist operational risk teams are responsible for the implementation of the operational risk management framework, tools, reporting and methodologies 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 have employed the same methodology to calculate economic capital for operational risk since 2000, and have approval from FINMA to use a similar methodology for the advanced measurement approach (AMA) under the Basel II Accord. 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.

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.

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 14 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 ordinary AGM to the close of the next ordinary AGM. While the AoA do not provide for any age or term limitations, 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, 2011							
Urs Rohner, Chairman	2009	2012	Not 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	–
Noreen Doyle	2004	2013	Independent	–	–	–	Member
Walter B. Kielholz	1999	2012	Independent	Member	–	Member	–
Andreas N. Koopmann	2009	2012	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	2012	Independent	Member	Member	–	Chairman
John Tiner	2009	2012	Independent	Member	Chairman	–	Member
Peter F. Weibel	2004	2012	Independent	–	Member	–	–

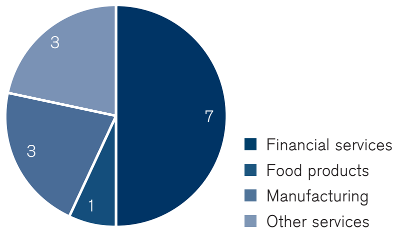
As of the AGM on April 29, 2011, Hans-Ulrich Doerig stepped down as Chairman of the Board (Chairman) and was succeeded by Urs Rohner as full-time Chairman. The Board proposes the following candidates to be elected to the Board at the AGM on April 27, 2012: Ms. Iris Bohnet, Academic Dean and Professor of Public Policy at the Harvard Kennedy School, and Mr. Jean-Daniel Gerber, former State Secretary and Director of the Swiss State Secretariat for Economic Affairs. The Board also proposes the following members to be re-elected to the Board: Walter B. Kielholz, Andreas N. Koopmann, Urs Rohner, Richard E. Thornburgh and John Tiner. Peter F. Weibel, the former Audit Committee chairman, having reached the internal age limit, has decided to step down from the Board as of the 2012 AGM.

Board composition

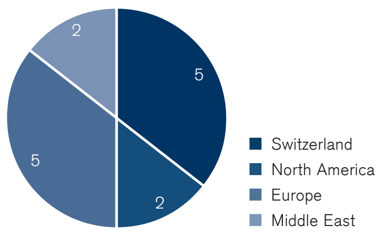
The Chairman's and Governance Committee regularly considers the composition of the Board as a whole and in light of staffing requirements for the committees. The Chairman's and Governance Committee recruits and evaluates candidates for Board membership based on criteria it establishes. The Chairman's 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 and international organizations. The Board is composed of individuals with diverse experience, geographical origin and tenure.

Board composition

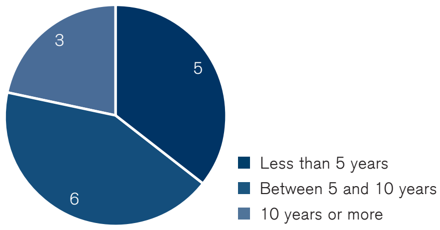
Industry experience



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 2011, the Board held six full-day meetings in person and three 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 2011					
Total number of meetings held	9	13	9	6	6
Number of members who missed no meetings	9	4	4	5	3
Number of members who missed one meeting	2	2	1	1	2
Number of members who missed two or more meetings	4	2	0	0	1
Meeting attendance, in %	89	92	98	96	88

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, 2011, 12 members of the Board were deemed independent, and two members, Urs Rohner and Jassim bin Hamad J.J. Al Thani, were deemed not independent. In its independence determination, the Board takes into account the factors set forth in 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. 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.

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. Our definition of independence is in line with the Swiss Code of Best Practice for Corporate Governance and the NYSE definitions. 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.

Whether or not a relationship between the Group 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.

Urs Rohner was deemed not independent due to his former role as Chief Operating Officer (COO) and General Counsel of the Group until the AGM in April 2009. Jassim bin Hamad J.J. Al Thani, chairman of Qatar Investment Bank, was deemed not 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 deemed these various business relationships could constitute a material business relationship.

The Group is a global financial services provider. Many of the members of the Board or companies associated with them maintain banking relations with us. With the exception of the transactions described below, all relationships with members of the Board or such companies are in the ordinary course of business and are entered into on an arm's length basis.

▸ Refer to "Note 28 – Related parties" in V – Consolidated financial statements – Credit Suisse Group for further information on transactions with members of the Board.

In February 2011, we entered into definitive agreements with affiliates of QIA and The Olayan Group, which have significant holdings of Group shares, to issue Tier 1 Buffer Capital Notes for cash or in exchange for tier 1 capital notes issued in 2008. The purchase or exchange will occur no earlier than October 2013, the first call date of the Tier 1 Buffer Capital Notes. The Tier 1 Buffer Capital Notes will be converted into our ordinary shares if our reported common equity tier 1 ratio falls below 7%. The Group determined that this was a material transaction and deemed QIA and The Olayan Group to be related parties of Jassim bin Hamad J.J. Al Thani and Aziz R.D. Syriani, respectively, for purposes of evaluating the terms and corporate governance of the transaction. The Board (except for Jassim bin Hamad J.J. Al Thani and Aziz R.D. Syriani, who abstained from participating in the determination process) determined that the terms of the 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 QIA and The Olayan Group, were fair.

▸ Refer to "Capital issuances and redemptions" in III – Treasury, Risk, Balance sheet and Off-balance sheet – Treasury management – Capital management for further information about the terms of the transaction.

Chairman of the Board

The Chairman coordinates the work of the Board and its committees and ensures that the Board members are provided with the information relevant for performing their duties. 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 well as the meetings of the Executive Board, as a guest without voting power. The Chairman is actively involved in developing the strategic business plans and objectives of the Group. Furthermore, he works closely with the CEO in establishing succession plans for key management positions.

The Chairman takes an active role in representing the Group to the general public, regulators, investors, industry associations and other stakeholders.

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. 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.

Board committees

At each Board meeting, the committee chairmen report to the Board about their activities. 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.

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 does not participate in the discussion of his own performance. 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.

Audit Committee
The Audit Committee consists of not fewer than three members, all of whom must be independent. 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 (SEC) requires disclosure about whether a member of the Audit Committee is an audit committee financial expert within the meaning of SOX. The Board has determined that Peter F. Weibel and John Tiner are audit committee financial experts.

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 conference calls throughout the year. The meetings are attended by management representatives, as appropriate, the Head of Internal Audit and senior representatives of the external auditor. At most Audit Committee meetings, a private session with Internal Audit and the external auditors is 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 processes designed to ensure an appropriate internal control system, including compliance with legal and regulatory requirements;
- monitoring the qualifications, independence and performance of the external auditors and of Internal Audit; and
- monitoring the adequacy of financial reporting processes and systems of internal accounting and financial controls.

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 to audit and 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 main meeting is held in January with the primary purpose of 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. Other duties and responsibilities of the Compensation Committee include reviewing the Group's compensation policy, newly established compensation plans or amendments to existing plans and recommending them to the Board for approval. The Compensation Committee chairman decides on the attendance of management or others at the committee meetings.

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. 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 – Objectives and governance 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. 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 assessing the different types of risk to which we are exposed, as well as our risk management structure, organization and processes. The Risk Committee approves selected risk limits and makes recommendations to the Board regarding all of its risk-related responsibilities, including the review of major risk management and capital adequacy requirements. 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.

Biographies of the Board members

Urs Rohner
Born 1959
Swiss Citizen

Urs Rohner has been the Chairman of the Board and the Chairman's and Governance Committee since the 2011 AGM. From 2009 until 2011, he was Vice-Chairman of the Board and a member of the Chairman's and Governance Committee and Risk Committee. He was a member of the Executive Boards of Credit Suisse Group and Credit Suisse from 2004 to 2009 and served as General Counsel of Credit Suisse Group from 2004 to 2009 and as COO and General Counsel of Credit Suisse from 2006 to 2009. His term as a Board member expires at the AGM in 2012. Due to his former executive function at Credit Suisse, the Board has determined that he is not independent under the Group's independence standards. For further information, refer to Independence.

Mr. Rohner graduated with a degree in law from the University of Zurich in 1983. He was admitted to the bars of the canton of Zurich in 1986 and the state of New York in 1990. From 1983 to 1988, he was an attorney with the law firm Lenz & Stähelin in Zurich and, between 1988 and 1989, with Sullivan & Cromwell LLP in New York. From 1992 to 1999, he was a partner at Lenz & Stähelin. Between 2000 and 2004, Mr. Rohner served as Chairman of the Executive Board and CEO of ProSieben and ProSiebenSat.1 Media AG.

Mr. Rohner is the chairman of the Board of Trustees of the Credit Suisse Foundation and the Credit Suisse Research Institute and a board member of Economiesuisse, the European Financial Services Roundtable and the European Banking Group. He is 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, the Institute of International Finance and the Institute International d'Etudes Bancaires. He is also the chairman of the Advisory Board of the University of Zurich's Department of Economics and a board member of the Zurich Opera House, the Alfred Escher Foundation and the Lucerne Festival.

Peter Brabeck-Letmathe
Born 1944
Austrian Citizen

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 from 2008 until 2011. He also served from 2000 to 2005 on the Compensation Committee and from 2003 to 2005 on the Chairman's and Governance 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. Brabeck-Letmathe studied economics at the University of World Trade in Vienna. After graduating in 1968, he joined Nestlé SA's sales operations in Austria. His career at Nestlé SA includes a variety of assignments in several European countries as well as in Latin America. Since 1987, he has been based at Nestlé SA's headquarters in Vevey. Mr. Brabeck-Letmathe has been the Chairman of the Board of Directors of Nestlé SA since 2005. From 1997 to 2008, he was also the CEO of Nestlé SA.

Mr. Brabeck-Letmathe has been a member of the Boards of Directors of L'Oréal SA, Paris, since 1997, and Exxon Mobil Corporation and Delta Topco (Formula 1), both since 2010. 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 a member of the Board of Directors of Qatar Navigation Company, Qatar Insurance Company and ARCAPITA Bank, Bahrain, and the CEO of Al Mirqab Capital LLC, Qatar, a family enterprise.

Mr. Al Thani completed his studies in the State of Qatar and graduated as an Officer Cadet from the Royal Military Academy, Sandhurst, UK.

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.

Noreen Doyle
Born 1949
Irish and US Citizen

Noreen Doyle has been a member of the Board since 2004 and a member of the Risk Committee since 2009. During 2007 and 2008, she served on the Audit Committee and, from 2004 to 2007, she served on the Risk Committee. Ms. Doyle also serves as a non-executive director on and chairs the audit committees for the boards of Credit Suisse International and Credit Suisse Securities Europe Limited, two of the Group's UK subsidiaries. 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 joined the EBRD in 1992 as Head of Syndications, was appointed Chief Credit Officer in 1994 and became Deputy Vice President of Risk Management in 1997. 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, QinetiQ Group Plc., a UK-based defense technology and security company, and Rexam Plc, a global consumer packaging company, all since 2005. Moreover, she is a member of the Advisory Board of the Macquarie European Infrastructure Fund and the Macquarie Renaissance Infrastructure Fund.

Walter B. Kielholz
Born 1951
Swiss Citizen

Walter B. Kielholz has been a member of the Board since 1999, a member of the Compensation Committee since 2009 and a member of the Chairman's and Governance Committee since 2011. He served as Chairman of the Board and the Chairman's and Governance Committee from 2003 to 2009 and as Chairman of the Audit Committee from 1999 to 2002. His term as a member of the Board expires at the AGM in 2012. The Board has determined him to be independent under the Group's independence standards.

Mr. Kielholz studied business administration at the University of St. Gallen and graduated in 1976 with a degree in Business Finance and Accounting.

Mr. Kielholz's career began at the General Reinsurance Corporation, Zurich, in 1976. After working in the US, the UK and Italy, Mr. Kielholz assumed responsibility for the company's European marketing. In 1986, he joined Credit Suisse, responsible for client relations with large insurance groups in the Multinational Services department.

Mr. Kielholz joined Swiss Re, Zurich, in 1989. He became a member of Swiss Re's Executive Board in 1993 and was Swiss Re's CEO from 1997 to 2002. A Board member since 1998, he became the Executive Vice-Chairman of the Board of Directors of Swiss Re in 2003, Vice-Chairman in 2007 and since May 2009, he has served as the Chairman.

Mr. Kielholz is a Board of Directors member of the Geneva Association, the European Financial Roundtable and the Institute of International Finance. From 1998 to 2005, Mr. Kielholz was, and since 2009, is again a member of the International Business Leader Advisory Council and a member of the International Advisory Panel, advising the Monetary Authority of Singapore's financial section on reforms and strategies. 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. Mr. Kielholz is a member of the Zurich Friends of the Arts, 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 2012. 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 a member of its Board of Directors, from 1998 to 2002, and Group CEO, from 1995 to May 2009.

Mr. Koopmann holds a Master's Degree in Mechanical Engineering from the Swiss Federal Institute of Technology in Zurich (1976) and an MBA from IMD in Lausanne, Switzerland (1978).

From 2010 until February 2012, Mr. Koopmann was the Chairman of the Board of Directors of Alstom (Suisse) SA. Since 2010, he has also been a member of the Board of Directors of Georg Fischer AG where he took over the presidency of the Board of Directors in March 2012. Since 2003, Mr. Koopmann has been a member of the Board of Directors of Nestlé SA, its first Vice-Chairman and a member of its Chairman's and Corporate Governance Committee. Mr. Koopmann is also a member of the Board of Directors of the CSD Group, an engineering consultancy enterprise in Switzerland and served as the Vice-Chairman of Swissmem (until March 2012), the association of Swiss Mechanical and Electrical Engineering Industries. From 1995 to 1999, he served as a member of the Board of Directors of Credit Suisse First Boston. He was a member of Credit Suisse's Advisory Board from 1999 to 2007.

Jean Lanier has been a member of the Board and the Audit Committee since 2005. In 2011, he was appointed to 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. He also chaired boards of the principal subsidiaries of the group. He held these functions from 1998 until 2004. Prior to that, he was the COO and Managing Director of SFAC, which later became Euler Hermes SFAC, from 1990 to 1997, and of the Euler Group, from 1996 to 1998.

Mr. Lanier started his career at the Paribas Group in 1970, where he worked until 1983 and 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. In 1983, he joined the Pargesa Group, where he held the positions of President of Lambert Brussells Capital Corporation in New York, from 1983 to 1989, and Managing Director of Pargesa, based in Paris and Geneva, from 1988 to 1990.

Mr. Lanier holds 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 a Member of the Board of the Foundation "La Fondation Internationale de l'Arche."

Anton van Rossum
Born 1945
Dutch Citizen

Anton van Rossum has been a member of the Board since 2005 and a member of the Risk Committee since 2008. From 2005 to 2008, he served on 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. van Rossum was the CEO of Fortis from 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 for 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 and a Director of the firm in 1979 and 1986, respectively.

Mr. van Rossum studied Economics and Business Administration at the Erasmus University in 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 LNG storage group. In addition, he is a member of the Board of Directors of Solvay SA, Brussels, an international chemicals and plastics company, a member of the Supervisory Board of Rodamco Europe NV, Amsterdam, a commercial real estate investment group, 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.

Aziz R.D. Syriani
Born 1942
Canadian Citizen

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 from 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.

Mr. Syriani holds a degree in Law from the University of St. Joseph in Beirut (1965) and a Master of Laws degree from Harvard University, Massachusetts (1972). He has served as the President of The Olayan Group since 1978 and the CEO since 2002. The Olayan Group is a private multinational enterprise engaged in distribution, manufacturing and global investment and a significant shareholder of the Group.

Mr. Syriani has served on the Board of Directors of Occidental Petroleum Corporation, Los Angeles, since 1983, where he is currently the Lead Independent Director and Chairman of the Audit Committee, as well as a member of the Executive and the Corporate Governance Committees.


Walter Kielholz


Noreen Doyle

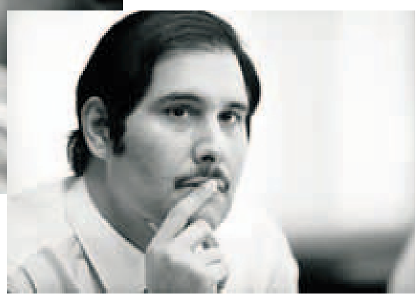

Jean Lanier

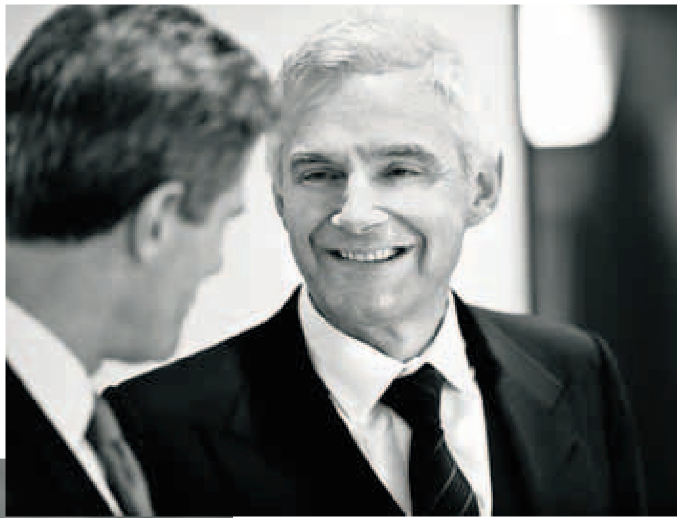

Anton van Rossum


Richard Thornburgh


Andreas Koopmann


Robert Benmosche


Jassim Bin Hamad J. J. Al Thani



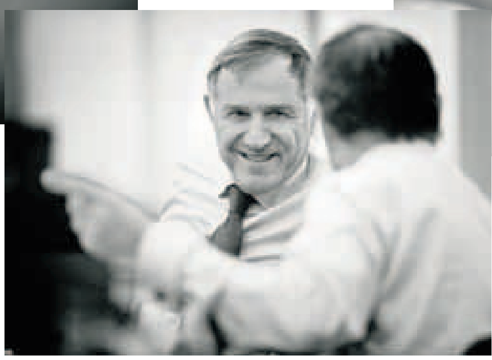
Aziz Syriani

Urs Rohner

Peter Brabeck-Letmathe

Peter Weibel

John Tiner



David Syz

David W. Syz
Born 1944
Swiss 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.

After completing his studies at the Law School of the University of Zurich and receiving a doctorate from the same university in 1972 and an MBA at INSEAD, Fontainebleau, in 1973, 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. In 1975, he was appointed Head of Finance at Staefa Control System AG, Stäfa, and became Managing Director after four years. From 1982 to 1984, he was the CEO of Cerberus AG, Männedorf. In 1985, Mr. Syz returned to Elektrowatt AG as Director and Head of Industries and Electronics. In 1996, he was appointed CEO and Managing Director of Schweizerische Industrie-Gesellschaft Holding AG, Neuhausen.

Appointed State Secretary in 1999, Mr. Syz took charge of the new State Secretariat for Economic Affairs, a function from which he retired in 2004.

Mr. Syz has been the Chairman of the Board of Directors of Huber & Suhner AG, Pfäffikon, since 2005, Vice-Chairman from 2004 to 2005, and the Chairman of the Board of Directors of ecodocs AG, Zollikon, since 2004. Moreover, 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
Born 1952
US Citizen

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 and the Audit Committee since 2009 and 2011, respectively. His term as a member of the Board expires at the AGM in 2012. 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.

Mr. Thornburgh received a BBA from the University of Cincinnati, Ohio, in 1974, and an MBA from the Harvard Business School, Massachusetts, in 1976, and then began his investment banking career in New York with The First Boston Corporation, a predecessor firm of Credit Suisse First Boston. In 1995, Mr. Thornburgh was appointed Chief Financial and Administrative Officer and a member of the Executive Board of Credit Suisse First Boston. In 1997, he was appointed a member of the Group Executive Board, where he served until 2005. From 1997 to 1999, Mr. Thornburgh was the CFO of Credit Suisse Group and, from 1999 to 2002, he was Vice-Chairman of the Executive Board of Credit Suisse First Boston. In addition, he performed the function of CFO of Credit Suisse First Boston from May 2000 through 2002. From 2003 to 2004, he was the CRO of Credit Suisse Group. In 2004, he was appointed Executive Vice-Chairman of Credit Suisse First Boston.

Mr. Thornburgh has also serves on the Boards of Directors of Reynolds American Inc. (RAI), Winston-Salem, and The McGraw-Hill Companies, New York, both since 2011, CapStar Bank, Nashville, since 2008, and New Star Financial Inc., Boston, 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 Committee and the Risk Committee. His term as member of the Board expires at the AGM in 2012. The Board has determined him to be independent under the Group's independence standards and a financial expert within the meaning of SOX.

Mr. Tiner is the CEO of Resolution Operations LLP, a privately owned advisory firm which provides services to Resolution Ltd., a company listed on the London Stock Exchange that acquires and restructures businesses in the life insurance, asset management, general insurance, banking and diversified general financial sectors to realize value for its shareholders. He has held this position since September 2008.

Mr. Tiner was previously CEO of the FSA, a position he held from 2003 to 2007. He initially joined the FSA in 2001 as Managing Director of the Consumer Insurance and Investment Directorate. While at the FSA, he was also 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 and was responsible for its worldwide financial services practice.

Mr. Tiner is a member of the Boards of Directors of Lucida Plc, a UK-based insurance company, and of Friends Provident Holdings and Friends Provident Plc, a UK-based life and pension company, and a member of the Advisory Board of Corsair Capital, a private equity investment company. He is also a member of the Advisory Board of the Centre for Corporate Reputation and Visiting Fellow of Oxford University.

In recognition of his contribution to the financial services industry, Mr. Tiner was awarded the title of Commander of the British Empire in 2008 and was made an Honorary Doctor of Letters at his former college, Kingston University, in 2010.

Peter F. Weibel
Born 1942
Swiss Citizen

Peter F. Weibel has been a member of the Board and the Chairman's and Governance Committee and the Audit Committee since 2004 and he chaired the Audit Committee from 2004 until the AGM in 2011. Mr. Weibel has decided to step down as a member of the Board at the 2012 AGM due to having reached the internal age limit. The Board has determined him to be independent under the Group's independence standards and a financial expert within the meaning of SOX.

After completing his studies in Economics at the University of Zurich in 1968, including a doctorate in 1972, and after working as a consultant at IBM Switzerland for three years, Mr. Weibel joined the Central Accounting Department at UBS in 1975 and later became a Senior Vice President in its Corporate Banking division. In 1988, he was appointed CEO of Revisuisse, one of the predecessor companies of PricewaterhouseCoopers AG, Zurich, and served as a member of the PricewaterhouseCoopers Global Oversight Board from 1998 to 2001. He retired from his function as the CEO of PricewaterhouseCoopers AG, Zurich, in 2003.

Mr. Weibel is the Chairman of the Executive MBA program of the University of Zurich, a member of the Board of Directors of the Greater Zurich Area AG, serves on the Swiss Advisory Council and the Executive Committee of the American Swiss Foundation and is a member of the Senior Advisory Council of the Swiss-American Chamber of Commerce. He also serves on the Board of Directors of the Careum Foundation and chairs the Pestalozzi Foundation, the Braille without Borders Foundation (Switzerland) and the Zurich Art Festival.

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 he has held since 1986. Mr. Gut was a member of the Board of Directors of Nestlé SA, Vevey, from 1981 to 2005, whereof Vice-Chairman from 1991 to 2000 and Chairman from 2000 to 2005.

As Honorary Chairman, Mr. Gut does not have any function in the governance of the Group and does not attend the meetings of the Board.

Secretaries of the Board
Pierre Schreiber
Joan E. Belzer

Executive Board

Members of the Executive Board

The Executive Board is responsible for the day-to-day operational management of the Group. It develops and implements the strategic business plans for the Group overall as well as for the principal businesses, subject to approval by the Board. It further reviews and coordinates significant initiatives, projects and business developments in the divisions, regions and in the Shared Services functions and establishes Group-wide policies. The composition of the Executive Board of the Group and the Bank is identical. Effective August 1, 2011, the Board appointed Walter Berchtold as the Chairman Private Banking and Hans-Ulrich Meister as CEO Private Banking. Mr. Meister will assume his new position in addition to his role as CEO of Credit Suisse Switzerland. Mr. Berchtold and Mr. Meister remain members of the Executive Board.

Members of the Executive Board

	Appointed in	Role
December 31, 2011		
Brady W. Dougan, CEO	2003	Group CEO
Osama S. Abbasi, Regional CEO Asia Pacific	2010	Regional Head
Walter Berchtold, Chairman Private Banking [1]	2003	Chairman Private Banking
Romeo Cerutti, General Counsel	2009	Shared Services Head
Tobias Guldimann, CRO	2004	Shared Services Head
Fawzi Kyriakos-Saad, Regional CEO EMEA	2010	Regional Head
Karl Landert, CIO	2009	Shared Services Head
David R. Mathers, CFO	2010	Shared Services Head
Hans-Ulrich Meister, CEO Private Banking and Regional CEO Switzerland [2]	2008	Divisional Head/Regional Head
Antonio C. Quintella, Regional CEO Americas	2010	Regional Head
Robert S. Shafir, CEO Asset Management	2007	Divisional Head
Pamela A. Thomas-Graham, Chief Talent, Branding and Communications Officer	2010	Shared Services Head
Eric M. Varvel, CEO Investment Banking	2008	Divisional Head

[1] Appointed Chairman Private Banking as of August 1, 2011. [2] Appointed CEO Private Banking in addition to his current role as Regional CEO Switzerland as of August 1, 2011.

Biographies of the Executive Board members

Brady W. Dougan
Born 1959
US Citizen

Brady W. Dougan has been the CEO since 2007. Prior to that, he was the CEO Investment Banking and the CEO of Credit Suisse Americas. He has served on the Executive Board since 2003.

Mr. Dougan received a BA in Economics in 1981 and an MBA in finance in 1982 from the University of Chicago, Illinois. 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 has been a member of the Board of Directors of Humacyte Inc., a biotechnology company, since 2005.

Osama S. Abbasi
Born 1968
British Citizen

Osama S. Abbasi has been the CEO of Credit Suisse's Asia Pacific region and a member of the Executive Board since October 2010.

Mr. Abbasi holds a Bachelor of Science in Economics from the Wharton School of Business at the University of Pennsylvania. Prior to assuming the role of CEO of Credit Suisse Asia Pacific, he was the Head of the Equity department in Asia Pacific and a member of the Global Equity Management Committee and the Investment Banking Division Management Committee. Prior to this, Mr. Abbasi was Head of Global Securities for Non-Japan Asia and Australia, responsible for both the Equities and Fixed Income departments, and Head of European Securities.

Mr. Abbasi joined Credit Suisse Financial Products, the former derivatives subsidiary of Credit Suisse First Boston, in 1996, from Bankers Trust, where he worked in various trading and marketing positions in Fixed Income and Equities.

Walter Berchtold
Born 1962
Swiss Citizen

Walter Berchtold was appointed Chairman Private Banking effective August 1, 2011. Prior to that, he was the CEO Private Banking at Credit Suisse for five years. He has been a member of the Executive Board since 2003.

After obtaining a commercial diploma, Mr. Berchtold joined Credit Suisse First Boston Services AG, Zurich, in 1982, and, a year later, transferred as a trader to the precious metal and currency options unit of Valeurs White Weld SA, in Geneva, which was later renamed Credit Suisse First Boston Futures Trading SA. In 1987, he was given the task of heading the Japanese convertible notes trading team, and in 1988, he assumed shared responsibility for all the business activities of Credit Suisse First Boston Futures Trading AG in Zurich.

In 1991, Mr. Berchtold joined Credit Suisse in Zurich as the Head of Arbitrage in the Securities Trading department. In the following year, he became the Head of the Equity Derivatives Trading department. In 1993, he managed the Equity Trading unit and, in 1994, he took on overall responsibility for Credit Suisse's Securities Trading & Sales activities globally.

From 1997 to 2003, Mr. Berchtold was the Head of Trading and Sales of Credit Suisse First Boston, Switzerland and thereafter became the Country Manager of Credit Suisse First

Boston, where he was responsible for the entire Swiss business of Credit Suisse First Boston. From 2003 to July 2004, he was the Head of Trading and Sales at Credit Suisse Financial Services and, in April 2004, he was appointed CEO of Banking at Credit Suisse Financial Services. In July 2004, he was the CEO of the former Credit Suisse, a position he held until the merger with Credit Suisse First Boston in May 2005. Between May and December, 2005, he became the CEO of Credit Suisse.

Mr. Berchtold is a member of the Board of the Swiss Bankers Association and several philanthropic and cultural foundations.

Romeo Cerutti
Born 1962
Swiss and Italian Citizen

Romeo Cerutti has been the Group General Counsel and a member of the Executive Board since April 2009. Prior to that, he was 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.

Tobias Guldimann
Born 1961
Swiss Citizen

Tobias Guldimann has been the CRO of Credit Suisse since June 2009. He has been a member of the Executive Board in the role of Group CRO since 2004.

Mr. Guldimann studied Economics at the University of Zurich and received a doctorate from the same university in 1989. He 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. Guldimann has been a member of the Foundation Board of the International Financial Risk Institute and Chairman since 2010.

Fawzi Kyriakos-Saad
Born 1962
British and Lebanese Citizen

Fawzi Kyriakos-Saad has been the CEO of Credit Suisse EMEA and a member of the Executive Board since July 2010.

Mr. Kyriakos-Saad holds a Bachelor of Civil Engineering from the American University of Beirut and an MBA from Columbia University, New York.

Prior to assuming the role of CEO of the EMEA region in July 2010, Mr. Kyriakos-Saad was the CEO of Russia, the countries of the Commonwealth of Independent States and Turkey for Credit Suisse. He joined Credit Suisse in 2006 from JPMorgan Chase, where he worked in a variety of senior fixed income and emerging market management roles. Before joining JPMorgan Chase, he spent eight years at Goldman Sachs in New York and London.

Karl Landert
Born 1959
Swiss Citizen

Karl Landert has been the CIO of Credit Suisse since 2008 and a member of the Executive Board since June 2009. Previously, he was the CIO of Private Banking. He joined Credit Suisse in 2001 as the Head of Application Development and he was appointed the Head of IT in 2004.

Before joining Credit Suisse, Mr. Landert served as the CIO and Head of Global IT Management of Novartis Pharma AG (Switzerland) from 1998 to 2001. Between 1985 and 1998, he held various management positions in sales and systems engineering at IBM Switzerland.

Mr. Landert studied at the Swiss Federal Institute of Technology in Zurich and received his degree in Physics in 1984.

Mr. Landert is a member of the Boards of Directors of the Swiss IT Leadership Forum, ICT Switzerland and the Foundation for IT Professional Education.

David R. Mathers
Born 1965
British Citizen

David Mathers has been the CFO of Credit Suisse Group and a member of the Executive Board since October 2010.

Mr. Mathers holds an MA in Natural Sciences from the University of Cambridge, England.

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 is a member of the Council of the British-Swiss Chamber of Commerce.

Hans-Ulrich Meister

Robert Shafir

Pamela Thomas-Graham

Karl Landert

Tobias Guldimann

Romeo Cerutti

Antonio Quintella


Eric Varvel


Brady Dougan


David Mathers


Fazwi Kyriakos-Saad


Osama Abbasi


Walter Berchtold

Hans-Ulrich Meister
Born 1959
Swiss Citizen

Hans-Ulrich Meister was appointed CEO Private Banking effective August 1, 2011. He has also been CEO Credit Suisse Switzerland and a member of the Executive Board since September 2008.

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.

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 has been a member of the Foundation Board of the Swiss Finance Institute since 2008.

Antonio C. Quintella
Born 1966
Brazilian Citizen

Antonio Quintella has been the CEO of Credit Suisse Americas and a member of the Executive Board since July 2010.

Mr. Quintella holds a BA in Economics from Pontifícia Universidade Católica of Rio de Janeiro and an MBA from the London Business School. Mr. Quintella joined Credit Suisse in 1997 from ING Barings as a senior relationship banker in the Investment Banking department and was named CEO of Credit Suisse Brazilian operations, in 2003. As the CEO of Brazil, he oversaw the expansion of the Bank's presence in the Brazilian market, including the acquisition of Hedging-Griffo, a leading independent asset management and private banking firm in Brazil, in 2006.

Mr. Quintella is a member of the Board of Directors of Febraban, the Brazilian bank association, and is a member of the global advisory council of the London Business School.

Robert S. Shafir
Born 1958
US Citizen

Robert Shafir has been the CEO of Asset Management since April 2008 and a member of the Executive Board since August 2007. He held the position of CEO of Credit Suisse Americas until July 2010.

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 joined Credit Suisse from Lehman Brothers, where he worked for 17 years, having served as the Head of Equities as well as 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 is a member of the Board of Directors of the Cystic Fibrosis Foundation and the Dwight School Foundation.

Pamela A. Thomas-Graham
Born 1963
US Citizen

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 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. She is also a member of the Council on Foreign Relations and the Economic Club of New York, and sits on the Boards of the New York City Opera and the Parsons School of Design. She is a member of the Visiting Committee for Harvard Business School.

Eric M. Varvel
Born 1963
US Citizen

Eric Varvel has been the CEO Investment Banking since September 2009 (acting CEO between September 2009 until July 2010) and a member of the Executive Board since February 2008.

Mr. Varvel holds a BA in Business Finance from Brigham Young University, Utah.

Prior to his current function, Mr. Varvel was the CEO of Credit Suisse EMEA, 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 is a member of the Board of Directors of the Qatar Exchange.

Additional information

Changes of 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 the Swiss Financial Market Supervisory Authority (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 of control

Subject to certain provisions in the Group's employee compensation plans providing for the treatment of outstanding awards in the case of a change of control, there are no provisions that require the payment of extraordinary benefits in the case of a change of 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 of control of the Group. Moreover, none of the employment contracts with members of the Executive Board or other members of senior management provides for extraordinary benefits that would be triggered by a change of control.

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 260 professionals, more than 230 of whom are directly involved in auditing activities. The Head of Internal Audit, Heinz Leibundgut, 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 Marc Ufer, Global Lead Partner (since 2010), who will be succeeded by Anthony Anzevino at the 2012 AGM; Simon Ryder, Group Engagement Partner (since 2010); and Philipp Rickert, Leading Bank Auditor (since 2006), who, in accordance with a five-year rotation requirement, will be succeeded by Mirco Liberto at the 2012 AGM.

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

	2011	2010	% change
Fees paid to external auditors (CHF million)			
Audit services [1]	40.3	44.0	(8)
Audit-related services [2]	7.0	13.8	(49)
Tax services [3]	6.9	7.8	(12)

[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 may be provided to us or any of our subsidiaries by KPMG to audit and certain permissible types of non-audit services, including audit-related and tax services that have been pre-approved by the Audit Committee. The Audit Committee pre-approves all other services on a case-by-case basis. All KPMG services in 2011 were pre-approved. KPMG is required to report to the Audit Committee periodically regarding the extent of services provided by KPMG and the fees for the services performed to date.

American Depositary Share fees

Fees and charges for holders of ADS

In accordance with the terms of the Deposit Agreement, Deutsche Bank Trust Company Americas, as depositary for the ADS (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 2011, the Depositary reimbursed the Group USD 52,563 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. 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

Overview

This Compensation report explains our compensation approach and provides our compensation disclosure for 2011. It is composed of the following sections:
- Objectives and governance;
- Compensation design;
- Executive Board compensation;
- Board of Directors compensation;
- Group compensation; and
- Compensation plans from prior years.

The Group is committed to fair, balanced, performance-oriented compensation practices that align long-term employee and shareholder interests. We believe in rewarding our employees for performing in a way that creates sustainable value for the Group and its shareholders over time. We strive to take a leadership position in the industry in implementing responsible compensation practices.

For 2011, we reduced discretionary variable incentive awards (variable compensation), reflecting the lower absolute performance of the Group compared to 2010. Variable compensation awarded for 2011 was down 41% compared to 2010. Aggregate variable compensation awarded for current members of the Executive Board was down 57% and for the Chief Executive Officer (CEO) was down 69% compared to 2010. We believe that the amount and form of variable compensation awarded for 2011 represents our senior management team taking real and direct accountability for the earnings level and share price performance, in alignment with shareholders.

As the business and market environment continued to be challenging in 2011, we implemented changes to our compensation plan that are consistent with our overall capital and risk management strategy and are responsive to additional regulatory requirements. The main changes include modifications to the eligibility and structure of our deferred awards.

For 2011, all deferred variable compensation was awarded in the form of share awards, performance share awards and 2011 Partner Asset Facility (PAF2) awards. We made no further grants of the cash-based Adjustable Performance Plan awards that were introduced in 2009. Consistent with past practice and in line with the expectations of regulators, we granted a substantial portion (approximately 65%) of deferred variable compensation for 2011 as share-based awards. The share awards granted for 2011 are similar to those granted for 2010, but the majority were granted as performance share awards, which now include claw-back provisions based on certain performance conditions for managing directors and other groups of employees. The vesting period for the share awards is three years (also applicable to the performance share awards), which has been shortened from four years to bring us more in line with peers. The PAF2 awards were granted to managing directors and directors and made up approximately 35% of the deferred variable compensation awarded in 2011. In addition to serving as a compensation instrument, the PAF2 plan contributes to the Group's risk reduction and capital efficiency objectives through its transfer of risk from the Group to employees.

Responsible approach to compensation

Performance based
- Reasonable compensation levels for 2011 in the context of the industry
- Group-wide variable compensation down 41%
- Variable compensation down 57% for the Executive Board and 69% for the CEO

Long-term
- Track record for using deferred instruments to align employee and shareholder interests
- 49% of Group-wide variable compensation deferred
- Zero cash variable compensation for Executive Board members

Risk aware and capital efficient
- Deferred awards with performance conditions for over 6,000 employees
- At least 50% of share awards subject to claw back for managing directors and certain other employees
- PAF2 plan contributes to risk reduction and capital efficiency

Taking the performance share and PAF2 plans together, over 6,000 employees received deferred compensation with performance conditions. For the Group overall, 49% of the variable awards for 2011 were deferred and subject to future performance and service provisions. For the fourth consecutive year, Executive Board members received no cash variable compensation; all of their variable awards for 2011 were deferred. The changes to our 2011 compensation plan and our 2011 compensation disclosures are in compliance with the requirements of our main regulators and are responsive to the feedback from our shareholders.

Given the continued focus of regulators on the impact of risk considerations on compensation, we refined the process of reviewing compensation and risk for certain groups of employees to ensure appropriate incentives and adequate controls designed to discourage excessive risk taking were in place. For 2011, we have provided more disclosure on risk and compensation, in line with the Basel Committee on Banking Supervision's (BCBS) new Pillar 3 disclosure requirements for remuneration and additional guidance issued by the Swiss Financial Market Supervisory Authority (FINMA).

In response to shareholder feedback, we also enhanced our disclosure, for example, to provide improved transparency regarding the link between compensation awarded to the Executive Board members and the Group's performance, and with regard to share issuance and shareholder dilution from our share-based compensation plans.

The Compensation Committee is satisfied that this report reflects the manner in which it has reviewed and set compensation for 2011. The activities of the Compensation Committee were executed in accordance with its mandate under the Organizational Guidelines and Regulations (OGR) and the Compensation Committee Charter.

The Board of Directors (Board) recognizes and supports the involvement of its shareholders within the compensation discussion. As in prior years, the Board has decided to submit this Compensation report to its shareholders for a consultative vote at the Annual General Meeting (AGM) in line with the recommendations in the Swiss Code of Best Practice for Corporate Governance.

Objectives and 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's objectives are to maintain compensation practices and plans that:

- support 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;
- enable the Group to attract and retain employees and motivate them to achieve results with integrity and fairness;
- balance 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;
- are consistent with and promote effective risk management practices and the Group's compliance and control culture;
- foster teamwork and collaboration across the Group;
- take into account the long-term performance of the Group in order to create sustainable value for our shareholders; and
- are reviewed regularly and endorsed by an independent Compensation Committee.

Consistent with the objectives above, the Group applies a total compensation approach based on fixed compensation and variable compensation. The individual mix varies according to the employee's seniority, business and location. 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, business and individual performance. Variable compensation is awarded in the form of unrestricted cash and deferred awards, which are subject to various deferral provisions and performance criteria. The Group's total compensation approach is illustrated in the following chart, reflecting the compensation award structure for 2011.

▸ Refer to "Compensation design" for further information.

Total compensation approach

Fixed compensation	Variable compensation			
		Deferred compensation		
Base salary	Unrestricted cash	Share awards	Performance share awards	2011 Partner Asset Facility
Salary levels are based on function and market compensation levels	Discretionary variable incentive awards are based on Group, division and individual performance and market compensation levels			

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 compensation design aims to contribute to the Group's objectives in a way that encourages prudent risk taking and adherence to applicable laws, guidelines and regulations and takes into account the capital position and economic performance of the Group over the long term.

Compensation governance

The Compensation Committee of the 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. Consistent with its mandate stipulated in the Group's OGR and its charter (available on our website at *www.credit-suisse.com/governance*), the Compensation Committee proposes the overall pools for variable compensation, based on the outcome of its annual performance review for the Group and the businesses. The Compensation Committee also assesses the individual performance of, and proposes compensation for, members of the Executive Board and the Board and certain other members of senior management.

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, 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, the Group has deemed all four members of the Compensation Committee to be independent. The length of tenure a Board member has served is not a criterion for determining independence. Significant shareholder status is also not considered a criterion for independence unless the shareholding exceeds 10% of the Group's share capital.

▸ 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.

The Compensation Committee meets at least four times per year. The Compensation Committee chairman decides on the attendance of management, the independent compensation consultant and external legal counsel at the committee meetings. The main meeting is held in January with the primary purpose of reviewing the performance of the businesses and the respective management teams for the previous year and determining and/or recommending to the Board for approval the overall compensation pools for the divisions 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. 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. In line with the process established last year 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 collectively known as covered employees, 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.

The following table sets forth the approval authority for determining compensation policy and setting compensation for different groups of employees.

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 and 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 covered employees	Compensation Committee
Compensation for other selected members of management	Compensation Committee

[1] Board members with functional duties (including the Chairman): the Board member concerned does not participate in the decision involving his own compensation. Other Board members: Compensation comprises a base fee plus a fee for committee activity which may differ from committee to committee. These fees are subject to a decision by the full Board.

During 2011, the Board, upon recommendation of the Compensation Committee, approved modifications to our compensation policy to bring our plans more in line with peers, contribute to the Group's risk reduction and capital efficiency measures and permit compliance with evolving regulations. Some of the Compensation Committee's focus areas during 2011 were:

- the development and approval of an amended compensation design for 2011 aimed at bringing elements of our compensation plans closer to peer practice, while retaining specific performance criteria and claw-back features and introducing the PAF2 plan;
- refinement of the review process for covered employees in respect of how risk and internal control considerations are reflected in the compensation process;
- maintaining an active dialogue and consultations with our main 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; and
- increasing the transparency of our compensation disclosure, including how we link compensation to performance for members of the Executive Board.

▸ Refer to "Incorporating risk within the compensation process" for further information on covered employees.

Compensation policy

The vast majority of decisions about individual compensation awards are made by line managers at all levels throughout the organization. The Group strives to ensure that all line managers apply a consistent and high set of standards when assessing the performance and behavior of employees and that managers and employees fully understand the compensation processes and instruments that apply to them. To this end, we prepared a comprehensive compensation policy, that formalizes our compensation principles and related processes, which was approved by the Board in early 2011. In early 2012, we updated the policy to reflect the changes to the compensation plan, the annual process for reviewing performance in light of risk considerations for covered employees and to comply with a recent change in the Swiss Bank Law. The Group's Compensation Policy is available on its website at *www.credit-suisse.com/compensation*. The policy provides the foundation for sound compensation practices that support the Group's long-term strategic objectives. The following table summarizes the key features of the compensation policy.

The Group's compensation policy framework

Our vision:
Maintain a responsible, performance-based compensation policy that is aligned with the long-term interests of our employees and shareholders.

Our promise:
Strike the right balance between meeting shareholders' expectations, paying our employees competitively and responding appropriately to the regulatory environment.

Our approach:

Governance

Principles:
- Clearly defined and documented governance procedures.
- Independent Compensation Committee and committee advisors.
- Control functions have strategic and tactical participation in the design of compensation plans.
- Policies, processes and plans are understandable, transparent and auditable.
- The impact and performance of employees in roles that may expose the Group to significant risk are measured by the Risk Committee and the Compensation Committee.
- Mandatory shareholding requirements for executives.
- Compensation plans and overall compensation expenses approved by the Board.

Performance alignment

Principles:
- Reward Group annual performance measured relative to its planned key performance indicators, prior year performance and the performance of competitors.
- Business performance aligned: Strong correlation with the annual performance of a business, including risk-related metrics and the amount of compensation awarded to employees.
- Recognize and reward cross-divisional collaboration.
- Award and differentiate compensation based on individual performance and contributions.

Individual compensation determination

Principles:
- Total compensation-based approach.
- Facilitate competitiveness by paying market-informed, competitive compensation levels for comparable roles and experience, subject to performance.
- Promote meritocracy by recognizing individual performance, with a particular emphasis on contribution, risk management, ethics and control.
- Equal compensation opportunity.

Compensation structure and instruments

Principles:
- Provide the appropriate balance of fixed and variable compensation consistent with risk alignment, position and role in the Group.
- Significant portion of variable compensation deferred and aligned with the long-term performance of the Group and its divisions.
- Promote sound risk management practices, and in particular, do not create incentives to expose the Group to inappropriate material risk.

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. For line managers, we focused on their responsibilities in managing, administering and communicating compensation, with an emphasis on risk awareness and compliance. For employees, we provided more transparency on what factors influence compensation decisions and on our various practices and plans. The compensation policy adheres to the compensation principles set out by FINMA and our other main regulators and applies to all employees and compensation plans of the Group.

Determination of performance-based compensation
Consistent with our vision to provide responsible, performance-based compensation, all employees are eligible to receive variable compensation. The amount is determined by the nature of the business, breadth of role, role location and performance of the employee and includes detailed performance measurements at the Group, division and employee level as an integral part of the compensation process. Decisions about the amounts for variable compensation for individual employees are made within the constraints of the variable compensation pools at the Group and divisional levels.

Determination of divisional variable compensation pools
Determination of the performance-based variable compensation pools is an annual process. It starts with a decision in October or November about the initial size of the variable compensation pool for the Group and each division within the context of the annual business planning cycle and the setting of business performance targets for the coming year. 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 principles. An accrual, at the Group or any other level, however, does not create legal rights or entitlements for employees to receive variable compensation.

The divisional variable compensation pools are not formula driven, but are subject to adjustments based on performance and other discretionary factors, and the final amounts are approved by the Board. The methodology to determine the initial size of the variable compensation pools varies by division.

For Private Banking, the basis 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. Capital usage is calculated as the average cost of economic capital.

For Investment Banking, the basis for determining the variable compensation pool is income before taxes and before the variable compensation accrual, reduced by a charge for capital usage. Capital usage is calculated from a combination of risk-weighted assets, economic capital and utilization of the Group's balance sheet. For Investment Banking, in light of the weak absolute net income performance in 2011, the variable compensation pool was determined based on more discretionary factors, taking into account the difficult market and competitive environment, and was 51% below the Investment Banking pool for 2010.

For Asset Management, the basis for determining the variable compensation pool for alternative investments is income before taxes and before the variable compensation accrual. For traditional investments, the basis for determining the variable compensation pool is the short-term and long-term performance against both peer groups and benchmarks.

For Shared Services and Group Corporate Center 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 initial variable compensation pool for the Group and each division is subject to adjustment based on a detailed performance evaluation at the Group and divisional levels, taking into account key performance indicators and other absolute and relative performance criteria, including performance against peers. The pools, as computed or adjusted, are subject to Compensation Committee review and Board approval. In setting the final variable compensation pools, the Compensation Committee also considers discretionary factors, including non-financial metrics related to ethics, risk, compliance and control. Other discretionary factors such as business strategy, overall Group performance and the market and regulatory environment are also taken into account.

▸ Refer to the chart "2011 Peer groups and performance criteria" in Competitive benchmarking for specific peer performance criteria.

Allocation of variable compensation to individual employees

Once the variable compensation pools have been set at the Group and divisional levels, each division allocates its pool to business areas, with the same or similar performance metrics, which is then allocated further to individual line managers. Line managers award variable compensation to individual employees based on individual and business performance, subject to the constraints of the pool available. Performance measurement of individual employees varies widely across the firm and depends on each individual's specific function and scope of responsibility. To measure the performance of employees in revenue-generating areas, key quantitative factors such as revenue production and profitability will be considered, as well as qualitative factors, such as client satisfaction, compliance and contribution to teamwork. Other quantitative factors taken into account at the individual level include market trends and competitive levels of compensation.

With this approach, variable compensation is not formula driven, but based on financial and non-financial metrics including ethics, risk, compliance and control.

Incorporating risk within the compensation process

During 2011, we continued to refine our processes and governance to ensure that our approach to compensation discourages excessive risk taking and that significant attention is given to risk throughout the performance assessment and compensation processes.

Risk-adjusted variable compensation pools

At the divisional level, risk is taken into account through the risk adjustment applied to the divisional variable compensation pools. As described above, the variable compensation pools of the divisions are calculated based on the division's income before taxes reduced by a charge for capital usage in the case of Private Banking and Investment Banking, which reflects the risk-adjusted or economic contribution of the division.

The charge for capital usage is generally calculated based on three components:

- the value of ▹risk-weighted assets, calculated in accordance with the Bank for International Settlements capital requirements, which measure credit, market and operational risk;

- the utilization of economic capital under our economic capital framework, which we use as a consistent and comprehensive tool for risk management, including off-balance sheet risk, capital management and performance measurement; and
- the utilization of the Group's balance sheet.

Risk and capital usage are taken into account when allocating the variable compensation pool for the various businesses within the division. The divisional variable compensation pools are split between the various sub-divisions, where applicable, based on similar factors used to determine the divisional pool. The economic contribution of the sub-divisions is a key input for determining this allocation. Within Investment Banking, for example, the fixed income and equities sub-divisions use economic contribution as one of the key metrics for sub-dividing their pools at the department and then at the sub-department level. Through this process, managers with responsibility for managing the business at the sub-department level recognize that capital usage is a significant factor in the establishment of the variable compensation pools and awards.

▸ Refer to "Capital management" in III – Treasury, Risk, Balance Sheet and Off-balance sheet – Treasury management for further information on total eligible capital, risk-weighted assets and our balance sheet statistics.

Process for determining variable compensation of covered employees

At the individual level, risk is taken into account in the performance assessment and setting of variable compensation for senior management and other employees classified as material risk takers and controllers (MRTCs), whose activities are considered to have a potentially material impact on the Group's risk profile. Together, these Group employees are referred to as covered employees. 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 covered employees for the Group are approved by the Board upon recommendation by the Compensation and Risk Committees. In 2011, the Group applied similar criteria for classifying covered employees as in 2010 and enhanced the specific review procedures to determine their variable compensation. Employees meeting one or more of the following criteria are identified as covered employees:

Members of senior management:
- members of the Executive Board; and
- 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.

Employees classified as MRTCs:
- senior control function personnel – 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;
- material risk takers – employees 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;
- top earners – the top 150 paid employees across the Group (based on total compensation), regardless of seniority or function; and
- others – other individuals, whose role has been identified as having a potential impact on market, reputational or operational risk.

At the beginning of 2011, a total of 514 employees or about 1% of all employees were classified as covered employees (487 as of the end of 2011, due to some employees having left during 2011). Given the nature of the investment banking business, a majority of the covered employees identified for 2011 were within the Investment Banking division. All covered employees were notified of their status. All covered employees received at least 50% of their deferred variable compensation as performance share awards.

In addition to the annual performance assessment conducted by their direct line managers, the covered employees were also subject to a separate feedback process by control functions, including Legal and Compliance, Risk Management and Finance and Audit, which are independent of the businesses. Feedback is presented to disciplinary review committees set up in each region, which are chaired by the regional CEOs and meet regularly. The disciplinary review committees assess and record infractions of employees including, but not limited to, covered employees. Based on the assessment by the control functions of the covered employees using predefined criteria, individual cases are referred to the disciplinary review committees to assess potential infractions or misconduct. The results of the disciplinary review committees' assessment and any disciplinary measures are communicated to line managers as a recommendation for their final performance assessment and individual compensation decision-making processes. The proposed variable compensation amounts for covered employees are then subject to final review and approval by the Compensation Committee.

Due to different regulatory requirements, the criteria for classifying employees as covered employees varies among some jurisdictions. As a result, we may adjust the definition of covered employees to comply with the requirements of these jurisdictions.

▸ Refer to the table "Approval authority" for further information on the review and approval process for variable compensation.

Claw-back and risk adjustments for deferred awards

Once employees' variable compensation has been granted for a given year, the deferred portion remains subject to risk adjustments based on explicit claw-back provisions during the vesting period. A claw-back event can be triggered by negative business performance or employee misconduct. Performance-related claw-back provisions included in deferred awards allow for all or a portion of the unvested amount of the deferred award to be taken away or "clawed back" from employees in the event of future negative business performance according to specific pre-defined performance criteria and other conditions. For 2011, claw-back provisions are included in the performance share awards.

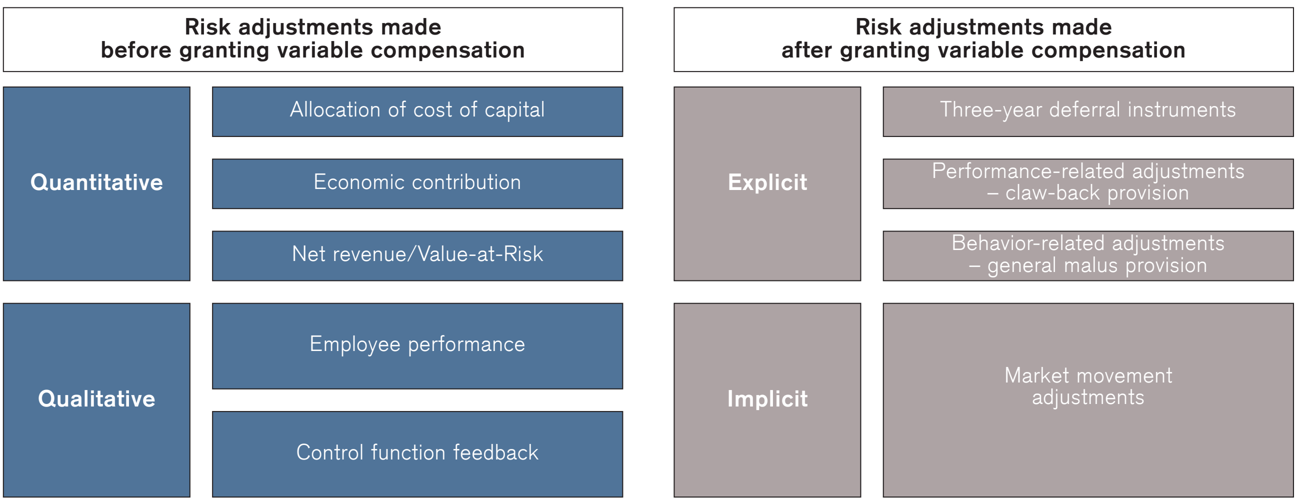
▸ Refer to the table "Potential downward adjustments of performance share awards" for specific downward adjustments to be applied.

All deferred awards also contain a general malus provision, which allows the Group to cancel or "claw back" unsettled awards in the event of serious employee misconduct. In addition to the explicit downward adjustments that may be made as a result of performance-related claw-back and general malus 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.

A summarized illustration of the forms of risk adjustments which may occur before and after the determination and granting of variable compensation levels for a given year is provided in the following chart.

▸ Refer to the table "Fair value of outstanding deferred compensation awards" for a quantitative disclosure of the explicit and implicit risk adjustments made in 2011 on the outstanding deferred awards.

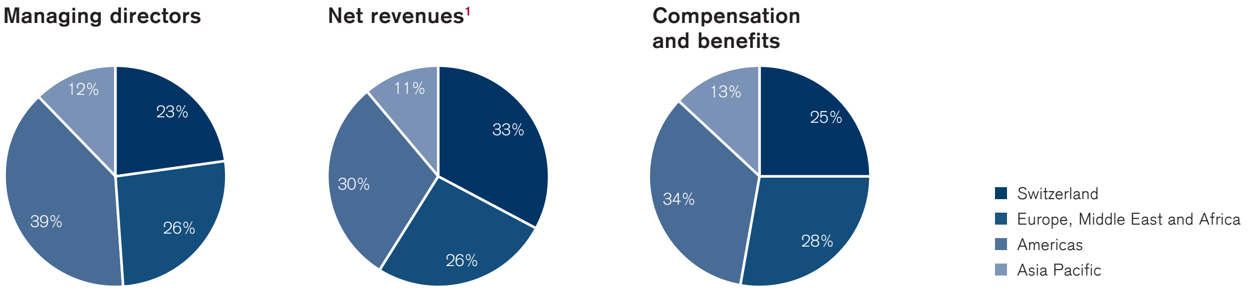
The Group's risk-based compensation framework



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. Given our global presence and the wide range of what is considered competitive pay in different regions, there is no single region or market against which we benchmark compensation levels. We adopt a differentiated approach, looking at pay levels and competitive market players in the various geographical regions where we do business.

Relative distribution by region



[1] Based on Core Results net revenues, excluding Corporate Center.

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 relevant metrics are reviewed annually in April by the Compensation Committee and tracked throughout the year. For the Group, the peer group for 2011 consisted of UBS, Bank of America, Barclays, BNP Paribas, Citigroup, Deutsche Bank, Goldman Sachs, HSBC, JPMorgan Chase, Morgan Stanley, Nomura and Société Générale. Most of these peer companies explicitly mention Credit Suisse as one of their peers. The criteria used to define these peer companies include:

- comparable scope and complexity of the business platform;
- comparable business focus and mix;
- common geographical footprint; and
- companies with which we compete daily for business and talent.

The peer groups for the Group and the divisions are shown in the following table, followed by specific performance criteria that we review for assessing the relative performance against peers as part of the process to determine the divisional variable compensation pools.

2011 peer groups and performance criteria

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, Black Rock, 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

Market and regulatory trends

Market trends observed during 2011 included a decrease in levels of total compensation in most business areas, reflecting the general decrease in profitability and focus on cost reductions across the financial services industry. The total compensation awarded by the Group for 2011 has been reduced to take into account the reduced profitability, while continuing to observe the industry trends in compensation. The Group remains compelled to pay competitive levels of compensation in order to continue to attract, motivate and retain employees, particularly in growth businesses and regions where there has been continuous competition for talent despite the global economic slowdown.

Many regulators across the world, including FINMA, our regulator in Switzerland, and regulators in other jurisdictions relevant to the Group 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 developments in industry compensation best practices 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 BCBS. We maintain a regular dialogue with FINMA and other regulators, particularly in the US and the UK regarding ongoing changes and developments in respect of compensation. In response to these regulatory developments, we continue to modify our compensation design and processes accordingly. Many of the modifications, such as the continuous effort to increase accountability for risk, greater scrutiny of the compensation for covered employees and introduction of additional terms and conditions to deferred awards were made specifically to address these requirements. During 2011, the BCBS also issued the new "Pillar 3 disclosure requirements for remuneration", which calls for enhanced qualitative and more granular quantitative disclosure in order for market participants to better assess banks' compensation practices and enhance the comparability of their remuneration disclosure. To reflect the new Pillar 3 requirements within their own jurisdictions, FINMA and other regulators have issued additional guidance to existing regulations or new regulations during 2011. In preparing this Compensation report for 2011, the Group has taken into account these new requirements.

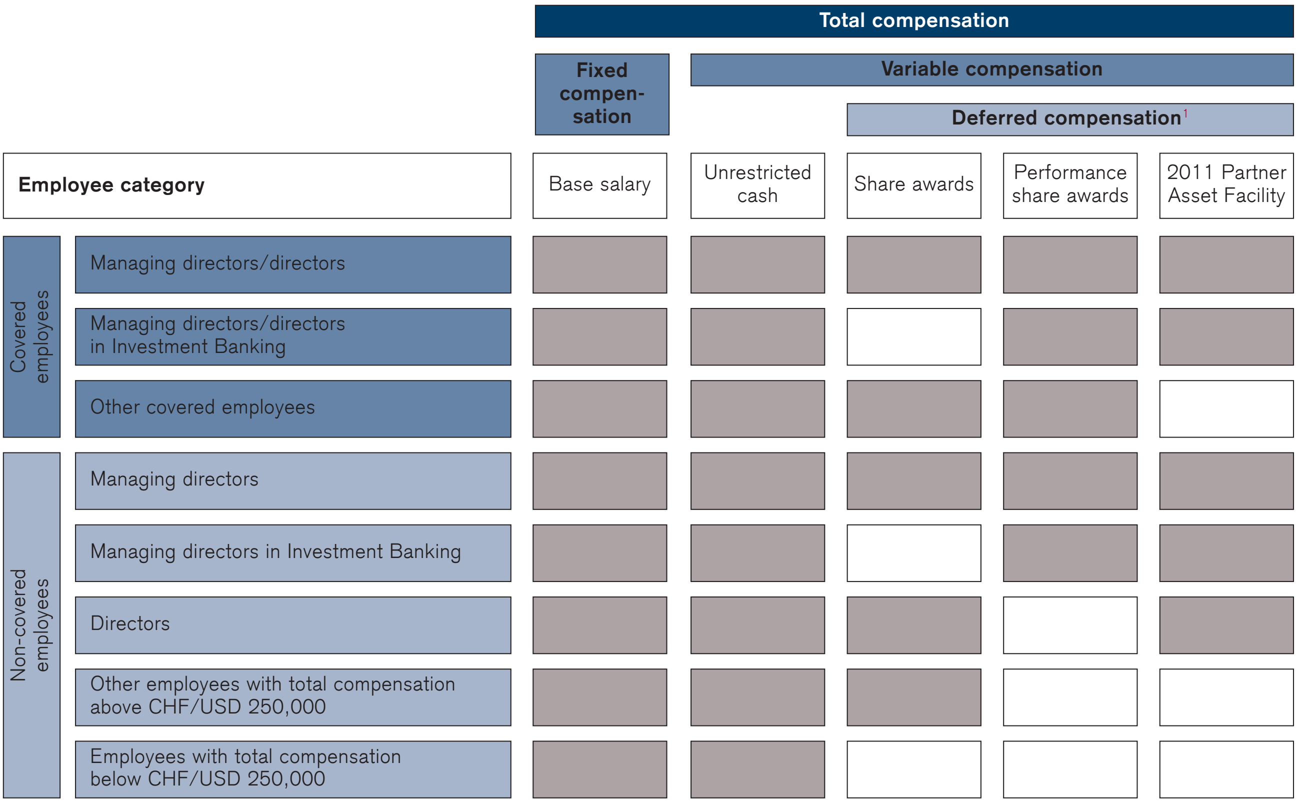
Compensation design

Compensation structure

The key features and modifications of the 2011 compensation design were:

- The threshold for participation in deferred variable compensation programs was changed from a CHF/USD 50,000 variable award to CHF/USD 250,000 (or local currency equivalent) total compensation. Moving to the total compensation threshold placed us more in line with our peers, and improved the competitiveness of our structure, in particular for more junior or lower compensated employees.
- Deferral rates were modified and the entry level deferral rate is now 15% for 2011 versus 35% for 2010. A number of highly compensated employees were subject to a higher deferral rate. Overall, the portion of variable compensation that was deferred for 2011 (49%) is in line with regulators' demands that a substantial portion of variable awards be subject to future performance and claw-back provisions.
- For all Group employees except for members of the Executive Board, managing directors and all other covered employees, all deferred variable compensation for 2011 was awarded in the form of share awards, with vesting over three years compared to four years in 2010. There was no leverage component to the share awards.
- For members of the Executive Board, managing directors and all other covered employees, at least 50% of their deferred variable compensation for 2011 was awarded in the form of performance share awards that are subject to a claw-back provision, which provides that the number of unvested shares will be adjusted downward in the event of a division loss or a negative Group return on equity (ROE). There will be no upward adjustment on unvested award balances. Non-managing director employees not classified as covered employees were excluded from this plan.
- For certain members of the Executive Board and all managing directors and directors, a portion of their deferred variable compensation for 2011 was awarded in the form of PAF2 awards, which are awards linked to a pool of assets representing a portfolio of positions where the Group has credit exposure to counterparties on swaps and other derivatives. The PAF2 plan is a transfer of risk from the Group to employees, thereby contributing to risk reduction and capital efficiency.
- All deferred awards contained a general malus provision, which enables the Group to cancel any unvested 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, financial, reputational or other harm to the Group.
- We made no further grants of the Adjustable Performance Plan awards.

Employee categories and components of total compensation for 2011



[1] Deferred compensation is applicable to employees with total compensation of CHF/USD 250,000 or higher.

Unrestricted cash and deferred variable compensation
For 2011, 43,892 employees received some amount of variable compensation, of which 7,719, or 18%, received some portion of deferred variable compensation. Due to the changes implemented for deferral eligibility, approximately 4,000 fewer employees received a deferred award for 2011 compared to 2010. The number of employees, including members of the Executive Board, managing directors and other covered employees who received performance share awards subject to claw-back provisions was 1,732. Variable compensation was paid in cash unless total compensation granted for 2011 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 variable compensation awards. The amount of variable compensation paid as unrestricted cash was subject to a cap of CHF/USD 2 million (or local currency equivalent).

The following table shows the deferral rates of variable compensation awards for 2011.

2011 deferral rates for variable compensation[1]

Total compensation range (CHF/USD)	Deferral rate[2]
0 to 249,999	0%
250,000 to 300,000	15%
300,001 to 400,000	25%
400,001 to 500,000	30%
500,001 to 600,000	40%
600,001 to 750,000	45%
750,001 to 1,000,000	50%
1,000,001 to 1,500,000	60%
1,500,001 to 2,500,000	70%
2,500,001 or greater	80%

[1] Deferral rates apply to the amount of variable compensation awarded to determine the amount to be deferred. [2] Different deferral rates may apply depending on the division and subject to the approval of the Compensation Committee.

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. Over 6,300 employees received share awards for 2011. 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 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 18, 2012. One third of the share awards vests on each of the three anniversaries of the grant date. The 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 as a component of unrestricted cash to senior employees in a number of EU countries. For 2011, 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.

The Group prohibits employees from entering into transactions to hedge the value of unvested share awards. We also have continued to apply minimum share ownership requirements for members of the divisional and regional management committees and for 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 covered employees (over 1,700 employees) received at least 50% of their deferred variable compensation in the form of performance share awards, which are subject to claw-back provisions. 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 date of the award. Unlike the share awards described above, however, the unvested performance share awards are subject to a downward adjustment in the event of a divisional loss or a negative Group ROE. For employees in Investment Banking, Private Banking and Asset Management, the unvested performance shares are subject to a downward adjustment in the event of a loss in that division, unless there is a negative Group ROE that would call for a downward adjustment greater than the divisional adjustment for the year, in which case the downward adjustment is based on the Group's negative ROE. For employees in Shared Services and other support functions, the downward adjustment only applies in the event of a negative Group ROE and is not linked to the performance of the divisions. The amount of potential downward adjustment for loss at the divisional level is shown in the following chart.

Potential downward adjustments of performance share awards

Negative adjustment if division incurs a loss

Division pre-tax income (in CHF billion)	Percentage performance 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%)

2011 Partner Asset Facility (PAF2)

As part of the 2011 annual compensation process, we awarded a portion of deferred variable compensation to senior employees in the form of 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 transactions. 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.

Over 5,500 employees at the managing director and director levels, including certain members of the Executive Board, received PAF2 awards. In order to fully effect risk transfer to employees, the PAF2 awards will vest in the first quarter of 2012. The award holders are subject to non-compete and non-solicit provisions that result in the cancellation of the award upon voluntary termination of employment for three years from 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.

The introduction of the PAF2 plan should be viewed within the overall context of the Group's risk profile, capital strategy and applicable regulatory capital requirements. As the Basel III framework will require higher minimum capital standards, to provide for additional flexibility in our capital management, we included the share settlement feature in the PAF2 plan when we developed it towards the end of 2011. We discussed this new compensation plan with FINMA in the course of its development and, as a result of those discussions, certain amendments were made prior to the approval of the PAF2 plan by the Compensation Committee in January 2012. The Group reserves the right to amend the terms of the PAF2 units or repurchase the units in response to regulatory or portfolio developments, subject to oversight procedures.

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 forms of variation 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 2011, such compensation arrangements were applied to approximately 140 employees, including employees engaged in arbitrage trading in Investment Banking and alternative investments in Asset Management. 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.

Compensation at regulated Group subsidiaries

Compensation awarded to all employees at Group-regulated subsidiaries is subject to the Group's compensation policy and all related guidelines and generally follows the same compensation structure and design, with very few exceptions. Group subsidiaries that apply compensation plans that differ in some material aspects from the Group's overall compensation design for 2011 include Hedging-Griffo and Clariden Leu. For Hedging-Griffo, variable compensation is determined through an arrangement more focused on Hedging-Griffo's results. For Clariden Leu employees, the variable compensation award split between unrestricted cash and deferred variable compensation was based on the 2011 Group deferral table, however, all of the deferred compensation was granted in the form of deferred cash awards, which vest ratably over three years. The Clariden Leu compensation plan has been reviewed annually and approved by the Clariden Leu compensation committee and board of directors. In 2012, Clariden Leu will be fully integrated into the Group and the employees will be compensated in the same manner as other Group employees. Any and all variations from the Group's standard approach must be approved by the Compensation Committee.

Executive Board compensation

Objectives

In line with our overall approach to compensation, our executive compensation policies are designed to promote a long-term focus of all the actions of our executives, attract executives of the highest quality and foster retention by rewarding superior past performance and motivating outstanding future performance. We believe our executive compensation practices provide a meaningful alignment with the Group's performance, strategic goals and the interests of its shareholders and encourage strong teamwork.

Executive Board variable compensation pool framework

Since 2006, the Compensation Committee has applied a variable compensation pool framework to the Executive Board, including the CEO, which is linked directly to the Group's performance. The framework was designed and implemented in the context of our integrated bank strategy to support collaboration and encourage alignment across divisions. At the start of each year, a baseline variable compensation pool is set assuming specific goals relating to financial, non-financial and relative performance against peers criteria to be achieved by the end of the year. At the beginning of the following year, the Compensation Committee evaluates how well the performance goals were achieved and makes adjustments to the baseline pool. The Compensation Committee reviews the proposed final amount in relation to the Group's net income, with the objective that the final pool should generally not exceed 2.5% of the Group's net income, and approves a final amount for the variable compensation pool of the Executive Board.

Executive Board variable compensation pool 2011

At the beginning of 2011, the baseline variable compensation pool for 2011 was set assuming the achievement of 2011 performance targets. The 2011 baseline pool was lower than the 2010 baseline pool, reflecting the Group's expectation of a more difficult operating environment in 2011. The performance goals for 2011 in the three performance categories were defined according to the criteria set out below.

Financial performance

The financial performance objective reflects the extent to which we achieved the 2011 net income plan.

Non-financial performance

The non-financial objectives consist of the following sub-categories that are reviewed on a qualitative basis, taking into account a variety of factors in each category, including:

- client: net new asset increases in Private Banking and Asset Management and market share improvements in Investment Banking;
- quality of earnings and financial strengths: ROE, capital and liquidity position, development of risk-weighted assets and underlying profitability of business divisions;
- control environment: regulatory environment and compliance, operational losses from incidents and internal audit reports;
- people: employee retention, development and recognition, performance management and overall employee satisfaction; and
- corporate responsibility: contributions to the banking industry, society (focus themes, such as employee engagement, education and microfinance) and the environment.

Relative performance against peers

The relative performance against peers objectives were established based on an approved set of peer companies and performance criteria, which are determined for the Group by the Compensation Committee upon the recommendation of management and are reviewed and adjusted annually. The Group's relative performance in the following sub-categories was assessed in terms of the specific performance criteria included in each category:

- profitability and efficiency: ROE, 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; and
- shareholder satisfaction: total shareholder return over one year, total shareholder return over two years and book value per share growth.

Executive Board performance evaluation

In January, the Compensation Committee performs a formal evaluation of the Group's performance versus the goals established for the previous year in each of the three performance categories and considers adjustments to the baseline pool in order to determine the final variable compensation pool for the Executive Board. Adjustments are made to the baseline pool based on the three performance categories described above: financial performance, non-financial performance and relative performance against peers. The impact on the baseline pool varies by performance in each category, as financial performance can increase or reduce the baseline pool up to 75%, and the non-financial and relative performance against peer performance categories can each increase or reduce the baseline pool up to 25%. After considering all adjustments to the baseline pool, the Compensation Committee approves the final variable compensation pool for the Executive Board. In the event that the maximum upward or downward financial performance adjustment of 75% is applied, the combined adjustment from the non-financial and relative performance against peers categories can only count for an additional 25%. Therefore, the final pool can range from zero to a maximum of 200% of the baseline pool. For 2011, the Compensation Committee also agreed that the total amount of variable compensation awarded to the Executive Board would be capped at a maximum of 2.5% of the 2011 net income achieved.

In the evaluation of the 2011 financial performance, the Compensation Committee acknowledged that the 2011 net income plan was not achieved.

In evaluating the performance of non-financial objectives, the Compensation Committee considered input from the Chairman, the CEO and senior managers from the internal control functions, which included risk management's assessment of Executive Board performance on risk mitigation and overall risk management. Comprehensive information on performance against control metrics, the quality of earnings and client feedback factored into the overall results.

The evaluation of the non-financial performance was that it was in line with expectations, reflecting achievements such as progress made in transitioning the business to the new environment, including accelerated Basel III risk-weighted asset reduction, the implementation of expense reduction measures with expected savings impact beginning in 2012, net new assets in Private Banking and market share gains in Investment Banking.

The evaluation of relative performance against peers was based on peer company data available at the time of assessment. The Compensation Committee concluded that, overall, this was in line with expectations, taking into account the Group's relative good performance on such criteria as tier 1 ratio and net new assets growth, but weaker performance in terms of pre-tax income margin and net revenue growth.

Based on the performance evaluation across the three performance categories and taking into account the ratio between net income and the value of the pool for the Executive Board, the Compensation Committee felt that a significant reduction in the variable compensation pool was warranted for 2011 versus 2010. Therefore, the final variable compensation pool approved for members of the Executive Board for 2011 was 51% lower than the baseline pool for 2011 and 57% lower than the approved pool for the Executive Board for 2010.

CEO performance evaluation

Based on the overall performance evaluation of the Group and the Executive Board as a whole, the Compensation Committee evaluated the performance of the CEO, Brady W. Dougan, for 2011. In what was a difficult year in terms of financial performance, the Compensation Committee decided to award the CEO variable compensation of CHF 3 million for 2011, which was 69% lower than the amount for 2010 and included no unrestricted cash (100% deferred). This level of compensation reflects the lower financial performance compared to the prior year and the lower share price and also recognizes Mr. Dougan's contribution to the long-term execution of the strategy and positioning of the firm in a changing regulatory and industry environment. The Compensation Committee therefore determined that the amount and form of variable compensation awarded to Mr. Dougan represents the CEO taking real and direct accountability for the earnings level and share price performance of the Group, in alignment with the interests of shareholders.

Individual Executive Board members performance evaluations

Variable compensation for 2011 awarded to members of the Executive Board by the Compensation Committee was based on individual performance evaluations of each Executive Board member. The committee reviewed the results of a balanced scorecard evaluation performed by the CEO in determining compensation for each member. The scorecard provided information on the 2011 results for the businesses led by the executive using objective metrics, including any percentage increases or decreases in the metric from the prior year, and reflected performance ratings across seven performance categories, as well as an overall performance rating, determined by the individual ratings in each category. These categories were:

- business: objectives defined in the operational business plans of the divisions and shared services departments, including financial and risk-related performance objectives

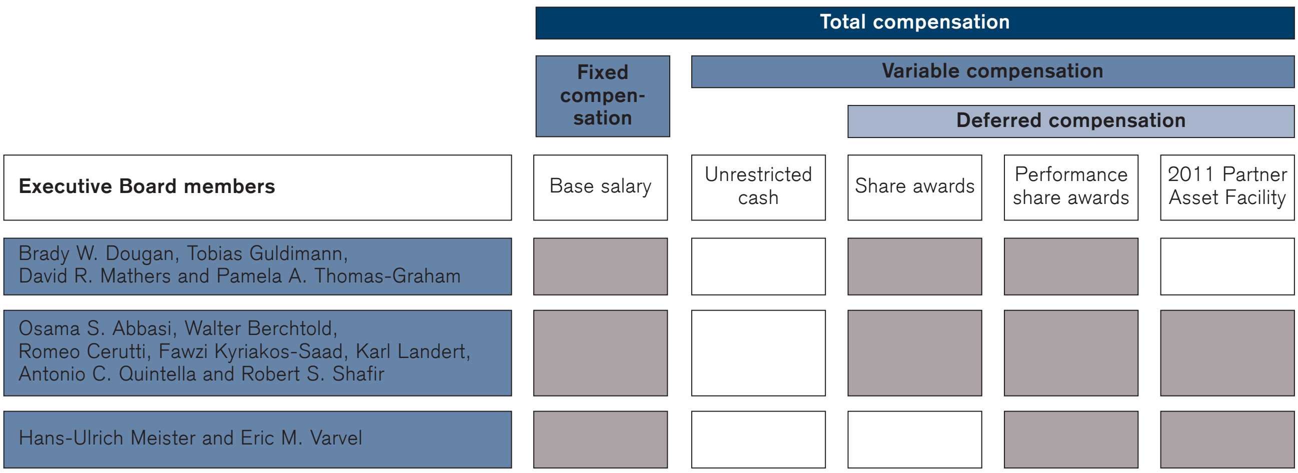
relating to the divisions, such as pre-tax income margin, net new assets and risk-weighted assets;
- strategic: strategic objectives as defined in the divisional strategic business plans;
- people: staffing of key positions, talent development, diversity and management of staffing levels;
- client: development and implementation of client coverage strategies and interaction with key clients;
- collaboration: achievement of revenue targets for collaboration across divisions and stewardship of integrated bank initiatives, in particular for regional CEOs;
- control and risk environment: management of regulatory issues and relationships, internal audit findings, operational incidents, and reputational issues; and
- personal development: achievement of personal goals relating to leadership effectiveness.

In addition to the individual performance assessment, the Compensation Committee also considered input from the independent compensation consultant with regard to competitive compensation levels for comparable roles in the market.

Executive Board compensation for 2011

In line with our total compensation approach, executive compensation consists of a fixed compensation (base salary) and a variable compensation component. Salaries for members of the Executive Board are reviewed annually. The variable compensation component can represent the most significant part of an executive's total compensation package and varies from year to year, depending on the Group's performance, the corresponding size of the variable compensation pool and the executive's performance. The percentage mix of compensation between fixed and variable compensation is also considered in determining the executive's total compensation.

2011 compensation structure for the Executive Board



Consistent with the lower performance of the Group in 2011 compared to 2010, the average total compensation for Executive Board members was CHF 5.4 million, or 46%, lower compared to 2010. Average variable compensation was CHF 3.5 million, 57% lower compared to the 2010 average variable compensation for the current Executive Board members. The base salary for all Executive Board members in 2011 remained unchanged versus 2010: CHF 2.5 million for the CEO and CHF 1.5 million (USD 1.5 million for those Executive Board members who are paid in US dollars) for all other Executive Board members. Executive Board members received no unrestricted cash awards; 100% of their variable compensation was deferred. Across the Executive Board, which consists of 13 individuals, all of whom were Executive Board members for the full year 2011, 28% of the total compensation was paid as base salaries, 47% as share awards (of which 70% was paid as performance share awards), 18% as PAF2 awards and 7% as other compensation, including pension and other benefits and dividend equivalents. All Executive Board members were awarded at least 50% of their share awards as performance share awards, which are subject to claw-back provisions in the event of future negative performance of the Group or one of the divisions. For the CEO, the shared services heads and the regional CEOs, any future adjustments to the amount of performance share awards will be based on the Group's performance. For the CEOs of Private Banking, Investment Banking and Asset Management, future adjustments to the performance share awards will be done in the same manner for employees in their divisions. The percentage adjustments that would apply in the event of negative Group or divisional performance are shown in the table "Potential downward adjustments of performance share awards". Of the thirteen Executive Board members, nine received PAF2 awards. CEO Brady W. Dougan and Executive Board members Tobias Guldimann, David R. Mathers and Pamela Thomas-Graham did not receive PAF2 awards due to their close involvement in determining the final structure and conditions of the PAF2 program.

Change in Executive Board compensation

	2011	2010	% change
CHF million			
Average total compensation	5.4	10.0	(46)
Average variable compensation for current Executive Board members	3.5	8.2 [1]	(57)

[1] Based on the 13 2011 Executive Board members.

Executive Board compensation for 2011

	Base salary	Unrestricted cash	**Total cash**	Value of share awards	Value of PAF2 awards	Pension and similar benefits and other benefits [1]	Dividend equiv-alents [2]	Payments and awards due to contractual agree-ments [3]	**Total compen-sation** [4]
2011 (CHF million, except where indicated)									
13 individuals	19.38	– [5]	**19.38**	32.83 [6]	12.48 [7]	2.66	2.85	–	**70.20**
% of total compensation	28%		28%	47%	18%				
of which highest paid: Robert S. Shafir	1.32	–	**1.32**	4.39	2.37	0.02	0.40	–	**8.50**
% of total compensation	16%		16%	52%	28%				
of which CEO: Brady W. Dougan	2.50	–	**2.50**	3.00	–	0.02	0.30	–	**5.82**
% of total compensation	43%		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 on behalf of Executive Board members. [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.

2011 total compensation of the highest paid Executive Board member

The highest paid member of the Executive Board in 2011 was Robert S. Shafir, CEO Asset Management. Mr. Shafir's compensation amounted to CHF 8.5 million and was comprised of his base salary of CHF 1.3 million, variable compensation (share awards, performance share awards and PAF2 awards) of CHF 6.8 million and other compensation (pension and similar benefits, dividend equivalents and other benefits) of CHF 0.4 million.

Mr. Shafir's variable compensation in 2011 was awarded in consideration of his successful performance as CEO Asset Management. Under Mr. Shafir's leadership, Asset Management was successfully repositioned with a focus on growing stable fee-based revenue streams and achieving operating efficiencies. Asset Management posted improved performance in 2011, reporting an increase in pre-tax income of 10% compared to 2010. Mr. Shafir has demonstrated a disciplined and proactive management of risk.

Other aspects of Executive Board compensation

Charitable contributions

As in 2010 and 2009, a portion of the Executive Board variable compensation pool for 2011 was approved by the Compensation Committee to fund charitable contributions on behalf of Executive Board members. The total amount approved for charitable contributions was CHF 13 million for 2011. The contributions will benefit eligible registered charities. Some Executive Board members, including the CEO, will be able to make recommendations in respect of allocation of the contributions to various charities.

Minimum share ownership requirements

In 2009, the Board approved minimum share ownership requirements for members of the Executive Board and members of the divisional and regional management committees. The minimum share ownership threshold is 350,000 shares for the CEO and 150,000 shares for other Executive Board members. For members of the divisional and regional management committees, the thresholds are 50,000 shares for executives responsible for Investment Banking, Private Banking and Asset Management and 20,000 shares for the executives responsible for Shared Services and regional management functions. 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.

Executive Board compensation for 2010

	Base salary	Unrestricted cash	**Total cash**	Value of share awards	Value of APP awards	Pension and similar benefits and other benefits [1]	Dividend equivalents [2]	Payments and awards due to contractual agreements [3]	**Total compensation**
2010 (CHF million, except where indicated)									
16 individuals [4]	20.50	4.21 [5]	**24.71**	64.65 [6]	58.65 [7]	3.90	5.70	2.73	**160.34**
% of total compensation	13%	3%	16%	40%	37%				
of which highest paid: Antonio C. Quintella	0.79	–	**0.79**	6.97	6.97	0.08	0.82	–	**15.63**
% of total compensation	5%		5%	45%	45%				
of which CEO: Brady W. Dougan	2.50	–	**2.50**	4.87	4.87	0.03	0.49	–	**12.76**
% of total compensation	20%		20%	38%	38%				

[1] Other benefits consist of housing allowances, lump sum expenses and child allowances. [2] SISUs and ISUs carry the right to an annual payment equal to the dividend of one Group share. The dividend equivalents disclosed were paid in respect of SISUs and ISUs granted in prior years. [3] Payments and awards under contractual commitments of CHF 2.73 million are comprised of cash of CHF 1.16 million and share-based awards of CHF 1.57 million. [4] Includes pro rata fixed compensation paid to Renato Fassbind and Kai S. Nargolwala, who left the Executive Board in 2010, but excludes advisory fees paid to them for their roles after leaving the Executive Board. Includes pro rata fixed compensation paid to Osama S. Abbasi, Fawzi Kyriakos-Saad, David R. Mathers and Antonio C. Quintella, who joined the Executive Board in 2010. Includes pro rata fixed compensation for Paul Calello, who passed away in November 2010. [5] Consists of unrestricted cash paid to former Executive Board member Paul Calello. No other members of the Executive Board as of December 31, 2010 received unrestricted cash. [6] The applicable Group share price as was CHF 41.40. [7] The value of the Adjustable Performance Plan awards was the value as of the grant date of January 20, 2011.

Contract lengths 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. In the event of a termination, however, different conditions apply to the balances of outstanding compensation awards, depending on whether the termination was voluntary, involuntary or the result of a change of control. The different conditions are summarized in the following table "Executive Board termination of employment provisions".

In the event of the termination of an Executive Board member without cause, the amount and terms of a severance payment may be agreed between the Group and the respective Executive Board member. The Executive Board member, however, does not have a contractual right to a severance payment arising from forfeited awards.

Former Executive Board members

Generally, former members of our most senior executive body who no longer provide services to the Group are still eligible to receive office infrastructure and secretarial support. These services are based on existing resources and are not used on a regular basis. No additional fees, severance payments or other forms of compensation were paid to former members of the Executive Board who no longer provide services to the Group or related parties during 2011.

Executive Board termination of employment provisions

	Voluntary resignation	Retirement	Termination without cause	Termination with cause	Change in control
Compensation component					
Base salary	Ceases upon expiration of notice period	Ceases upon expiration of notice period	Statutory severance based on jurisdiction of employment	Ceases immediately	No incremental payment
Share award	Awards not vested at date of termination are forfeited	Continues to vest, subject to non-compete, non-solicit provisions, normal payout dates apply	Accelerated vesting, normal payout dates apply	All outstanding awards are forfeited	Treatment at discretion of Compensation Committee
Performance share award	Awards not vested at date of termination are forfeited	Continues to vest, subject to non-compete, non-solicit provisions, normal payout dates and metrics apply	Accelerated vesting, normal payout dates apply	All outstanding awards are forfeited	Treatment at discretion of Compensation Committee
2011 Partner Asset Facility award	Non-compete, non-solicit provisions apply until March 31, 2015	Non-compete, non-solicit provisions apply until March 31, 2015	Rights retained, normal payout dates apply	A portion is forfeited if termination occurs prior to March 31, 2015, normal payout dates apply	Treatment at discretion of Compensation Committee
Adjustable Performance Plan award	Awards not vested at date of termination are forfeited	Continues to vest, subject to non-compete, non-solicit provisions, normal payout dates and metrics apply	Accelerated vesting, normal payout dates and metrics apply	All outstanding awards are forfeited	Treatment at discretion of Compensation Committee
Scaled Incentive Share Unit	Awards not vested at date of termination are forfeited	Continues to vest, subject to non-compete, non-solicit provisions, normal payout dates apply	Accelerated vesting, normal payout dates apply, rights to additional shares are forfeited	All outstanding awards are forfeited	Treatment at discretion of Compensation Committee
Incentive Share Unit	Awards not vested at date of termination are forfeited	Continues to vest, subject to non-compete, non-solicit provisions, normal payout dates apply	Accelerated vesting, normal payout dates apply, rights to additional shares are forfeited	All outstanding awards are forfeited	Treatment at discretion of Compensation Committee
2008 Partner Asset Facility award	Non-compete, non-solicit provisions apply until January 21, 2012, normal payout dates apply	Non-compete, non-solicit provisions apply until January 21, 2012, normal payout dates apply	Rights retained, normal payout dates apply	A portion is forfeited if termination occurs prior to January 21, 2012, normal payout dates apply	Treatment at discretion of Compensation Committee
Option	Expiration date accelerated to 30 days from issuance of notification from the Group if non-compete or non-solicit provisions are breached	Remains exercisable up to its original expiration date	Remains exercisable up to its original expiration date	Expires 30 days from date of termination	Treatment at discretion of Compensation Committee
Other cash award	Forfeited	Eligible to be considered for discretionary award	No contractual right to award	Forfeited	No contractual right to award

Executive Board holdings and values of deferred share-based awards by individual

	Number of vested shares	Number of unvested share awards	Number of unvested ISUs	Number of unvested SISUs	Number of options	Number of PIP II units [1]	Value of unvested awards at grant (CHF)	Current value of unvested awards (CHF)
December 31, 2011								
Brady W. Dougan	870,586	117,754	–	114,153	–	–	12,538,963	5,118,187
Osama S. Abbasi	233,801	75,354	3,771	44,232	–	–	6,218,957	2,804,282
Walter Berchtold	700,040	157,005	42,023	106,473	–	–	15,093,404	7,653,886
Romeo Cerutti	37,543	66,426	7,260	34,908	–	–	5,343,325	2,554,139
Tobias Guldimann	20,124	66,426	8,399	43,635	–	–	5,968,402	2,796,587
Fawzi Kyriakos-Saad	199,942	75,354	35,973	34,425	–	–	6,667,886	3,997,001
Karl Landert	96,248	66,426	34,039	45,381	–	–	6,967,319	3,957,127
David R. Mathers	16,420	78,503	17,588	22,695	14,960	–	5,547,285	3,003,091
Hans-Ulrich Meister	46,676	108,696	39,751	69,819	–	–	10,554,425	5,679,330
Antonio C. Quintella	112,323	37,677	–	–	–	–	1,559,828	831,531
Robert S. Shafir	190,489	127,522	84,480	93,480	–	–	14,460,480	8,574,359
Pamela A. Thomas-Graham	4,583	46,372	–	21,573	–	–	3,368,158	1,499,546
Eric M. Varvel	–	139,810	39,183	83,205	–	–	12,721,715	6,636,589
Total	**2,528,775**	**1,163,325**	**312,467**	**713,979**	**14,960**	**–**	**107,010,147**	**55,105,655**
December 31, 2010								
Brady W. Dougan	951,114	–	90,956	152,207	368,400	78,102	31,145,014	9,261,929
Osama S. Abbasi	233,801	–	50,193	58,977	–	26,110	9,215,028	4,429,732
Walter Berchtold	688,210	–	163,197	141,967	–	104,167	25,704,435	14,685,664
Romeo Cerutti	19,456	–	19,420	46,547	–	–	3,982,362	3,050,911
Tobias Guldimann	903	–	28,798	58,183	15,640	20,834	7,228,240	3,934,143
Fawzi Kyriakos-Saad	119,177	–	127,142	45,902	–	49,849	13,177,674	9,198,782
Karl Landert	82,718	–	83,060	60,511	–	31,250	9,748,212	7,955,834
David R. Mathers	26,617	–	59,008	30,260	14,960	5,375	5,538,189	4,735,645
Hans-Ulrich Meister	1,720	1,720	88,538	93,093	–	–	9,724,068	9,896,890
Antonio C. Quintella	234,685	–	–	–	–	26,002	1,872,144	0
Robert S. Shafir	131,239	–	168,960	124,641	–	71,213	19,305,533	17,365,460
Pamela A. Thomas-Graham	–	–	–	28,764	–	–	1,931,143	1,102,812
Eric M. Varvel	5,614	–	157,085	110,940	–	56,953	19,995,068	13,056,709
Total	**2,495,254**	**1,720**	**1,036,357**	**951,992**	**399,000**	**469,855**	**158,567,110**	**98,674,511**

[1] The PIP II units were settled in March 2011 in accordance with the terms and conditions of the plan. The PIP II units did not have a value at settlement because the Group share price performance was below the minimum predefined target of CHF 47 per PIP II unit.

The vested shareholdings of Executive Board members 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, 2011.

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, 2011. The aggregate cumulative value of these unvested share-based awards as of December 31, 2011 decreased 49% compared to the value of the awards as of their respective grant dates.

The value of cash-based compensation awards granted to members of the Executive Board in prior years, but not fully vested, varies depending upon Group ROE (for the 2010 and 2009 Adjustable Performance Plan awards), the value of the underlying assets (for the 2008 Partner Asset Facility (PAF) awards) and the remaining vesting period. The aggregate value of such cash-based awards at their grant dates and the current value was CHF 117 million and CHF 133 million, respectively. The increase in the current value was primarily due to the upward ROE adjustment applied to the unvested Adjustable Performance Plan awards and the increased value of PAF awards granted for 2008.

Executive Board option holdings by individual

December 31, 2011	David R. Mathers	Expiry date	Exercise price in CHF
Year of grant			
2003	1,095	January 22, 2013	30.60
2002	13,865	December 3, 2012	34.10
Total	**14,960**	**–**	**–**

December 31, 2010	Brady W. Dougan	Tobias Guldimann	David R. Mathers	Expiry date	Exercise price in CHF
Year of grant					
2003	–	–	1,095	January 22, 2013	30.60
2002	–	–	13,865	December 3, 2012	34.10
2001	368,400	15,640	–	January 25, 2011	84.75
Total	**368,400**	**15,640**	**14,960**	**–**	**–**

All options on shares were granted as part of the previous years' compensation. As of December 31, 2011 and 2010, none of the members of the Executive Board hold options purchased from personal funds.

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 third-party clients or pursuant to widely available employee benefit plans. As of December 31, 2011, 2010 and 2009, outstanding loans to the members of the Executive Board amounted to CHF 22 million, CHF 18 million and CHF 19 million, respectively. The number of individuals with outstanding loans at the beginning and the end of the year was six and the highest loan outstanding was CHF 11 million to Executive Board member Walter Berchtold.

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.

Board of Directors compensation

Compensation to members of the Board is set in accordance with the Articles of Association 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 an additional fee that reflects the respective Board member's role and scope of responsibility on the Board. For the purposes of compensation, the Group distinguishes between Board members with functional duties (the full-time Chairman and the three committee chairmen) and Board members without functional duties (ten individuals). Fees paid to all Board members are in the form of cash and Group shares, which are blocked for a period of four years.

Members of the Board without functional duties received an annual base board fee for 2011 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. Peter Brabeck-Letmathe, in the role of Vice-Chairman, received an annual base board fee of CHF 400,000. The base and committee fee amounts are set by the Compensation Committee for the 12-month period from the current AGM to the following year's AGM.

Members of the Board with the functional duty of serving as a committee chairman receive an annual base board fee plus a variable component, a special compensation fee for functional duties, which reflects the greater responsibility and time commitment required to perform the role of committee chairman. The annual base board fee for the chairmen of the Audit and Risk Committees for 2011 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 special compensation fee for functional duties for the three committee chairmen varies according to their overall time commitment and is determined and paid for the current year, in alignment with the annual management variable compensation cycle.

The Chairman is paid a base board fee plus variable compensation, which is proposed by the Compensation Committee and approved by the Board. The base board fee for Chairman Urs Rohner for 2011, who assumed the role of Chairman as of the 2011 AGM, was CHF 2.1 million. The level of variable compensation awarded to the Chairman depends on both the performance of the Group and personal performance. Such compensation is paid in the form of cash and Group shares, blocked 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. The value of the shares held by our Board members as of the end of 2011 decreased 41% from the beginning of 2011.

Board compensation for 2011

	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 AGM, at which time John Tiner took over the role.

Compensation of the Chairman for 2011

For 2011, the Chairman received total compensation of CHF 4.3 million, of which CHF 2.1 million was the base board fee and CHF 2.0 million was variable compensation, of which CHF 1.0 million was awarded in cash and CHF 1.0 million was awarded in Group shares, blocked for a period of four years. The remaining CHF 0.2 million was other compensation, consisting mainly of pension-related benefits.

The variable compensation of the Chairman in 2011 was 50% lower and the 2011 total compensation was 31% lower than the variable and total compensation of the Chairman in 2010.

Additional fees and compensation for 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 2011.

Board compensation for 2010

	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]
2010/2011 (CHF)										
Hans-Ulrich Doerig, full-time Chairman [3]	2,250,000	–	4,000,000	24,000	6,274,000	4,274,000	68%	2,000,000	32%	48,310
Urs Rohner, full-time Vice-Chairman [3]	1,800,000	–	4,000,000	234,881	6,034,881	4,034,881	67%	2,000,000	33%	48,310
Peter Brabeck-Letmathe, Vice-Chairman [4]	250,000	250,000	–	–	500,000	250,000	50%	250,000	50%	5,031
Jassim Bin Hamad J.J. Al Thani [4]	250,000	–	–	–	250,000	125,000	50%	125,000	50%	2,516
Robert H. Benmosche [4]	250,000	100,000	–	–	350,000	175,000	50%	175,000	50%	3,522
Noreen Doyle [4]	250,000	100,000	–	–	350,000	175,000	50%	175,000	50%	3,522
Walter B. Kielholz [4]	250,000	100,000	–		350,000	175,000	50%	175,000	50%	3,522
Andreas N. Koopmann [4]	250,000	100,000	–	–	350,000	175,000	50%	175,000	50%	3,522
Jean Lanier [4]	250,000	150,000	–	–	400,000	200,000	50%	200,000	50%	4,025
Anton van Rossum [4]	250,000	100,000	–	–	350,000	175,000	50%	175,000	50%	3,522
Aziz R.D. Syriani, Chairman of the Compensation Committee [3]	350,000	–	400,000	–	750,000	522,500	70%	227,500	30%	5,496
David W. Syz [4]	250,000	150,000	–	–	400,000	200,000	50%	200,000	50%	4,025
Richard E. Thornburgh, Chairman of the Risk Committee [3]	400,000	–	1,000,000	–	1,400,000	900,000	64%	500,000	36%	12,078
John Tiner [4]	250,000	150,000	–	–	400,000	200,000	50%	200,000	50%	4,025
Peter F. Weibel, Chairman of the Audit Committee [3]	400,000	–	1,395,000	10,000	1,805,000	1,205,000	67%	600,000	33%	14,493
Total	**7,700,000**	**1,200,000**	**10,795,000**	**268,881**	**19,963,881**	**12,786,381**	**64%**	**7,177,500**	**36%**	**165,919**

[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] 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 2010 was paid in Group shares (50%) and cash (50%). The applicable Group share price was CHF 41.40. [4] 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 30, 2010 to April 29, 2011. The annual committee fees are CHF 150,000 for the Audit Committee and CHF 100,000 for the Risk and Compensation Committees. For 2010, these total combined fees were paid in Group shares (50%) and cash (50%). The applicable Group share price was CHF 49.70.

Board share and option holdings

The shareholdings as disclosed in the following table include the holdings of the respective member of the Board, their immediate family members and companies where they have a controlling interest. As of December 31, 2011, there were no Board members with outstanding options.

Board shareholdings by individual

December 31	2011	2010
Number of shares [1]		
Urs Rohner	221,056	144,870
Hans-Ulrich Doerig	–	223,800
Peter Brabeck-Letmathe	108,820	103,732
Jassim Bin Hamad J.J. Al Thani	5,696	2,516
Robert H. Benmosche	23,304	20,252
Noreen Doyle	31,837	27,385
Walter B. Kielholz	281,891	323,734
Andreas N. Koopmann	21,400	16,948
Jean Lanier	30,912	24,552
Anton van Rossum	38,831	34,379
Aziz R.D. Syriani	66,385	60,889
David W. Syz	81,193	76,105
Richard E. Thornburgh	283,600	296,522
John Tiner	8,625	8,625
Peter F. Weibel	72,232	52,651
Total	**1,275,782**	**1,416,960** [2]

[1] Includes Group shares that are subject to a blocking period of up to four years. [2] As of April 30, 2011, Hans-Ulrich Doerig stepped down from the Board.

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, 2011, 2010 and 2009, outstanding loans to the members of the Board amounted to CHF 34 million, CHF 35 million and CHF 25 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. In addition to the loans listed above, 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.

Board loans by individual

	2011 [1]	2010 [1]
December 31 (CHF)		
Urs Rohner	5,090,650	5,590,000
Hans-Ulrich Doerig	–	1,800,000
Peter Brabeck-Letmathe	15,833,928	14,163,528
Walter B. Kielholz	5,050,000	5,000,000
Andreas N. Koopmann	2,775,000	3,500,000
David W. Syz	1,500,000	1,500,000
Richard E. Thornburgh	14,266	93,186
Peter F. Weibel	3,950,000	3,850,000
Total	**34,213,844**	**35,496,714** [2]

[1] Includes loans to immediate family members. [2] As of April 30, 2011, Hans-Ulrich Doerig stepped down from the Board.

As of December 31, 2011 and 2010, there was no exposure to such related parties. As of December 31, 2009, the total exposure to such related parties amounted to CHF 50,000, including all advances and contingent liabilities. The highest exposure to such related parties for any of the years in the three-year period ended December 31, 2011 did not exceed CHF 10 million in aggregate.

In February 2011, the Group entered into definitive agreements with affiliates of Qatar Investment Authority (QIA) and The Olayan Group, which have significant holdings of Group shares, to issue Tier 1 Buffer Capital Notes for cash or in exchange for tier 1 capital notes issued in 2008. The Group determined that this was a material transaction and deemed QIA and The Olayan Group to be related parties of Jassim bin Hamad J.J. Al Thani and Aziz R.D. Syriani, respectively, for purposes of evaluating the terms and corporate governance of the transaction. The Group and the Board (except for Jassim bin Hamad J.J. Al Thani and Aziz R.D. Syriani, who recused themselves) determined that the terms of the 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 QIA and The Olayan Group, were fair.

▸ Refer to "Capital issuances and redemptions" in III – Treasury, Risk, Balance sheet and Off-balance sheet – Treasury management – Capital Management for further information about the terms of the agreements with QIA and The Olayan Group.

We, together with our subsidiaries, are a global financial services provider and have major corporate banking operations in Switzerland. We, therefore, typically have relationships with many large companies including those in which our Board members assume management functions or board member responsibilities. Except for the deemed related party transaction with QIA and The Olayan Group and the related party loans as of December 31, 2011, 2010 and 2009 described above, all relationships between us or our banking subsidiaries and members of the Board and their affiliated companies or related parties are in the ordinary course of business and at arm's length.

Group compensation

Total compensation awarded

The following table shows the value of total compensation awarded to employees for 2011 and 2010, including awards granted to employees as variable incentive compensation for 2011 and 2010 granted in January 2012 and 2011, respectively. The deferred awards contain future service and performance criteria that will determine the final payout to employees upon settlement and may be forfeited or reduced if future service or performance criteria are not achieved.

Total compensation awarded

For			2011			2010
	Unrestricted	Deferred	**Total**	Unrestricted	Deferred	**Total**
Fixed compensation (CHF million)						
Salaries	6,319	–	6,319	6,532	–	6,532
Social security	865	–	865	928	–	928
Other	874 [1]	–	874	1,189 [1]	–	1,189
Total fixed compensation	**8,058**	**–**	**8,058**	**8,649**	**–**	**8,649**
Variable incentive compensation (CHF million)						
Unrestricted cash	1,519	–	1,519	1,995	–	1,995
Share awards	11	438	449	35	1,430	1,465
Performance share awards	–	516	516	–	–	–
2011 Partner Asset Facility awards	–	499 [2]	499	–	–	–
Adjustable Performance Plan awards	–	–	–	–	1,102	1,102
Restricted cash awards	–	–	–	–	465	465
Other cash awards	–	5	5	–	19	19
Total variable incentive compensation	**1,530**	**1,458**	**2,988**	**2,030**	**3,016**	**5,046**
Other variable compensation (CHF million)						
Cash severance awards	405	–	405 [3]	102	–	102
Sign-on awards	25	142	167	72	304	376
Cash-based commissions	143	–	143	161	–	161
Total other variable compensation	**573**	**142**	**715**	**335**	**304**	**639**
Total compensation awarded (CHF million)						
Total compensation awarded	**10,161**	**1,600**	**11,761**	**11,014**	**3,320**	**14,334**
of which guaranteed bonuses	–	–	172 [4]	–	–	295 [4]

[1] Includes pension and other post-retirement expense of CHF 610 million and CHF 483 million in 2011 and 2010, respectively, and the UK levy on variable compensation of CHF 404 million in 2010. [2] Represents the fair value of 2011 Partner Asset Facility awards as of the grant date. The notional value was CHF 751 million. [3] Includes CHF 182 million relating to cash severance awards for terminations effective as of December 31, 2011. [4] Awarded to 332 and 483 employees in 2011 and 2010, respectively. Guaranteed bonuses may be awarded as variable incentive compensation or sign-on awards.

All variable compensation was approved by the Board, based on senior management's recommendation and the thorough assessment of the Group's performance in 2011 against predefined absolute and relative performance criteria. 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 2011, which reflected the weaker absolute performance of the Group in 2011 in a challenging market environment, was CHF 11.8 billion, down 18% compared to 2010, and down 17% on an average basis per person. The overall variable incentive compensation awarded for

2011 was CHF 3.0 billion, down 41% compared to 2010. 49% of the total variable incentive compensation awarded across the Group for 2011 was deferred and subject to future performance and service criteria. A total number of 43,892 employees received some form of variable incentive compensation for 2011, of which 487 were classified as covered employees.

Employees awarded variable compensation[1]

For	Covered employees [1]	Other employees	**2011 Total**
Variable incentive compensation			
Unrestricted cash	470	43,359	43,829
Share awards	163	6,204	6,367
Performance share awards	455	1,277	1,732
2011 Partner Asset Facility awards	442	5,150	5,592
Other cash awards	–	139	139
Total variable incentive compensation	**487**	**43,405**	**43,892**
Other variable compensation			
Cash severance awards	2	1,697	1,699 [2]
Sign-on awards	5	39	44
Cash-based commissions	3	–	3
Guaranteed bonuses	7	325	332

[1] Excludes individuals who may be classified as covered employees according to regulatory requirements of jurisdictions outside of Switzerland (e.g., US, UK). [2] Includes employees who received cash severance awards for terminations as of December 31, 2011.

Compensation awarded to covered employees

Of the 514 employees initially classified as covered employees, 27 employees left the Group during 2011 or were not awarded any variable compensation. The remaining 487 covered employees (includes members of senior management and employees classified as MRTC) were awarded total compensation of CHF 928 million and variable incentive compensation of CHF 688 million for 2011, of which CHF 552 million, or 80%, was deferred. Covered employees received at least 50% of their deferred compensation for 2011 in the form of performance share awards, which are subject to claw-back provisions.

Compensation awarded to covered employees

For	Unrestricted	Deferred	**2011 Total**
Fixed compensation (CHF million)			
Total fixed compensation	**231**	**–**	**231**
Variable incentive compensation (CHF million)			
Unrestricted cash	136	–	136
Share awards	–	73	73
Performance share awards	–	278	278
2011 Partner Asset Facility awards	–	201	201
Other cash awards	–	–	–
Total variable incentive compensation	**136**	**552**	**688**
Other variable compensation (CHF million)			
Cash severance awards	5	–	5
Sign-on awards	2	–	2
Cash-based commissions	2	–	2
Total other variable compensation	**9**	**–**	**9**
Total compensation (CHF million)			
Total compensation	**376**	**552**	**928**
of which guaranteed bonuses [1]	4	10	14

[1] Guaranteed bonuses may be awarded as variable incentive compensation or sign-on awards.

2011 share, performance share and PAF2 awards

The recognition of compensation expense for the share, performance share and PAF2 awards granted in early 2012 began in 2012 and had no impact on the 2011 consolidated financial statements.

On January 19, 2012, we granted 20.0 million share awards with a total value of CHF 438 million. The fair value of each share award was CHF 23.90, equivalent to the Group's closing share price on the grant date. The estimated unrecognized compensation expense of CHF 464 million was determined based on the fair value of the award on the grant date, including the current estimate of future forfeitures, and will be recognized over the three-year vesting period, subject to early retirement rules.

On January 19, 2012, we 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. The estimated unrecognized compensation expense of CHF 546 million was determined based on the fair value of the award as of 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, subject to early retirement rules.

We awarded PAF2 units with a fair value of CHF 499 million. As of the grant date, March 1, 2012, the estimated unrecognized compensation expense was CHF 540 million, which will be recognized in the first quarter of 2012 as the awards will have 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.

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 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 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.

Compensation and benefits expense recognized in the consolidated statements of operations for 2011 and 2010 is shown in the following table. The amounts shown below for severance and sign-on payments in 2011 were awarded to 1,699 and 44 individuals, respectively.

Group compensation and benefits expense

			2011			2010
December 31	Current compen-sation	Deferred compen-sation	**Total**	Current compen-sation	Deferred compen-sation	**Total**
Fixed compensation expense (CHF million)						
Salaries	6,319	–	6,319	6,532	–	6,532
Social security [1]	865	–	865	928	–	928
Other	874 [2]	–	874	1,190 [2]	–	1,190
Total fixed compensation expense	**8,058**	**–**	**8,058**	**8,650**	**–**	**8,650**
Variable incentive compensation expense (CHF million)						
Unrestricted cash	1,519	–	1,519	1,995	–	1,995
Share awards	11	767 [3]	778	35	294 [3]	329
Adjustable Performance Plan awards	–	1,106	1,106	–	963 [4]	963
Restricted cash awards	–	253	253	–	–	–
Scaled Incentive Share Units	–	415	415	–	561	561
Incentive Share Units	–	174	174	–	723	723
Cash Retention Awards	–	–	–	–	578	578
2008 Partner Asset Facility awards [5]	–	3	3	–	45	45
Other cash awards	–	334	334	–	421	421
Total variable incentive compensation expense	**1,530**	**3,052**	**4,582**	**2,030**	**3,585**	**5,615**
Other variable compensation expense (CHF million)						
Severance payments	405	–	405	102	–	102
Sign-on payments	25	–	25	72	–	72
Commissions	143	–	143	160	–	160
Total other variable compensation expense	**573**	**–**	**573**	**334**	**–**	**334**
Total compensation expense (CHF million)						
Total compensation expense	**10,161**	**3,052**	**13,213** [6]	**11,014**	**3,585**	**14,599**

[1] Represents the Group's portion of employees' mandatory social security. [2] Includes pension and other post-retirement expense of CHF 610 million and CHF 483 million in 2011 and 2010, respectively, and the UK levy on variable compensation of CHF 404 million in 2010. [3] Includes CHF 43 million and CHF 76 million of expenses associated with other share awards granted in 2011 and 2010, respectively. [4] Includes CHF 41 million of expenses associated with special Adjustable Performance Plan awards. [5] Represents 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 715 million.

Group estimated unrecognized compensation expense

The following table shows the estimated unrecognized compensation expense for deferred compensation awards granted for 2011 and prior years outstanding as of December 31, 2011 and for 2010 and the prior years outstanding as of December 31, 2010. 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.

The decrease in the estimated unrecognized compensation expense for deferred compensation for 2011 compared to deferred compensation for 2010 was primarily due to the significant decline in deferred compensation awarded for 2011.

Group estimated unrecognized compensation expense

	Deferred compensation		2011	Deferred compensation		2010
	For 2011	For prior-year awards	Total	For 2010	For prior-year awards	Total
Estimated unrecognized compensation expense (CHF million)						
Share awards	464	1,100 [1]	1,564	1,424	496 [1]	1,920
Performance share awards	546	–	546	–	–	–
2011 Partner Asset Facility awards	540	–	540	–	–	–
Adjustable Performance Plan awards	–	569 [2]	569	1,669	613 [2]	2,282
Restricted cash awards	–	167	167	465	–	465
Scaled Incentive Share Units	–	211	211	–	782	782
Incentive Share Units	–	85	85	–	334	334
Other cash awards	5	87	92	19	48	67
Estimated unrecognized compensation expense	**1,555**	**2,219**	**3,774**	**3,577**	**2,273**	**5,850**

[1] Includes CHF 93 million and CHF 218 million of estimated unrecognized compensation expense associated with special share awards which were granted to new employees in 2011 and 2010, respectively. [2] Includes CHF 16 million and CHF 126 million of estimated unrecognized compensation expense associated with special Adjustable Performance Plan awards which were granted to new employees in 2011 and 2010, respectively.

- 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 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 additional paid-in capital, the excess tax benefits/charges that arise at settlement of share-based awards.

Share issuance

As we move toward meeting the increased standards for regulatory capital under the Basel III and the Swiss "Too Big to Fail" framework, we have decided to settle outstanding share-based compensation awards in 2011 and 2012 primarily through the issuance of shares from conditional capital rather than buying shares in the market as we did in prior years.

As of December 31, 2011, the balance in the number of outstanding share and share-based awards, including options, was 93.0 million. For 2011, we granted 43.5 million share awards and performance share awards in January 2012, and we will settle 41.7 million share-based awards in the first half of 2012. Of the 16.9 million options outstanding as of December 31, 2011, 8.7 million expired without value in January 2012 and a majority of the remaining 8.2 million options (currently out of the money) are due to expire during 2012. Considering the granting and settlement of share-based awards, as well as the option expiries in the first quarter of 2012, the number of outstanding share-based awards was

7% of the total shares issued as of the end of 2011. Comparing the number of total shares issued as of the end of 2011 versus 2007, the Group has increased the total shares issued over the past four years by 5%. Granting a substantial part of variable compensation in share awards brings us in line with expectations of regulators and our capital strategy, which has not significantly diluted shareholders since 2008.

▸ Refer to "Capital strategy" in III Treasury, Risk, Balance sheet and Off-Balance sheet – Treasury measurement – Capital management for more information.

Compensation plans from prior years

Compensation practices in the banking industry have evolved over recent years, reflecting business and regulatory trends. For example, prior to 2004, options and other share-based awards were used as standard instruments for the industry. For the Group, leveraged share awards under the Performance Incentive Plans (PIP I and PIP II) were granted to selected groups of senior management in early 2005 and 2006 as part of compensation for 2004 and 2005, respectively, reflecting the restructuring of the Group and in order to ensure retention of key senior personnel at the time. These awards vested and were deferred over five years. PIP I settled in April 2010 with the delivery of 4.8 shares per unit, which was largely driven by the outperformance of the Group share price against peers, whereas PIP II lapsed in March 2011 with no value, as the Group share price performance was below the pre-defined share price performance target.

Reflecting the integrated bank strategy implemented in 2006, the Group granted the more widely distributed and moderately leveraged Incentive Share Unit (ISU) awards between 2007 and 2010. The Group share price was the main performance criterion but thresholds and leverage multipliers varied from year to year, reflecting market conditions at the time of grant. In 2010, senior management was granted Scaled Incentive Share Units (SISUs), a long-term incentive plan with an extended vesting period of four years and with the ROE of the Group as a further performance condition. In the aftermath of the market turmoil, from 2009, the Group started to award cash-based instruments. Cash Retention Awards were designed to retain employees over the vesting periods of two years. The PAF was designed to transfer risks from the Group to senior employees in Investment Banking. The Adjustable Performance Plan awards were designed to align compensation with future performance and included a claw-back mechanism. The Adjustable Performance Plan awards were effective for 2009 and 2010, but were discontinued for 2011. The claw-back feature of the Adjustable Performance Plan awards is now a feature of the performance share awards.

▸ Refer to "Overview of formerly used compensation plans" for a more detailed description of these prior-year 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 or foreign exchange rates. Explicit value changes reflect adjustments triggered by specific performance criterion, which include claw-back provisions. 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 2011, indicating the value of changes due to implicit and explicit adjustments. For 2011, 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 and the foreign exchange rate movements during the period.

Fair value of outstanding deferred compensation awards

in / end	2010	Change in value: Implicit [1]	Change in value: Explicit [2]	2011
Share-based awards (CHF per unit)				
Incentive Share Units granted for 2008	62.2	(18.5)	0.0	43.8
Incentive Share Units granted for 2009	37.9	(15.8)	0.0	22.1
Scaled Incentive Share Units granted for 2009	38.3	(16.3)	0.0	22.1
Share awards granted for 2010 [3]	41.4	(19.3)	0.0	22.1
Cash-based awards (CHF per unit)				
Adjustable Performance Plan awards granted for 2009	1.14	(0.03)	0.07	1.18
Adjustable Performance Plan awards granted for 2010 [3]	1.00	(0.01)	0.06	1.05
Partner Asset Facility granted for 2008	1.57	(0.02)	0.00	1.55

[1] Driven by the change in the underlying Group share price and the foreign exchange rate movements during the period. [2] Includes performance-based, claw-back and other similar adjustments. [3] Represents awards granted in January 2011.

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 transparency and excess potential leverage. These issues were taken into account as we have discontinued compensation instruments with leverage components and have provided more comprehensive disclosure around our compensation practices and plans in recent years.

A summary of the forms of awards granted in prior years is shown in the following overview.

Overview of formerly used compensation plans

Adjustable Performance Plan awards

Cash-based, deferred variable compensation

Vesting start 2010-2011
Vesting end 2013-2015

Applied to
Performance in 2009-2010, which included the Executive Board, managing directors and directors.

General award conditions
Adjustable Performance Plan awards link awards to future performance through positive and negative adjustments. Vesting ratably over a three-year period for 2009 awards and a four-year period for 2010 awards.

Other award conditions or restrictions
For revenue-generating employees in the divisions, Adjustable Performance Plan awards are linked to 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.

Program objective/rationale
Promoting retention of Executive Board members, managing directors and directors.

Scaled Incentive Share Unit (SISU)

Basis Share-based, deferred variable compensation

Vesting start 2010
Vesting end 2014

Applied to
Performance in 2009, which included half of the variable cash compensation awarded to all managing directors and directors across all divisions.

General award conditions
Vesting ratably over a four-year period.

Other award conditions or restrictions
Value of SISUs is linked to the long-term development of the Group share price and the Group average ROE.

Program objective/rationale
Promoting retention of managing directors and directors.

Incentive Share Unit (ISU)

Basis Share-based, deferred variable compensation

Vesting start 2007-2010
Vesting end 2010-2013

Applied to
Performance in 2006 to 2009 for all employees.

General award conditions
Vesting ratably over a three-year period.

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.

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.

Restricted Cash Awards

Basis Cash-based, restricted variable compensation

Vesting start 2011
Vesting end 2013

Applied to
Performance in 2010, which included managing directors in Investment Banking.

General award conditions
Vesting ratably over a two-year period and other restrictive covenants and provisions. Paid in the first quarter of 2011.

Other award conditions or restrictions
Subject to repayment in part or in full if a claw-back event occurs, such as voluntary termination or termination for cause during the vesting period.

Program objective/rationale
Promoting retention of senior management.

Cash Retention Award (CRA)

Basis Cash-based, restricted variable compensation

Vesting start 2009
Vesting end 2011

Applied to
Performance in 2008, which included all variable cash compensation awarded to all managing directors across all divisions and directors in Investment Banking; variable cash compensation in excess of CHF 300,000 awarded to directors in all other divisions.

General award conditions
Vested ratably over a two-year period.

Other award conditions or restrictions
Unvested portion subject to repayment if claw-back event occured, such as voluntary termination or termination for cause.

Program objective/rationale
Promoting retention of senior management.

Overview of formerly used compensation plans (continued)

Performance Incentive Plan (PIP II)

Basis Share-based, deferred variable compensation

Vesting start PIP II 2006
Vesting end PIP II 2011

Applied to
Performance in 2005, which included all managing directors in Investment Banking and selected managing directors and directors in other divisions.

General award conditions
PIP II units were incentive awards requiring continued employment with the Group. PIP II units vested ratably over a five-year period. At grant, PIP II units were equivalent to a Group share price of CHF 72.00. The PIP II program included a two-year moratorium period for early retirement eligibility.

Other award conditions or restrictions
PIP II units were settled in March 2011 and did not have a value at settlement. This was due to the Group share price performance being below the minimum predefined target of CHF 47 per PIP II unit.

Program objective/rationale
PIP II linked 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.

2008 Partner Asset Facility (PAF)

Basis Cash-based, deferred variable compensation

Vesting start 2008. 66.7% vested upon grant
Vesting end 33.3% vested in March 2009

Applied to
Performance in year 2008, which included all managing directors and directors in Investment Banking.

General award conditions
The contractual term of a PAF award is eight years. PAF awards are indexed to, and represent a first-loss interest in, a specified pool of illiquid assets (Asset Pool) that originated in Investment Banking. The notional value of the Asset Pool was based on the fair market value of the assets within the Asset Pool as of December 31, 2008, and those assets cannot be substituted throughout the contractual term of the award or until liquidated.

Other award conditions or restrictions
PAF holders will receive a semi-annual cash interest payment of the 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.

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.

Other share-based awards

Basis Share-based, non-deferred or deferred variable compensation

Applied to
Blocked shares: granted to members of the Board. For performance prior to 2006, granted to employees in Switzerland. Special share awards: granted to employees in limited circumstances.

General award conditions
Blocked shares: entitle participants to receive Group shares that are vested at the time of grant but blocked for a four-year period. Special share awards: mostly granted to new employees.

Other award conditions or restrictions
Blocked shares: restricted from selling until block period has lapsed. Special share awards: may contain vesting conditions, depending on the terms of employment or other factors.

Program objective/rationale
Blocked share awards made up the Group's early share-based deferred compensation for employees based in Switzerland and continue to be granted to Board members, with the objective of aligning the interest of the recipients to the creation of overall shareholder value. Special share awards are typically granted to new employees to compensate for deferred awards at a previous employer forfeited as a result of the individual taking up employment with the Group.

Other cash awards

Basis Cash-based, deferred compensation

Applied to
Voluntary deferred compensation plans: certain employees which met predefined income requirements; arbitrage trading plans: directors and managing directors of Investment Banking arbitrage trading desks; employee investment plans: various employees depending on level of variable cash compensation.

General award conditions
Voluntary deferred compensation plans: depending on conditions of the respective plans, allowed employees to defer a portion of their bonus for payout at either retirement age or a pre-determined payout date agreed at the time of deferral; arbitrage trading plans: participation within the plan awarded at the discretion of senior management based on the performance of the global arbitrage trading group and the employee's individual group; employee investment plans: allowed employees to defer a portion of their bonus in investment plans with the Group.

Other award conditions or restrictions
Plans are either fully vested or contain future service requirements. For certain plans, the Group recognizes both market and performance adjustments until awards are settled.

Program objective/rationale
Voluntary deferred compensation plans are, in general, special retirement plans; arbitrage trading plans align the performance of arbitrage traders with the results of the Group; employee investment plans provide employees with opportunity to invest alongside the Group.

APPENDIX 5 — OUR FINANCIAL STATEMENTS EXTRACTED FROM CREDIT SUISSE GROUP AG ANNUAL REPORT 2011

We are a wholly owned subsidiary of Credit Suisse Group AG. We have extracted the section headed "Consolidated financial statements — Credit Suisse (Bank)" from pages 377 to 466 of the Credit Suisse Group AG annual report 2011 in this appendix 5. References to page numbers in this appendix 5 are to the pages in the Credit Suisse Group AG annual report 2011 and not to the pages in this document.

For further information on our financial statements (including the notes to such statements), we refer you to the complete Credit Suisse Group AG annual report 2011 on our website at *www.credit-suisse.com*.

VII

Consolidated financial statements – Credit Suisse (Bank)

Consolidated financial statements

Notes to the consolidated financial statements

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Report of the Statutory Auditor on the Consolidated Financial Statements to the General Meeting of

Credit Suisse AG, Zurich

As statutory auditor, we have audited the accompanying consolidated financial statements of Credit Suisse AG and subsidiaries (the "Bank"), which comprise the consolidated balance sheets as of December 31, 2011 and 2010, 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, 2011.

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, 2011 and 2010, and the results of operations and cash flows for each of the years in the three-year period ended December 31, 2011, in accordance with U.S. generally accepted accounting principles and comply with Swiss law.

As discussed in Note 2 to the consolidated financial statements, the Group changed its method of accounting for variable interest entities in 2010 due to the adoption of ASU 2009-17

KPMG

Report on Other Legal and Regulatory Requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) (Switzerland) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the board of directors.

We recommend that the consolidated financial statements submitted to you be approved.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Bank's internal control over financial reporting as of December 31, 2011, 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 23, 2012 expressed an unqualified opinion on the effectiveness of the Bank's internal control over financial reporting.

KPMG AG

Marc Ufer	Simon Ryder
Licensed Audit Expert	*Licensed Audit Expert*
Auditor in Charge	

Zurich, Switzerland
March 23, 2012

Consolidated financial statements

Consolidated statements of operations

	Reference to notes	2011	2010	in 2009
Consolidated statements of operations (CHF million)				
Interest and dividend income	6	22,256	24,825	24,522
Interest expense	6	(16,440)	(18,798)	(18,153)
Net interest income	6	5,816	6,027	6,369
Commissions and fees	7	11,964	13,122	12,770
Trading revenues	8	4,756	9,072	12,164
Other revenues	9	1,765	1,377	690
Net revenues		**24,301**	**29,598**	**31,993**
Provision for credit losses	10	**97**	**(124)**	**460**
Compensation and benefits	11	12,783	14,372	14,706
General and administrative expenses	12	7,214	7,088	7,622
Commission expenses		1,845	1,991	1,848
Total other operating expenses		9,059	9,079	9,470
Total operating expenses		**21,842**	**23,451**	**24,176**
Income from continuing operations before taxes		**2,362**	**6,271**	**7,357**
Income tax expense	25	433	1,258	1,794
Income from continuing operations		**1,929**	**5,013**	**5,563**
Income/(loss) from discontinued operations, net of tax	4	0	(19)	169
Net income		**1,929**	**4,994**	**5,732**
Net income/(loss) attributable to noncontrolling interests		901	802	(697)
Net income attributable to shareholder		**1,028**	**4,192**	**6,429**
of which from continuing operations		1,028	4,211	6,260
of which from discontinued operations		0	(19)	169

The accompanying notes to the consolidated financial statements are an integral part of these statements.

Consolidated balance sheets

	Reference to notes	2011	end of 2010
Assets (CHF million)			
Cash and due from banks		110,267	65,031
of which reported from consolidated VIEs		1,396	1,432
Interest-bearing deposits with banks		5,722	4,457
of which reported at fair value		405	0
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	13	236,487	220,708
of which reported at fair value		158,673	136,906
Securities received as collateral, at fair value		30,123	42,100
of which encumbered		20,379	21,305
Trading assets, at fair value	14	276,074	321,256
of which encumbered		73,525	87,554
of which reported from consolidated VIEs		6,399	8,717
Investment securities	15	3,513	6,331
of which reported at fair value		3,511	6,192
of which reported from consolidated VIEs		41	72
Other investments	16	12,879	16,055
of which reported at fair value		9,552	13,184
of which reported from consolidated VIEs		2,346	2,334
Net loans	17	212,271	200,748
of which reported at fair value		20,694	18,552
of which encumbered		471	783
of which reported from consolidated VIEs		5,940	3,745
allowance for loan losses		(689)	(812)
Premises and equipment	18	6,700	6,220
of which reported from consolidated VIEs		609	33
Goodwill	19	7,456	7,450
Other intangible assets	19	280	304
of which reported at fair value		70	66
Brokerage receivables		43,444	38,773
Other assets	21	77,959	79,305
of which reported at fair value		35,666	39,419
of which encumbered		2,255	2,388
of which reported from consolidated VIEs		13,001	19,569
Assets of discontinued operations held-for-sale	4	0	23
Total assets		**1,023,175**	**1,008,761**

The accompanying notes to the consolidated financial statements are an integral part of these statements.

Consolidated balance sheets (continued)

	Reference to notes	2011	end of 2010
Liabilities and equity (CHF million)			
Due to banks	22	51,484	47,675
of which reported at fair value		3,564	3,995
Customer deposits	22	287,699	263,767
of which reported at fair value		3,762	2,855
of which reported from consolidated VIEs		221	54
Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions	13	176,559	168,394
of which reported at fair value		136,483	123,697
Obligation to return securities received as collateral, at fair value		30,123	42,100
Trading liabilities, at fair value	14	126,698	133,937
of which reported from consolidated VIEs		1,286	188
Short-term borrowings		24,643	19,516
of which reported at fair value		3,547	3,308
of which reported from consolidated VIEs		6,141	4,333
Long-term debt	23	159,407	171,140
of which reported at fair value		68,256	81,474
of which reported from consolidated VIEs		14,858	19,739
Brokerage payables		68,175	61,862
Other liabilities	21	61,937	61,206
of which reported at fair value		30,838	29,040
of which reported from consolidated VIEs		745	839
Total liabilities		**986,725**	**969,597**
Common shares / Participation certificates		4,400	4,400
Additional paid-in capital		23,170	24,026
Retained earnings		10,870	10,068
Accumulated other comprehensive income/(loss)	24	(10,938)	(10,711)
Total shareholder's equity		**27,502**	**27,783**
Noncontrolling interests		8,948	11,381
Total equity		**36,450**	**39,164**
Total liabilities and equity		**1,023,175**	**1,008,761**

end of	2011	2010
Additional share information		
Par value (CHF)	100.00	100.00
Issued shares (million)	44.0	44.0
Shares outstanding (million)	44.0	44.0

The accompanying notes to the consolidated financial statements are an integral part of these statements.

Consolidated statements of changes in equity

	Attributable to shareholder								
	Common shares/ Participation certificates	Additional paid-in capital	Retained earnings	Treasury shares, at cost [1]	Accumulated other comprehensive income	**Total shareholder's equity**	Non-controlling interests	**Total equity**	Number of common shares outstanding
2011 (CHF million)									
Balance at beginning of period	**4,400**	**24,026**	**10,068**	**0**	**(10,711)**	**27,783**	**11,381**	**39,164**	**43,996,652** [2]
Purchase of subsidiary shares from non-controlling interests, changing ownership	–	(5)	–	–	–	(5)	4	(1)	–
Purchase of subsidiary shares from non-controlling interests, not changing ownership [3, 4]	–	–	–	–	–	–	(3,369)	(3,369)	–
Sale of subsidiary shares to noncontrolling interests, not changing ownership [4]	–	–	–	–	–	–	544	544	–
Net income/(loss)	–	–	1,028	–	–	1,028	852 [5]	1,880	–
Gains/(losses) on cash flow hedges	–	–	–	–	(32)	(32)	–	(32)	–
Foreign currency translation	–	–	–	–	(334)	(334)	39	(295)	–
Unrealized gains/(losses) on securities	–	–	–	–	(2)	(2)	–	(2)	–
Actuarial gains/(losses)	–	–	–	–	142	142	–	142	–
Net prior service cost	–	–	–	–	(1)	(1)	–	(1)	–
Total other comprehensive income/(loss), net of tax	–	–	–	–	(227)	(227)	39	(188)	–
Issuance of common shares/notes	–	(2)	–	–	–	(2)	–	(2)	–
Sale of treasury shares	–	3	–	612	–	615	–	615	–
Repurchase of treasury shares	–	–	–	(612)	–	(612)	–	(612)	–
Share-based compensation, net of tax	–	(142) [6]	–	–	–	(142)	(2)	(144)	–
Dividends on share-based compensation, net of tax	–	(85)	–	–	–	(85)	–	(85)	–
Cash dividends paid	–	–	(226)	–	–	(226)	(59)	(285)	–
Changes in redeemable noncontrolling interests	–	(625) [7]	–	–	–	(625)	(140)	(765)	–
Change in scope of consolidation	–	–	–	–	–	–	(302)	(302)	–
Balance at end of period	**4,400**	**23,170**	**10,870**	**0**	**(10,938)**	**27,502**	**8,948**	**36,450**	**43,996,652**

[1] Reflects Credit Suisse Group shares which are reported as treasury shares. Those shares are held to economically hedge share award obligations. [2] The Bank's total share capital is fully paid and consists of 43,996,652 registered shares with nominal value of CHF 100 per share. Each share is entitled to one vote. The Bank has no warrants on its own shares outstanding. [3] Distributions to owners in funds include the return of original capital invested and any related dividends. [4] Transactions with and without ownership changes related to fund activity are all displayed under "not changing ownership". [5] Net income attributable to noncontrolling interests excludes CHF 49 million due to redeemable noncontrolling interests. [6] Includes a net tax charge of CHF 277 million from the excess recognized compensation expense over fair value of shares delivered. [7] Represents the accrued portion of the redemption value of redeemable noncontrolling interests in Credit Suisse Hedging-Griffo Investimentos S.A. Refer to "Note 30 – Guarantees and commitments" for further information.

The accompanying notes to the consolidated financial statements are an integral part of these statements.

Consolidated statements of changes in equity (continued)

	Attributable to shareholder								
	Common shares/ Participation certificates	Additional paid-in capital	Retained earnings	Treasury shares, at cost	Accumulated other comprehensive income	**Total shareholder's equity**	Non-controlling interests	**Total equity**	Number of common shares outstanding
2010 (CHF million)									
Balance at beginning of period	**4,400**	**24,299**	**11,422**	**(487)**	**(8,406)**	**31,228**	**14,523**	**45,751**	**43,996,652**
Purchase of subsidiary shares from non-controlling interests, changing ownership	–	–	–	–	–	–	(9)	(9)	–
Purchase of subsidiary shares from non-controlling interests, not changing ownership	–	–	–	–	–	–	(2,207)	(2,207)	–
Sale of subsidiary shares to noncontrolling interests, not changing ownership	–	–	–	–	–	–	471	471	–
Net income/(loss)	–	–	4,192	–	–	4,192	802	4,994	–
Cumulative effect of accounting changes, net of tax	–	–	(2,384)	–	135	(2,249)	–	(2,249)	–
Gains/(losses) on cash flow hedges	–	–	–	–	22	22	–	22	–
Foreign currency translation	–	–	–	–	(2,365)	(2,365)	(1,233)	(3,598)	–
Unrealized gains/(losses) on securities	–	–	–	–	14	14	–	14	–
Actuarial gains/(losses)	–	–	–	–	(110)	(110)	(1)	(111)	–
Net prior service cost	–	–	–	–	(1)	(1)	–	(1)	–
Total other comprehensive income/(loss), net of tax	–	–	–	–	(2,440)	(2,440)	(1,234)	(3,674)	–
Issuance of common shares/notes	–	1,567	–	–	–	1,567	–	1,567	–
Sale of treasury shares	–	(28)	–	2,110	–	2,082	–	2,082	–
Repurchase of treasury shares	–	–	–	(1,623)	–	(1,623)	–	(1,623)	–
Share-based compensation, net of tax	–	(1,725)	–	–	–	(1,725)	10	(1,715)	–
Dividends on share-based compensation, net of tax	–	(87)	–	–	–	(87)	–	(87)	–
Cash dividends paid	–	–	(3,162)	–	–	(3,162)	(143)	(3,305)	–
Change in scope of consolidation	–	–	–	–	–	–	(911)	(911)	–
Other	–	–	–	–	–	–	79	79	–
Balance at end of period	**4,400**	**24,026**	**10,068**	**0**	**(10,711)**	**27,783**	**11,381**	**39,164**	**43,996,652**

The accompanying notes to the consolidated financial statements are an integral part of these statements.

Consolidated statements of changes in equity (continued)

	Attributable to shareholder								
	Common shares/ Participa-tion certifi-cates	Additional paid-in capital	Retained earnings	Treasury shares, at cost	Accumu-lated other compre-hensive income	**Total share-holder's equity**	Non-controlling interests	**Total equity**	Number of common shares outstanding
2009 (CHF million)									
Balance at beginning of period	**4,400**	**25,059**	**5,132**	**18**	**(7,741)**	**26,868**	**19,281**	**46,149**	**43,996,652**
Purchase of subsidiary shares from non-controlling interests, changing ownership	–	9	–	–	–	9	(9)	0	–
Purchase of subsidiary shares from non-controlling interests, not changing ownership	–	–	–	–	–	–	(468)	(468)	–
Sale of subsidiary shares to noncontrolling interests, changing ownership	–	(1)	–	–	–	(1)	5	4	–
Sale of subsidiary shares to noncontrolling interests, not changing ownership	–	–	–	–	–	–	1,229	1,229	–
Net income/(loss)	–	–	6,429	–	–	6,429	(697)	5,732	–
Gains/(losses) on cash flow hedges	–	–	–	–	17	17	–	17	–
Foreign currency translation	–	–	–	–	(472)	(472)	(303)	(775)	–
Unrealized gains/(losses) on securities	–	–	–	–	13	13	–	13	–
Actuarial gains/(losses)	–	–	–	–	(223)	(223)	–	(223)	–
Total other comprehensive income/(loss), net of tax	–	–	–	–	(665)	(665)	(303)	(968)	–
Issuance of common shares	–	(13)	–	–	–	(13)	–	(13)	–
Sale of treasury shares	–	50	–	1,645	–	1,695	–	1,695	–
Repurchase of treasury shares	–	–	–	(2,150)	–	(2,150)	–	(2,150)	–
Share-based compensation, net of tax	–	(797)	–	–	–	(797)	–	(797)	–
Dividends on share-based compensation, net of tax	–	(5)	–	–	–	(5)	–	(5)	–
Cash dividends paid	–	–	(141)	–	–	(141)	(111)	(252)	–
Change in scope of consolidation	–	–	–	–	–	–	(4,491)	(4,491)	–
Other	–	(3)	2	–	–	(1)	87	86	–
Balance at end of period	**4,400**	**24,299**	**11,422**	**(487)**	**(8,406)**	**31,228**	**14,523**	**45,751**	**43,996,652**

Consolidated statements of comprehensive income

in	**2011**	2010	2009
Comprehensive income (CHF million)			
Net income	1,929	4,994	5,732
Other comprehensive income/(loss), net of tax [1]	(188)	(3,674)	(968)
Comprehensive income/(loss)	**1,741**	**1,320**	**4,764**
Comprehensive income/(loss) attributable to noncontrolling interests	**940**	**(432)**	**(1,000)**
Comprehensive income/(loss) attributable to shareholder	**801**	**1,752**	**5,764**

[1] Refer to "Note 24 – Accumulated other comprehensive income" for details on the components of other comprehensive income.

The accompanying notes to the consolidated financial statements are an integral part of these statements.

Consolidated statements of cash flows

in	2011	2010	2009
Operating activities of continuing operations (CHF million)			
Net income	**1,929**	**4,994**	**5,732**
(Income)/loss from discontinued operations, net of tax	0	19	(169)
Income from continuing operations	**1,929**	**5,013**	**5,563**
Adjustments to reconcile net income/(loss) to net cash provided by/(used in) operating activities of continuing operations (CHF million)			
Impairment, depreciation and amortization	1,169	1,136	1,081
Provision for credit losses	97	(124)	460
Deferred tax provision/(benefit)	56	1,048	935
Share of net income/(loss) from equity method investments	(41)	(101)	(28)
Trading assets and liabilities, net	38,310	(10,571)	(8,623)
(Increase)/decrease in other assets	(7,638)	4,068	27,236
Increase/(decrease) in other liabilities	5,676	4,410	(40,612)
Other, net	(2,951)	3,684	1,782
Total adjustments	34,678	3,550	(17,769)
Net cash provided by/(used in) operating activities of continuing operations	**36,607**	**8,563**	**(12,206)**
Investing activities of continuing operations (CHF million)			
(Increase)/decrease in interest-bearing deposits with banks	(1,314)	(2,152)	1,584
(Increase)/decrease in central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	(14,480)	(28,904)	55,508
Purchase of investment securities	(196)	(241)	(67)
Proceeds from sale of investment securities	2,118	988	891
Maturities of investment securities	705	1,312	2,209
Investments in subsidiaries and other investments	(1,409)	(1,365)	(1,961)
Proceeds from sale of other investments	6,324	2,151	1,919
(Increase)/decrease in loans	(14,134)	6,492	3,690
Proceeds from sale of loans	689	817	992
Capital expenditures for premises and equipment and other intangible assets	(1,702)	(1,667)	(1,374)
Proceeds from sale of premises and equipment and other intangible assets	11	17	3
Other, net	120	249	169
Net cash provided by/(used in) investing activities of continuing operations	**(23,268)**	**(22,303)**	**63,563**

The accompanying notes to the consolidated financial statements are an integral part of these statements.

Consolidated statements of cash flows (continued)

in	2011	2010	2009
Financing activities of continuing operations (CHF million)			
Increase/(decrease) in due to banks and customer deposits	27,137	27,290	(30,327)
Increase/(decrease) in short-term borrowings	4,754	10,111	3,259
Increase/(decrease) in central bank funds purchased, securities sold under repurchase agreements and securities lending transactions	7,182	(6,997)	(47,354)
Issuances of long-term debt	32,531	54,979	61,467
Repayments of long-term debt	(36,052)	(48,931)	(71,061)
Issuances of common shares	(2)	1,567	(13)
Sale of treasury shares	615	2,082	1,695
Repurchase of treasury shares	(612)	(1,623)	(2,150)
Dividends paid/capital repayments	(285)	(3,305)	(257)
Excess tax benefits related to share-based compensation	0	608	181
Other, net	(2,759)	(3,336)	(3,628)
Net cash provided by/(used in) financing activities of continuing operations	**32,509**	**32,445**	**(88,188)**
Effect of exchange rate changes on cash and due from banks (CHF million)			
Effect of exchange rate changes on cash and due from banks	**(637)**	**(6,167)**	**(1,155)**
Net cash provided by/(used in) discontinued operations (CHF million)			
Net cash provided by/(used in) operating activities of discontinued operations	**25**	**(42)**	**0**
Net increase/(decrease) in cash and due from banks (CHF million)			
Net increase/(decrease) in cash and due from banks	**45,236**	**12,496**	**(37,986)**
Cash and due from banks at beginning of period	65,031	52,535	90,521
Cash and due from banks at end of period	**110,267**	**65,031**	**52,535**

Supplemental cash flow information

in	2011	2010	2009
Cash paid for income taxes and interest (CHF million)			
Cash paid for income taxes	957	835	1,077
Cash paid for interest	17,133	18,846	19,283
Assets and liabilities sold in business divestitures (CHF million)			
Assets sold	0	0	869
Liabilities sold	0	0	799

The accompanying notes to the consolidated financial statements are an integral part of these statements.

Notes to the consolidated financial statements

1 Summary of significant accounting policies

The accompanying consolidated financial statements of Credit Suisse AG, the Swiss bank subsidiary of the Group (the Bank), are prepared in accordance with accounting principles generally accepted in the US (US GAAP) and are stated in Swiss francs (CHF). The financial year for the Bank ends on December 31. Certain reclassifications have been made to the prior year's consolidated financial statements to conform to the current year's presentation and had no impact on net income/(loss) or total shareholder's equity.

In preparing the consolidated financial statements, management is required to make estimates and assumptions including, but not limited to, the fair value measurements of certain financial assets and liabilities, the allowance for loan losses, the evaluation of variable interest entities (VIEs), the impairment of assets other than loans, recognition of deferred tax assets, tax uncertainties, pension liabilities, as well as various contingencies. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the dates of the consolidated balance sheets and the reported amounts of revenues and expenses during the reporting period. While management evaluates its estimates and assumptions on an ongoing basis, actual results could differ materially from management's estimates. Market conditions may increase the risk and complexity of the judgments applied in these estimates.

▸ Refer to "Note 1 – Summary of significant accounting policies" in V – Consolidated financial statements – Credit Suisse Group for a summary of significant accounting policies, with the exception of the following accounting policies.

Pensions and other post-retirement benefits

Credit Suisse sponsors a Group defined benefit pension plan in Switzerland that covers eligible employees of the Bank domiciled in Switzerland. The Bank also has single-employer defined benefit pension plans and defined contribution pension plans in Switzerland and other countries around the world.

For the Bank's participation in the Group defined benefit pension plan, no retirement benefit obligation is recognized in the consolidated balance sheets of the Bank and defined contribution accounting is applied, as the Bank is not the sponsoring entity of the Group plan.

For single-employer defined benefit plans, the Bank uses the projected unit credit actuarial method to determine the present value of its projected benefit obligations (PBO) and the current and past service costs or credits related to its defined benefit and other post-retirement benefit plans. The measurement date used to perform the actuarial valuation is December 31.

Certain key assumptions are used in performing the actuarial valuations. These assumptions must be made concerning the future events that will determine the amount and timing of the benefit payments and thus require significant judgment and estimates by Bank management. For example, assumptions have to be made with regard to discount rates, expected return on plan assets and salary increases.

The assumed discount rates reflect the rates at which the pension benefits could be effectively settled. These rates are determined based on yields of high-quality corporate bonds currently available and are expected to be available during the period to maturity of the pension benefits. In countries where no deep market in high-quality corporate bonds exists, the estimate is based on governmental bonds adjusted to include a risk premium reflecting the additional risk for corporate bonds.

The expected long-term rate of return on plan assets is determined on a plan-by-plan basis, taking into account asset allocation, historical rate of return, benchmark indices for similar-type pension plan assets, long-term expectations of future returns and investment strategy.

Health care cost trend rates are determined by reviewing external data and the Bank's own historical trends for health care costs. Salary increases are determined by reviewing external data and considering internal projections.

The funded status of the Bank's defined benefit post-retirement and pension plans is recognized in the consolidated balance sheets.

Actuarial gains and losses in excess of 10% of the greater of the PBO or the market value of plan assets and unrecognized prior service costs or credits are amortized to net periodic pension and other post-retirement cost on a straight-line basis over the average remaining service life of active employees expected to receive benefits.

The Bank records pension expense for defined contribution plans when the employee renders service to the company, essentially coinciding with the cash contributions to the plans.

Own shares, own bonds and financial instruments on Group shares

The Bank's shares are wholly-owned by Credit Suisse Group AG and are not subject to trading. The Bank may buy and sell Credit Suisse Group AG shares (Group shares), own bonds and financial instruments on Group shares within its normal trading and market-making activities. In addition, the Bank may hold Group shares to economically hedge commitments arising from employee share-based compensation awards. Group shares are reported as trading assets, unless those shares are held to economically hedge share award obligations. Hedging shares are reported as treasury shares, resulting in a reduction to total shareholder's equity. Financial instruments on Group shares are recorded as assets or liabilities and carried at fair value. Dividends received on Group shares and unrealized and realized gains and losses on Group shares are recorded according to the classification of the shares as trading assets or treasury shares. Purchases of bonds originally issued by the Bank are recorded as an extinguishment of debt.

2 Recently issued accounting standards

▸ Refer to "Note 2 – Recently issued accounting standards" in V – Consolidated financial statements – Credit Suisse Group for recently adopted accounting standards and standards to be adopted in future periods.

The impact on the Bank's and Group's financial condition, results of operations or cash flows was or is expected to be identical.

3 Business developments

▸ Refer to "Note 3 – Business developments" in V – Consolidated financial statements – Credit Suisse Group for further information.

4 Discontinued operations

▸ Refer to "Note 4 – Discontinued operations" in V – Consolidated financial statements – Credit Suisse Group for further information.

Income/(loss) from discontinued operations

in	**2011**	2010	2009
Income/(loss) from discontinued operations (CHF million)			
Net revenues	**–**	**(19)**	**56**
Total expenses	–	0	(167)
Income/(loss) before taxes from discontinued operations	**–**	**(19)**	**(111)**
Gain on disposal	–	0	261 [1]
Income tax expense/(benefit)	–	0	(19)
Income/(loss) from discontinued operations, net of tax	**–**	**(19)**	**169**

[1] Represents net gains from the deconsolidation of subsidiaries. The Bank did not retain any investment in the former subsidiaries.

5 Segment information

For purpose of presentation of reportable segments, the Bank has included accounts of affiliate entities wholly owned by the same parent which are managed together with the operating segments of the Bank. These affiliate entities include certain bank and trust affiliates, primarily managed by Private Banking. Income from continuing operations before taxes, noncontrolling interests, extraordinary items and the cumulative effect of accounting changes of these non-consolidated affiliate entities included in the segment presentation for the years ended December 31, 2011, 2010 and 2009 was CHF 407 million, CHF 536 million and CHF 654 million, respectively. For the same periods, net revenues of these non-consolidated affiliate entities included in the segment presentation were CHF 1,745 million, CHF 1,782 million and CHF 1,789 million, respectively, and total assets of these non-consolidated affiliate entities included in the segment presentation as of December 31, 2011 and 2010, were CHF 51.4 billion and CHF 47.8 billion, respectively.

▸ Refer to "Note 5 – Segment information" in V – Consolidated financial statements – Credit Suisse Group for further information.

Net revenues and income/(loss) from continuing operations before taxes

in	2011	2010	2009
Net revenues (CHF million)			
Private Banking	10,877	11,631	11,662
Investment Banking	11,496	16,214	20,537
Asset Management	2,146	2,332	1,842
Adjustments [1, 2]	(218)	(579)	(2,048)
Net revenues	**24,301**	**29,598**	**31,993**
Income/(loss) from continuing operations before taxes (CHF million)			
Private Banking	2,348	3,426	3,651
Investment Banking	79	3,531	6,845
Asset Management	553	503	35
Adjustments [1, 3]	(618)	(1,189)	(3,174)
Income/(loss) from continuing operations before taxes	**2,362**	**6,271**	**7,357**

[1] Adjustments represent certain consolidating entries and balances, including those relating to items that are managed but are not legally owned by the Bank and vice-versa, and certain expenses that were not allocated to the segments. [2] Includes noncontrolling interest-related revenues of CHF 900 million, CHF 775 million and CHF (689) million in 2011, 2010 and 2009, respectively, from the consolidation of certain private equity funds and other entities in which the Bank does not have a significant economic interest (SEI) in such revenues. [3] Includes noncontrolling interest income/(loss) of CHF 816 million, CHF 702 million and CHF (872) million in 2011, 2010 and 2009, respectively, from the consolidation of certain private equity funds and other entities in which the Bank does not have an SEI in such income.

Total assets

end of	2011	2010
Total assets (CHF million)		
Private Banking	350,955	337,496
Investment Banking	804,420	803,613
Asset Management	28,667	27,986
Adjustments [1]	(160,867)	(160,334)
Total assets	**1,023,175**	**1,008,761**

[1] Adjustments represent certain consolidating entries and balances, including those relating to items that are managed but are not legally owned by the Bank and vice-versa and certain expenses that were not allocated to the segments.

Net revenues and income/(loss) from continuing operations before taxes by geographic location

in	2011	2010	2009
Net revenues (CHF million)			
Switzerland	7,083	7,758	9,073
EMEA	6,339	7,284	6,795
Americas	9,162	12,634	13,763
Asia Pacific	1,717	1,922	2,362
Net revenues	**24,301**	**29,598**	**31,993**
Income/(loss) from continuing operations before taxes (CHF million)			
Switzerland	(198)	950	1,610
EMEA	1,177	1,383	960
Americas	2,289	4,739	5,076
Asia Pacific	(906)	(801)	(289)
Income/(loss) from continuing operations before taxes	**2,362**	**6,271**	**7,357**

The designation of net revenues and income/(loss) before taxes is based upon the location of the office recording the transactions. This presentation does not reflect the way the Bank is managed.

Total assets by geographic location

end of	2011	2010
Total assets (CHF million)		
Switzerland	195,995	168,755
EMEA	273,131	266,758
Americas	467,258	474,638
Asia Pacific	86,791	98,610
Total assets	**1,023,175**	**1,008,761**

The designation of total assets by region is based upon customer domicile.

6 Net interest income

in	2011	2010	2009
Net interest income (CHF million)			
Loans	4,235	4,620	5,575
Investment securities	72	66	207
Trading assets	11,620	14,013	13,280
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	3,260	2,663	3,076
Other	3,069	3,463	2,384
Interest and dividend income	22,256	24,825	24,522
Deposits	(1,702)	(1,591)	(2,977)
Short-term borrowings	(80)	(80)	(232)
Trading liabilities	(7,120)	(9,010)	(7,360)
Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions	(1,622)	(1,638)	(2,262)
Long-term debt	(5,515)	(6,134)	(4,800)
Other	(401)	(345)	(522)
Interest expense	(16,440)	(18,798)	(18,153)
Net interest income	**5,816**	**6,027**	**6,369**

7 Commissions and fees

in	2011	2010	2009
Commissions and fees (CHF million)			
Lending business	1,243	1,404	995
Investment and portfolio management	3,490	3,705	3,666
Other securities business	77	58	124
Fiduciary business	3,567	3,763	3,790
Underwriting	1,479	2,125	2,375
Brokerage	3,748	3,714	3,846
Underwriting and brokerage	5,227	5,839	6,221
Other services	1,927	2,116	1,764
Commissions and fees	**11,964**	**13,122**	**12,770**

8 Trading revenues

in	2011	2010	2009
Trading revenues (CHF million)			
Interest rate products	6,589	5,653	10,067
Foreign exchange products	(4,540)	1,959	196
Equity/index-related products	1,722	2,467	4,349
Credit products	490	(1,641)	(3,960)
Commodity, emission and energy products	362	309	542
Other products	133	325	970
Total	**4,756**	**9,072**	**12,164**

Represents revenues on a product basis which are not representative of business results within segments, as segment results utilize financial instruments across various product types.

▸ Refer to “Note 8 – Trading revenues” in V – Consolidated financial statements – Credit Suisse Group for further information.

9 Other revenues

in	2011	2010	2009
Other revenues (CHF million)			
Noncontrolling interests without SEI	794	723	(917)
Loans held-for-sale	(4)	(84)	(287)
Long-lived assets held-for-sale	(116)	(182)	13
Equity method investments	137	193	95
Other investments	331	117	907
Other	623	610	879
Other revenues	**1,765**	**1,377**	**690**

10 Provision for credit losses

in	2011	2010	2009
Provision for credit losses (CHF million)			
Provision for loan losses	54	(139)	271
Provision for lending-related and other exposures	43	15	189
Provision for credit losses	**97**	**(124)**	**460**

11 Compensation and benefits

in	2011	2010	2009
Compensation and benefits (CHF million)			
Salaries and deferred and variable compensation expense	10,839	11,885	12,857
Social security	819	884	973
Other [1]	1,125	1,603	876
Compensation and benefits	**12,783** [2]	**14,372**	**14,706**

[1] Includes pension and other post-retirement expense of CHF 869 million, CHF 905 million and CHF 641 million, in 2011, 2010 and 2009, 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 539 million.

12 General and administrative expenses

in	2011	2010	2009
General and administrative expenses (CHF million)			
Occupancy expenses	1,058	1,119	1,121
IT, machinery, etc.	1,422	1,320	1,191
Provisions and losses	702	491	1,434
Travel and entertainment	405	432	413
Professional services	1,984	2,082	1,759
Amortization and impairment of other intangible assets	30	34	48
Other	1,613	1,610	1,656
General and administrative expenses	**7,214**	**7,088**	**7,622**

13 Securities borrowed, lent and subject to repurchase agreements

end of	2011	2010
Securities borrowed or purchased under agreements to resell (CHF million)		
Central bank funds sold and securities purchased under resale agreements	171,708	149,229
Deposits paid for securities borrowed	64,779	71,479
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	**236,487**	**220,708**
Securities lent or sold under agreements to repurchase (CHF million)		
Central bank funds purchased and securities sold under repurchase agreements	161,220	147,878
Deposits received for securities lent	15,339	20,516
Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions	**176,559**	**168,394**

▸ Refer to "Note 14 – Securities borrowed, lent and subject to repurchase agreements" in V – Consolidated financial statements – Credit Suisse Group for further information.

14 Trading assets and liabilities

end of	2011	2010
Trading assets (CHF million)		
Debt securities	144,184	153,228
Equity securities [1]	65,138	101,196
Derivative instruments [2]	52,070	47,776
Other	14,682	19,056
Trading assets	**276,074**	**321,256**
Trading liabilities (CHF million)		
Short positions	67,567	76,219
Derivative instruments [2]	59,131	57,718
Trading liabilities	**126,698**	**133,937**

[1] Including convertible bonds. [2] Amounts shown net of cash collateral receivables and payables.

Cash collateral receivables and payables

end of	2011	2010
Cash collateral receivables (CHF million)		
Receivables netted against derivative positions	36,326	28,400
Receivables not netted [1]	15,812	14,987
Total	**52,138**	**43,387**
Cash collateral payables (CHF million)		
Payables netted against derivative positions	37,883	29,480
Payables not netted [1]	11,933	14,428
Total	**49,816**	**43,908**

[1] Recorded as cash collateral on derivative instruments, refer to "Note 21 – Other assets and other liabilities".

15 Investment securities

end of	2011	2010
Investment securities (CHF million)		
Debt securities held-to-maturity	2	139
Securities available-for-sale	3,511	6,192
Total investment securities	**3,513**	**6,331**

Investment securities by type

end of	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
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 foreign governments	2,916	113	1	3,028
Corporate debt securities	352	0	0	352
Collateralized debt obligations	40	1	0	41
Debt securities available-for-sale	**3,308**	**114**	**1**	**3,421**
Banks, trust and insurance companies	68	8	0	76
Industry and all other	13	1	0	14
Equity securities available-for-sale	**81**	**9**	**0**	**90**
Securities available-for-sale	**3,389**	**123**	**1**	**3,511**
2010 (CHF million)				
Debt securities issued by foreign governments	139	0	0	139
Debt securities held-to-maturity	**139**	**0**	**0**	**139**
Debt securities issued by foreign governments	5,418	225	0	5,643
Corporate debt securities	387	0	0	387
Collateralized debt obligations	71	2	0	73
Debt securities available-for-sale	**5,876**	**227**	**0**	**6,103**
Banks, trust and insurance companies	69	10	0	79
Industry and all other	9	1	0	10
Equity securities available-for-sale	**78**	**11**	**0**	**89**
Securities available-for-sale	**5,954**	**238**	**0**	**6,192**

Gross unrealized losses on investment securities and the related fair value

	Less than 12 months		12 months or more		**Total**	
end of	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses
2011 (CHF million)						
Debt securities issued by foreign governments	8	1	0	0	8	1
Debt securities available-for-sale	**8**	**1**	**0**	**0**	**8**	**1**

There were no unrealized losses on investment securities in 2010. No significant impairment was recorded as the Bank does not intend to sell the investments, nor is it more likely than not that the Bank will be required to sell the investments before the recovery of their amortized cost bases, which may be maturity.

Proceeds from sales, realized gains and realized losses from available-for-sale securities

	Debt securities			Equity securities		
in	**2011**	2010	2009	**2011**	2010	2009
Additional information (CHF million)						
Proceeds from sales	2,117	985	723	1	3	168
Realized gains	40	5	17	0	0	22
Realized losses	(22)	(11)	(14)	0	0	(1)

Amortized cost, fair value and average yield of debt securities

	Debt securities held-to-maturity			Debt securities available-for-sale		
end of	Amortized cost	Fair value	Average yield (in %)	Amortized cost	Fair value	Average yield (in %)
2011 (CHF million)						
Due within 1 year	2	2	5.06	1,672	1,693	3.25
Due from 1 to 5 years	0	0	–	1,580	1,669	3.63
Due from 5 to 10 years	0	0	–	0	0	–
Due after 10 years	0	0	–	56	59	5.22
Total debt securities	**2**	**2**	**5.06**	**3,308**	**3,421**	**3.46**

16 Other investments

end of	**2011**	2010
Other investments (CHF million)		
Equity method investments	2,508	3,909
Non-marketable equity securities [1]	7,618	9,831
Real estate held for investment	731	420
Life finance instruments [2]	2,022	1,895
Total other investments	**12,879**	**16,055**

[1] Includes private equity, hedge funds and restricted stock investments as well as certain investments in non-marketable mutual funds for which the Bank has neither significant influence nor control over the investee. [2] Includes life settlement contracts at investment method and SPIA contracts.

Non-marketable equity securities include investments in entities that regularly calculate net asset value per share or its equivalent.

▸ Refer to "Note 32 – Financial instruments" for further information on such investments.

Substantially all non-marketable equity securities are carried at fair value. There were no non-marketable equity securities not carried at fair value that have been in a continuous unrealized loss position.

The Bank performs a regular impairment analysis of real estate portfolios. The carrying values of the impaired properties were written down to their respective fair values, establishing new cost bases. For these properties, the fair values were measured based on either discounted cash flow analyses or external market appraisals. In 2011, an impairment of CHF 3 million was recorded. No impairments were recorded in 2010 and 2009.

Accumulated depreciation related to real estate held for investment amounted to CHF 278 million, CHF 273 million and CHF 326 million for 2011, 2010 and 2009, respectively.

▸ Refer to "Note 17 – Other investments" in V – Consolidated financial statements – Credit Suisse Group for further information.

17 Loans, allowance for loan losses and credit quality

end of	2011	2010
Loans (CHF million)		
Mortgages	72,980	69,953
Loans collateralized by securities	22,593	21,247
Consumer finance	3,753	2,833
Consumer	99,326	94,033
Real estate	22,000	20,115
Commercial and industrial loans	56,618	51,842
Financial institutions	32,870	33,608
Governments and public institutions	2,245	2,059
Corporate & institutional	113,733	107,624
Gross loans	**213,059**	**201,657**
of which held at amortized cost	192,365	183,105
of which held at fair value	20,694	18,552
Net (unearned income)/deferred expenses	(99)	(97)
Allowance for loan losses	(689)	(812)
Net loans	**212,271**	**200,748**
Gross loans by location (CHF million)		
Switzerland	128,525	123,506
Foreign	84,534	78,151
Gross loans	**213,059**	**201,657**
Impaired loan portfolio (CHF million)		
Non-performing loans	515	690
Non-interest-earning loans	219	298
Total non-performing and non-interest-earning loans	734	988
Restructured loans	13	52
Potential problem loans	574	438
Total other impaired loans	587	490
Gross impaired loans	**1,321**	**1,478**

Allowance for loan losses

			2011	2010	2009
	Consumer	Corporate & institutional	Total	Total	Total
Allowance for loan losses (CHF million)					
Balance at beginning of period	**143**	**669**	**812**	**1,184**	**1,428**
Net movements recognized in statements of operations	(5)	59	54	(139)	271
Gross write-offs	(51)	(169)	(220)	(234)	(618)
Recoveries	33	4	37	57	57
Net write-offs	(18)	(165)	(183)	(177)	(561)
Provisions for interest	1	11	12	1	38
Foreign currency translation impact and other adjustments, net	6	(12)	(6)	(57)	8
Balance at end of period	**127**	**562**	**689**	**812**	**1,184**

Allowance for loan losses and gross loans held at amortized cost by loan portfolio

			2011			2010	2009
end of	Consumer	Corporate & institutional	**Total**	Consumer	Corporate & institutional	**Total**	**Total**
Allowance for loan losses (CHF million)							
Balance at end of period	**127**	**562**	**689**	**143**	**669**	**812**	**1,184**
of which individually evaluated for impairment	99	388	487	110	490	600	839
of which collectively evaluated for impairment	28	174	202	33	179	212	345
Gross loans held at amortized cost (CHF million)							
Balance at end of period	**99,316**	**93,049**	**192,365**	**94,027**	**89,078**	**183,105**	**–**
of which individually evaluated for impairment	327	850	1,177	384	903	1,287	–
of which collectively evaluated for impairment	98,989	92,199	191,188	93,643	88,175	181,818	–

Purchases, reclassifications and sales

			2011
in	Consumer	Corporate & institutional	**Total**
Loans held at amortized cost (CHF million)			
Purchases	–	4,121	4,121
Reclassifications to loans held-for-sale [1]	–	1,363	1,363
Sales [1]	–	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.

Gross loans held at amortized cost by internal counterparty rating

end of	AAA	AA	A	BBB	BB	B	CCC	CC	C	D	**Total**
2011 (CHF million)											
Mortgages	151	560	8,023	47,769	15,815	487	8	16	0	151	72,980
Loans collateralized by securities	0	15	376	20,667	1,429	84	0	0	0	22	22,593
Consumer finance	0	4	43	2,990	504	20	0	9	23	150	3,743
Consumer	151	579	8,442	71,426	17,748	591	8	25	23	323	99,316
Real estate	340	193	893	11,209	8,784	267	0	3	0	40	21,729
Commercial and industrial loans	398	159	1,675	20,128	18,225	2,922	171	26	117	647	44,468
Financial institutions	3,906	2,204	11,092	5,462	1,622	760	3	43	0	119	25,211
Governments and public institutions	55	84	320	444	158	104	470	0	0	6	1,641
Corporate & institutional	4,699	2,640	13,980	37,243	28,789	4,053	644	72	117	812	93,049
Gross loans held at amortized cost	**4,850**	**3,219**	**22,422**	**108,669**	**46,537**	**4,644**	**652**	**97**	**140**	**1,135**	**192,365**
Value of collateral [1]	3,920	1,672	13,203	99,341	38,159	2,694	96	80	0	726	159,891
2010 (CHF million)											
Mortgages	137	1,193	9,412	41,393	16,938	699	15	3	0	163	69,953
Loans collateralized by securities	1	66	330	19,681	1,116	9	0	0	0	44	21,247
Consumer finance	0	2	104	2,113	384	18	0	28	1	177	2,827
Consumer	138	1,261	9,846	63,187	18,438	726	15	31	1	384	94,027
Real estate	22	269	1,561	8,645	8,894	398	0	0	0	52	19,841
Commercial and industrial loans	350	615	1,891	19,896	14,917	2,863	95	239	159	687	41,712
Financial institutions	2,183	5,492	8,070	7,028	1,850	1,293	0	0	20	88	26,024
Governments and public institutions	57	140	209	425	87	60	517	0	0	6	1,501
Corporate & institutional	2,612	6,516	11,731	35,994	25,748	4,614	612	239	179	833	89,078
Gross loans held at amortized cost	**2,750**	**7,777**	**21,577**	**99,181**	**44,186**	**5,340**	**627**	**270**	**180**	**1,217**	**183,105**
Value of collateral [1]	2,476	3,645	12,975	91,558	38,036	3,416	66	0	0	545	152,717

[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.

Gross loans held at amortized cost – aging analysis

end of	Current	Up to 30 days	31-60 days	61-90 days	More than 90 days	Past due Total	Total
2011 (CHF million)							
Mortgages	72,799	46	11	3	121	181	72,980
Loans collateralized by securities	22,449	129	4	1	10	144	22,593
Consumer finance	3,302	371	29	26	15	441	3,743
Consumer	98,550	546	44	30	146	766	99,316
Real estate	21,673	41	3	1	11	56	21,729
Commercial and industrial loans	43,751	441	87	48	141	717	44,468
Financial institutions	25,061	78	2	48	22	150	25,211
Governments and public institutions	1,640	1	0	0	0	1	1,641
Corporate & institutional	92,125	561	92	97	174	924	93,049
Gross loans held at amortized cost	**190,675**	**1,107**	**136**	**127**	**320**	**1,690**	**192,365**
2010 (CHF million)							
Mortgages	69,713	80	14	8	138	240	69,953
Loans collateralized by securities	21,184	46	2	0	15	63	21,247
Consumer finance	2,484	267	37	9	30	343	2,827
Consumer	93,381	393	53	17	183	646	94,027
Real estate	19,780	35	0	1	25	61	19,841
Commercial and industrial loans	40,493	715	94	42	368	1,219	41,712
Financial institutions	25,886	125	3	0	10	138	26,024
Governments and public institutions	1,497	3	1	0	0	4	1,501
Corporate & institutional	87,656	878	98	43	403	1,422	89,078
Gross loans held at amortized cost	**181,037**	**1,271**	**151**	**60**	**586**	**2,068**	**183,105**

Gross impaired loans by category

	Non-performing and non-interest-earning loans			Other impaired loans			
end of	Non-performing loans	Non-interest-earning loans	Total	Restructured loans	Potential problem loans	Total	**Total**
2011 (CHF million)							
Mortgages	124	5	129	0	44	44	173
Loans collateralized by securities	25	11	36	0	0	0	36
Consumer finance	113	28	141	0	24	24	165
Consumer	262	44	306	0	68	68	374
Real estate	11	6	17	0	25	25	42
Commercial and industrial loans	193	111	304	13	424	437	741
Financial institutions	49	52	101	0	57	57	158
Governments and public institutions	0	6	6	0	0	0	6
Corporate & institutional	253	175	428	13	506	519	947
Gross impaired loans	**515**	**219**	**734**	**13**	**574**	**587**	**1,321**
2010 (CHF million)							
Mortgages	135	15	150	0	43	43	193
Loans collateralized by securities	37	11	48	0	1	1	49
Consumer finance	146	29	175	0	3	3	178
Consumer	318	55	373	0	47	47	420
Real estate	34	10	44	0	14	14	58
Commercial and industrial loans	329	187	516	52	305	357	873
Financial institutions	9	40	49	0	72	72	121
Governments and public institutions	0	6	6	0	0	0	6
Corporate & institutional	372	243	615	52	391	443	1,058
Gross impaired loans	**690**	**298**	**988**	**52**	**438**	**490**	**1,478**

Gross impaired loan details

end of	2011 Recorded investment	2011 Unpaid principal balance	2011 Associated specific allowance	2010 Recorded investment	2010 Unpaid principal balance	2010 Associated specific allowance
Gross impaired loan details (CHF million)						
Mortgages	138	131	17	168	158	26
Loans collateralized by securities	36	34	22	49	45	36
Consumer finance	153	151	60	167	166	48
Consumer	327	316	99	384	369	110
Real estate	27	22	16	55	45	29
Commercial and industrial loans	675	650	283	724	667	366
Financial institutions	142	141	83	118	117	89
Governments and public institutions	6	4	6	6	4	6
Corporate & institutional	850	817	388	903	833	490
Gross impaired loans with a specific allowance	**1,177**	**1,133**	**487**	**1,287**	**1,202**	**600**
Mortgages	33	33	–	25	25	–
Loans collateralized by securities	1	1	–	0	0	–
Consumer finance	13	13	–	11	12	–
Consumer	47	47	–	36	37	–
Real estate	14	14	–	3	3	–
Commercial and industrial loans	67	67	–	149	146	–
Financial institutions	16	16	–	3	4	–
Governments and public institutions	0	0	–	0	0	–
Corporate & institutional	97	97	–	155	153	–
Gross impaired loans without specific allowance	**144**	**144**	**–**	**191**	**190**	**–**
Gross impaired loans	**1,321**	**1,277**	**487**	**1,478**	**1,392**	**600**
of which consumer loans	374	363	99	420	406	110
of which corporate and institutional loans	947	914	388	1,058	986	490

Gross impaired loan details (continued)

	2011			2010		
in	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	139	1	0	169	1	1
Loans collateralized by securities	35	0	0	48	1	0
Consumer finance	135	2	1	191	8	4
Consumer	309	3	1	408	10	5
Real estate	28	0	0	52	0	0
Commercial and industrial loans	812	7	6	701	5	5
Financial institutions	147	0	0	133	0	0
Governments and public institutions	6	0	0	6	0	0
Corporate & institutional	993	7	6	892	5	5
Gross impaired loans with a specific allowance	**1,302**	**10**	**7**	**1,300**	**15**	**10**
Mortgages	68	0	0	77	0	0
Loans collateralized by securities	4	0	0	3	0	0
Consumer finance	19	0	0	14	0	0
Consumer	91	0	0	94	0	0
Real estate	74	5	5	14	0	0
Commercial and industrial loans	130	0	0	238	0	0
Financial institutions	19	0	0	4	0	0
Governments and public institutions	0	0	0	0	0	0
Corporate & institutional	223	5	5	256	0	0
Gross impaired loans without specific allowance	**314**	**5**	**5**	**350**	**0**	**0**
Gross impaired loans	**1,616**	**15**	**12**	**1,650**	**15**	**10**
of which consumer loans	400	3	1	502	10	5
of which corporate and institutional loans	1,216	12	11	1,148	5	5

As of December 31, 2011 and 2010, the Bank did not have any material commitments to lend additional funds to debtors whose loan terms have been modified in troubled debt restructurings.

▸ Refer to "Note 18 – Loans, allowance for loan losses and credit quality" in V – Consolidated financial statements – Credit Suisse Group for further information.

18 Premises and equipment

end of	2011	2010
Premises and equipment (CHF million)		
Buildings and improvements	3,671	3,524
Land	732	734
Leasehold improvements	2,198	1,930
Software	4,603	3,793
Equipment	3,055	2,967
Premises and equipment	**14,259**	**12,948**
Accumulated depreciation	(7,559)	(6,728)
Total premises and equipment, net	**6,700**	**6,220**

Depreciation and impairment

in	2011	2010	2009
CHF million			
Depreciation	1,053	1,085	988
Impairment	84	16	45

In 2011, the estimated useful lives for leasehold and building improvements in Switzerland were increased from five to ten years, based on a change in estimate. The cumulative effect of adopting this change in estimate on January 1, 2011 was a decrease in depreciation expense of CHF 57 million (CHF 50 million after tax).

19 Goodwill and other intangible assets

Goodwill

end of	2011				2010			
	Private Banking	Investment Banking	Asset Manage-ment	**Credit Suisse (Bank)**	Private Banking	Investment Banking	Asset Manage-ment	**Credit Suisse (Bank)**
Gross amount of goodwill (CHF million)								
Balance at beginning of period	**339**	**5,707**	**1,486**	**7,532**	**379**	**6,203**	**1,632**	**8,214**
Foreign currency translation impact	(8)	16	(4)	4	(40)	(496)	(145)	(681)
Other	2	0	0	2	0	0	(1)	(1)
Balance at end of period	**333**	**5,723**	**1,482**	**7,538**	**339**	**5,707**	**1,486**	**7,532**
Accumulated impairment (CHF million)								
Balance at beginning of period	**0**	**82**	**0**	**82**	**0**	**82**	**0**	**82**
Balance at end of period	**0**	**82**	**0**	**82**	**0**	**82**	**0**	**82**
Net book value (CHF million)								
Net book value	**333**	**5,641**	**1,482**	**7,456**	**339**	**5,625**	**1,486**	**7,450**

▸ Refer to "Note 20 – Goodwill and other intangible assets" in V – Consolidated financial statements – Credit Suisse Group for further information.

Other intangible assets

end of	Gross carrying amount	Accumu-lated amorti-zation	**Net carrying amount**	Gross carrying amount	Accumu-lated amorti-zation	**Net carrying amount**
			2011			2010
Other intangible assets (CHF million)						
Tradenames/trademarks	26	(21)	5	26	(21)	5
Client relationships	357	(189)	168	365	(165)	200
Other	7	(1)	6	0	0	0
Total amortizing other intangible assets	**390**	**(211)**	**179**	**391**	**(186)**	**205**
Non-amortizing other intangible assets	101	–	101	99	–	99
of which mortgage servicing rights, at fair value	70	–	70	66	–	66
Total other intangible assets	**491**	**(211)**	**280**	**490**	**(186)**	**304**

Additional information

in	**2011**	2010	2009
Aggregate amortization and impairment (CHF million)			
Aggregate amortization	30	33	41
Impairment	0	1	7

Estimated amortization

Estimated amortization (CHF million)	
2012	27
2013	24
2014	23
2015	22
2016	18

▸ Refer to "Note 20 – Goodwill and other intangible assets" in V – Consolidated financial statements – Credit Suisse Group for further information.

20 Life settlement contracts

2011	within 1 year	within 1-2 years	within 2-3 years	within 3-4 years	within 4-5 years	Thereafter	Total
Fair value method							
Number of contracts	563	986	1,943	2,005	2,330	614	8,441
Carrying value (CHF million)	19	32	59	68	67	550	795
Face value (CHF million)	20	35	67	88	94	2,580	2,884
Investment method							
Number of contracts	–	–	–	–	–	8	8
Carrying value (CHF million)	–	–	–	–	–	54	54
Face value (CHF million)	–	–	–	–	–	74	74
2010							
Fair value method							
Number of contracts	929	500	1,002	1,789	1,850	2,804	8,874
Carrying value (CHF million)	30	27	42	80	134	545	858
Face value (CHF million)	31	51	67	137	316	2,877	3,479
Investment method							
Number of contracts	–	–	–	–	–	8	8
Carrying value (CHF million)	–	–	–	–	–	51	51
Face value (CHF million)	–	–	–	–	–	70	70

Realized and unrealized gains and losses on life settlement contracts accounted for under the fair value method

in	2011	2010	2009
CHF million			
Realized gains/(losses)	12	44	(39)
Unrealized gains/(losses)	(30)	(105)	(8)

▸ Refer to “Note 21 – Life settlement contracts” in V – Consolidated financial statements – Credit Suisse Group for further information.

21 Other assets and other liabilities

end of	2011	2010
Other assets (CHF million)		
Cash collateral on derivative instruments	15,812	14,987
Cash collateral on non-derivative transactions	2,083	1,792
Derivative instruments used for hedging	3,607	2,682
Assets held-for-sale	21,205	26,886
of which loans [1]	20,457	24,925
of which real estate	732	1,946
Assets held for separate accounts	14,407	13,815
Interest and fees receivable	6,013	5,098
Deferred tax assets	8,843	9,350
Prepaid expenses	592	442
Failed purchases	1,513	1,279
Other	3,884	2,974
Other assets	**77,959**	**79,305**
Other liabilities (CHF million)		
Cash collateral on derivative instruments	11,933	14,428
Cash collateral on non-derivative transactions	1,002	20
Derivative instruments used for hedging	1,745	1,059
Provisions [2]	1,035	1,606
of which off-balance sheet risk	64	551
Liabilities held for separate accounts	14,407	13,815
Interest and fees payable	6,875	6,685
Current tax liabilities	782	1,104
Deferred tax liabilities	219	267
Failed sales	6,888	7,354
Other	17,051	14,868
Other liabilities	**61,937**	**61,206**

[1] Included as of December 31, 2011 and 2010 were CHF 6,299 million and CHF 7,818 million, respectively, in restricted loans, which represented collateral on secured borrowings, and CHF 1,386 million and CHF 1,223 million, respectively, in loans held in trusts, which are consolidated as a result of failed sales under US GAAP. [2] Includes provision for bridge commitments.

22 Deposits

	2011			2010		
end of	Switzerland	Foreign	**Total**	Switzerland	Foreign	**Total**
Deposits (CHF million)						
Non-interest-bearing demand deposits	7,557	3,500	11,057	7,849	2,612	10,461
Interest-bearing demand deposits	107,953	20,577	128,530	95,440	18,478	113,918
Savings deposits	46,576	38	46,614	45,423	27	45,450
Time deposits	15,257	137,725	152,982 [1]	17,669	123,944	141,613 [1]
Total deposits	**177,343**	**161,840**	**339,183** [2]	**166,381**	**145,061**	**311,442** [2]
of which due to banks	–	–	51,484	–	–	47,675
of which customer deposits	–	–	287,699	–	–	263,767

The designation of deposits in Switzerland versus foreign deposits is based upon the location of the office where the deposit is recorded.
[1] Included as of December 31, 2011 and 2010 were CHF 152,575 million and CHF 141,169 million, respectively, of individual time deposits issued in Switzerland and in foreign offices in the Swiss franc equivalent amounts of USD 100,000 or more. [2] Not included as of December 31, 2011 and 2010 were CHF 51 million and CHF 48 million, respectively, of overdrawn deposits reclassified as loans.

23 Long-term debt

end of	2011	2010
Long-term debt (CHF million)		
Senior	118,551	126,441
Subordinated	25,998	24,960
Non-recourse liabilities from consolidated VIEs	14,858	19,739
Long-term debt	**159,407**	**171,140**
of which reported at fair value	68,256	81,474
of which structured notes	33,412	36,201

Long-term debt by maturities

end of	2012	2013	2014	2015	2016	Thereafter	Total
Long-term debt (CHF million)							
Senior debt							
Fixed rate	9,935	12,669	9,341	11,492	3,785	19,879	67,101
Variable rate	13,363	10,475	7,709	5,447	3,806	10,650	51,450
Interest rates (range in %) [1]	0.0-16.0	0.0-13.6	0.0-13.7	0.0-13.2	0.0-11.9	0.0-7.1	–
Subordinated debt							
Fixed rate	184	3,664	121	424	39	17,493	21,925
Variable rate	3,000	–	200	20	30	823	4,073
Interest rates (range in %) [1]	0.4-8.0	3.7-7.9	–	4.2-10.3	4.8	0.0-13.1	–
Non-recourse liabilities from consolidated VIEs							
Fixed rate	129	2	–	399	2	948	1,480
Variable rate	538	17	369	625	1,451	10,378	13,378
Interest rates (range in %) [1]	0.0-2.7	–	0.0-13.2	0.0-12.6	0.0-12.8	0.0-11.3	–
Total long-term debt	**27,149**	**26,827**	**17,740**	**18,407**	**9,113**	**60,171**	**159,407**
of which structured notes	8,732	4,434	4,694	3,784	3,239	8,529	33,412

[1] Excludes structured notes for which fair value has been elected as the related coupons are dependent upon the embedded derivatives and prevailing market conditions at the time each coupon is paid.

▸ Refer to "Note 24 – Long-term debt" in V – Consolidated financial statements – Credit Suisse Group for further information.

24 Accumulated other comprehensive income

	Gains/ (losses) on cash flow hedges	Cumulative translation adjustments	Unrealized gains/ (losses) on securities	Actuarial gains/ (losses)	Net prior service credit/ (cost)	**Accumulated other comprehensive income**
2011 (CHF million)						
Balance at beginning of period	**32**	**(9,975)**	**98**	**(871)**	**5**	**(10,711)**
Increase/(decrease)	(5)	(350)	22	103	0	(230)
Reclassification adjustments, included in net income	(27)	16	(24)	39	(1)	3
Balance at end of period	**0**	**(10,309)**	**96**	**(729)**	**4**	**(10,938)**
2010 (CHF million)						
Balance at beginning of period	**10**	**(7,745)**	**84**	**(761)**	**6**	**(8,406)**
Increase/(decrease)	45	(2,352)	8	(134)	0	(2,433)
Reclassification adjustments, included in net income	(23)	(13)	6	24	(1)	(7)
Cumulative effect of accounting changes, net of tax	0	135	0	0	0	135
Balance at end of period	**32**	**(9,975)**	**98**	**(871)**	**5**	**(10,711)**
2009 (CHF million)						
Balance at beginning of period	**(7)**	**(7,273)**	**71**	**(538)**	**6**	**(7,741)**
Increase/(decrease)	30	(522)	28	(238)	0	(702)
Reclassification adjustments, included in net income	(13)	50	(15)	15	0	37
Balance at end of period	**10**	**(7,745)**	**84**	**(761)**	**6**	**(8,406)**

Refer to "Note 25 – Tax" and "Note 28 – Pension and other post-retirement benefits" for income tax expense/(benefit) on the movements of accumulated other comprehensive income.

25 **Tax**

Income/(loss) from continuing operations before taxes in Switzerland and foreign countries

in	2011	2010	2009
Income/(loss) from continuing operations before taxes (CHF million)			
Switzerland	(198)	950	1,610
Foreign	2,560	5,321	5,747
Income from continuing operations before taxes	**2,362**	**6,271**	**7,357**

Details of current and deferred taxes

in	2011	2010	2009
Current and deferred taxes (CHF million)			
Switzerland	(53)	(25)	99
Foreign	430	235	760
Current income tax expense	**377**	**210**	**859**
Switzerland	(252)	(293)	32
Foreign	308	1,341	903
Deferred income tax expense	**56**	**1,048**	**935**
Income tax expense	**433**	**1,258**	**1,794**
Income tax expense/(benefit) on discontinued operations	0	0	(19)
Income tax expense/(benefit) reported in shareholder's equity related to:			
Gains/(losses) on cash flow hedges	(4)	4	0
Cumulative translation adjustment	16	32	(164)
Unrealized gains/(losses) on securities	16	0	7
Actuarial gains/(losses)	29	(46)	(81)
Net prior service cost	(1)	0	(1)
Share-based compensation and treasury shares	274	(608)	(169)

Reconciliation of taxes computed at the Swiss statutory rate

in	2011	2010	2009
Reconciliation of taxes computed at the Swiss statutory rate (CHF million)			
Income tax expense computed at the statutory tax rate of 22%	520	1,380	1,619
Increase/(decrease) in income taxes resulting from			
Foreign tax rate differential	(5)	569	887
Non-deductible amortization of other intangible assets and goodwill impairment	0	1	3
Other non-deductible expenses	443	619	502
Additional taxable income	6	22	70
Lower taxed income [1]	(470)	(760)	(575)
Income taxable to noncontrolling interests	(312)	(282)	313
Changes in tax law and rates	170	119	3
Changes in deferred tax valuation allowance [1]	464	54	(91)
Other [1]	(383)	(464)	(937)
Income tax expense	**433**	**1,258**	**1,794**

[1] See explanation below.

Lower taxed income
2011 included a tax benefit of CHF 55 million in respect of the Swiss tax effect relating to the reduction in the valuation of an investment in a subsidiary.

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 deferred tax valuation allowance
2011 included an increase to the valuation allowance of CHF 428 million in respect of three of the Bank's operating entities, two in the UK and one in Asia, mainly relating to deferred tax assets on tax loss carry-forwards.

2011, 2010 and 2009 included a tax benefit of CHF 7 million, CHF 199 million and CHF 567 million, respectively, resulting from the release of valuation allowances on deferred tax assets for one of the Bank's operating entities in the US. The 2009 tax benefit was partially offset by a net increase to the valuation allowance on deferred tax assets on net tax loss carry-forwards of CHF 433 million.

2010 included an increase to the valuation allowance of CHF 193 million in respect of one of the Bank's operating entities in the UK relating to deferred tax assets on tax loss carry-forwards.

Other
2011 included a tax benefit of CHF 261 million relating to the increase of deferred tax assets in two of the Bank's operating entities, one in Switzerland and one in the US.

2011, 2010 and 2009 included an amount of CHF 125 million, CHF 301 million and CHF 156 million, respectively, relating to the release of tax contingency accruals following the favorable resolution of tax matters.

2009 included foreign exchange translation gains of CHF 460 million relating to deferred tax assets on tax loss carry-forwards recorded in UK entities. The foreign exchange movements arose due to tax loss carry-forwards denominated in British pounds, which differs from the functional currency of the reporting entities. UK tax law was enacted during 2009 which had the effect of removing these foreign exchange movements going forward.

2009 included a tax benefit of CHF 91 million relating to the increase of deferred tax assets on net operating loss carry-forwards, which was offset by an equivalent increase of valuation allowance on deferred tax assets on net operating loss carry-forwards.

As of December 31, 2011, the Bank had accumulated undistributed earnings from foreign subsidiaries of CHF 7.5 billion. No deferred tax liability was recorded in respect of those amounts as these earnings are considered indefinitely reinvested. It is not practicable to estimate the amount of unrecognized deferred tax liabilities for these undistributed foreign earnings.

Details of the tax effect of temporary differences

end of	2011	2010
Tax effect of temporary differences (CHF million)		
Compensation and benefits	2,172	2,189
Loans	392	602
Investment securities	1,480	1,470
Provisions	1,943	1,530
Business combinations	101	96
Derivatives	385	264
Real estate	211	200
Net operating loss carry-forwards	7,276	7,195
Other	174	142
Gross deferred tax assets before valuation allowance	**14,134**	**13,688**
Less valuation allowance	(2,674)	(2,255)
Gross deferred tax assets net of valuation allowance	**11,460**	**11,433**
Compensation and benefits	(129)	(62)
Loans	(147)	(135)
Investment securities	(1,192)	(733)
Provisions	(342)	(535)
Business combinations	(227)	(277)
Derivatives	(392)	(420)
Leasing	(58)	(66)
Real estate	(67)	(68)
Other	(282)	(54)
Gross deferred tax liabilities	**(2,836)**	**(2,350)**
Net deferred tax assets	**8,624**	**9,083**

The decrease in net deferred tax assets from 2010 to 2011 of CHF 459 million was primarily due to the recognition of a valuation allowance against deferred tax assets, mainly in the UK and Asia, of CHF 419 million, a write-down of CHF 172 million as a result of changes to corporation tax rates in the UK and Japan and foreign exchange translation losses of CHF 30 million, which are included within the currency translation adjustment recorded in accumulated other comprehensive income/(loss) (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 377 million. The remaining movement, a reduction of net deferred tax assets of CHF 215 million, mainly represents the impact of temporary differences and taxable income in 2011.

The most significant net deferred tax assets arise in the US and UK and these decreased from CHF 8,406 million, net of a valuation allowance of CHF 1,302 million as of the end of 2010 to CHF 7,766 million, net of a valuation allowance of CHF 1,643 million as of the end of 2011.

Due to uncertainty concerning its ability to generate the necessary amount and mix of taxable income in future periods, the Bank recorded a valuation allowance against deferred tax assets in the amount of CHF 2.7 billion as of December 31, 2011 compared to CHF 2.3 billion as of December 31, 2010.

Amounts and expiration dates of net operating loss carry-forwards

end of 2011	Total
Net operating loss carry-forwards (CHF million)	
Due to expire within 1 year	31
Due to expire within 2 to 5 years	8,331
Due to expire within 6 to 10 years	3,654
Due to expire within 11 to 20 years	8,199
Amount due to expire	**20,215**
Amount not due to expire	11,324
Total net operating loss carry-forwards	**31,539**

Movements in the valuation allowance

in	2011	2010	2009
Movements in the valuation allowance (CHF million)			
Balance at beginning of period	**2,255**	**2,790**	**2,922**
Net changes	419	(535)	(132)
Balance at end of period	**2,674**	**2,255**	**2,790**

Tax benefits associated with share-based compensation

in	2011	2010	2009
Tax benefits associated with share-based compensation (CHF million)			
Tax benefits recorded in the consolidated statements of operations	464	536	623
Windfall tax benefits/(shortfall tax charges) recorded in additional paid-in capital	(277)	615	179
Tax benefits in respect of tax on dividend equivalent payments	1	26	0

▸ Refer to “Note 26 – Employee deferred compensation” for further information on share-based compensation.

However, windfall deductions and dividend equivalents aggregating CHF 1.1 billion and CHF 1.0 billion for 2011 and 2010, 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 278 million tax benefit will be recorded in additional paid-in capital.

Uncertain tax positions

Reconciliation of the beginning and ending amount of gross unrecognized tax benefits

in	2011	2010	2009
Movements in gross unrecognized tax benefits (CHF million)			
Balance at beginning of period	**578**	**944**	**1,136**
Increases in unrecognized tax benefits as a result of tax positions taken during a prior period	54	53	18
Decreases in unrecognized tax benefits as a result of tax positions taken during a prior period	(177)	(286)	(197)
Increases in unrecognized tax benefits as a result of tax positions taken during the current period	29	37	25
Decreases in unrecognized tax benefits relating to settlements with tax authorities	(65)	(12)	(48)
Reductions to unrecognized tax benefits as a result of a lapse of the applicable statute of limitations	(19)	(88)	(6)
Other (including foreign currency translation)	(30)	(70)	16
Balance at end of period	**370**	**578**	**944**
of which, if recognized, would affect the effective tax rate	364	553	895

Interest and penalties

in	2011	2010	2009
Interest and penalties (CHF million)			
Interest and penalties recognized in the consolidated statements of operations	(19)	(42)	(16)
Interest and penalties recognized in the consolidated balance sheets	82	206	267

Interest and penalties are reported as tax expense. The Bank 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 26 million in unrecognized tax benefits within 12 months of the reporting date.

The Bank remains open to examination from federal, state, provincial or similar local jurisdictions from the following years onward in these major countries: Switzerland – 2008; the US – 2006; Japan – 2005; the Netherlands – 2005; and the UK – 2003.

▸ Refer to “Note 26 – Tax” in V – Consolidated financial statements – Credit Suisse Group for further information.

26 Employee deferred compensation

Deferred compensation for employees

▸ Refer to "Note 27 – Employee deferred compensation" in V – Consolidated financial statements – Credit Suisse Group for further information.

The following tables show the compensation expense for deferred compensation awards granted in 2011 and prior years that was recognized in the consolidated statements of operations during 2011, 2010, and 2009, the total shares delivered, the estimated unrecognized compensation expense for deferred compensation awards granted in 2011 and prior years outstanding as of December 31, 2011 and the remaining requisite service period over which the estimated unrecognized compensation expense will be recognized.

Deferred compensation expense

in	**2011**	2010	2009
Deferred compensation expense (CHF million)			
Share awards	758	293	330
Adjustable Performance Plan awards	1,086	948	–
Restricted Cash Awards	252	–	–
Scaled Incentive Share Units	404	552	–
Incentive Share Units	172	713	1,498
Cash Retention Awards	0	574	819
Performance Incentive Plans (PIP I and PIP II) [1]	0	(2)	18
2008 Partner Asset Facility awards [2]	3	45	628
Other cash awards	325	410	420
Total deferred compensation expense	**3,000**	**3,533**	**3,713**
Total shares delivered (million)			
Total shares delivered	23.6	46.7	38.1

[1] Includes claw backs. [2] Represents the change in the underlying fair value of the indexed assets during the period. 2009 also included the vesting of the remaining 33.3% in the first quarter.

Additional information

end of	**2011**
Estimated unrecognized compensation expense (CHF million)	
Share awards	1,089
Adjustable Performance Plan awards	559
Restricted cash awards	167
Scaled Incentive Share Units	208
Incentive Share Units	85
Other cash awards	77
Total	**2,185**
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 2012 for 2011.

Fair value assumptions for share-based compensation

The following table illustrates the significant assumptions used to estimate the fair value of Scaled Incentive Share Units (SISUs) and Incentive Share Units (ISUs) granted in 2010 and 2009, based on the annual deferred compensation process.

Significant fair value assumptions

	2010		2009
	SISU	ISU	ISU
Significant fair value assumptions			
Expected volatility, in %	33.42	33.52	62.97
Expected dividend cash flows, in CHF			
2009	–	–	0.10
2010	1.45	1.45	0.60
2011	1.55	1.55	1.00
2012	1.65	1.65	–
2013	1.75	–	–
Expected risk-free interest rate, in %	1.26	1.00	1.24
Expected term, in years	4	3	3

Share awards

On January 19, 2012, the Bank granted 19.7 million share awards with a total value of CHF 432 million. The estimated unrecognized compensation expense of CHF 457 million was determined based on the fair value of the award as of the grant date, including the current estimate of future forfeitures, and will be recognized over the three-year vesting period, subject to early retirement rules. On January 20, 2011, the Bank granted 34.0 million share awards with a total value of CHF 1,408 million.

On January 19, 2012, the Bank granted 0.4 million blocked shares for approximately CHF 9 million that vested immediately upon grant, have no future service requirements and were attributed to services performed in 2011. On January 20, 2011, the Bank granted 0.7 million blocked shares for approximately CHF 30 million.

Performance share awards

On January 19, 2012, the Bank granted 23.2 million performance share awards with a total value of CHF 509 million. The fair value of each share award was CHF 23.90, equivalent to the Group's closing share price on the grant date. The estimated unrecognized compensation expense of CHF 539 million was determined based on the fair value of the award as of 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, subject to early retirement rules.

Share award activities

	2011		2010		2009	
	Number of share awards in million	Weighted-average grant-date fair value in CHF	Number of share awards in million	Weighted-average grant-date fair value in CHF	Number of share awards in million	Weighted-average grant-date fair value in CHF
Share award activities						
Balance at beginning of period	**17.3**	**43.86**	**15.5**	**45.67**	**20.5**	**58.90**
Granted	39.8	41.03	7.1	45.30	8.1	40.35
Settled	(7.4)	43.39	(4.9)	48.39	(12.5)	69.36
Forfeited	(2.1)	43.39	(0.4)	51.65	(0.6)	53.33
Balance at end of period	**47.6**	**41.91**	**17.3**	**43.86**	**15.5**	**45.67**
of which vested	1.8		1.3	–	1.2	–
of which unvested	45.8		16.0	–	14.3	–

2011 Partner Asset Facility

In January 2012, the Bank awarded 2011 Partner Asset Facility (PAF2) units with a total value of CHF 497 million. As of the grant date, March 1, 2012, the estimated unrecognized expense was CHF 538 million, which will be recognized in the first quarter of 2012 as the awards will have 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

On January 20, 2011 and January 21, 2010, the Bank granted Adjustable Performance Plan awards with a total value of CHF 1,099 million and CHF 1,186 million, respectively.

Restricted Cash Award

On January 20, 2011, the Bank granted Restricted Cash Awards with a total value of CHF 465 million.

Scaled Incentive Share Unit

On January 21, 2010, the Bank granted 20.7 million SISUs.

Scaled Incentive Share Unit activities

	2011	2010
Number of awards (million)		
Balance at beginning of period	**20.0**	**–**
Granted	–	20.7
Settled	(5.0)	(0.2)
Forfeited	(0.6)	(0.5)
Balance at end of period	**14.4**	**20.0**
of which vested	1.0	0.2
of which unvested	13.4	19.8

Incentive Share Unit

On January 21, 2010 and January 21, 2009, the Bank granted 6.0 million and 25.9 million ISUs, respectively.

The ISU leverage units granted in 2007 were settled in the first quarter of 2011 and 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

	2011	2010	2009
Number of awards (million)			
Balance at beginning of period	**37.2**	**40.2**	**59.3**
Granted [1]	–	6.0	25.9
Settled	(23.0)	(8.2)	(42.8)
Forfeited	(1.0)	(0.8)	(2.2)
Balance at end of period	**13.2**	**37.2**	**40.2**
of which vested	1.4	3.9	2.7
of which unvested	11.8	33.3	37.5

[1] Includes ISUs granted in January and through out the year.

Performance Incentive Plan

The Performance Incentive Plan (PIP) I units granted in 2005 were settled in April 2010 in accordance with the terms and conditions of the plan and each outstanding PIP I unit settled for approximately 4.8 Group shares. The PIP II units granted in 2006 were settled in March 2011 and each outstanding PIP unit had no value at settlement as the Group share price performance was below the minimum predefined target of CHF 47.

Performance Incentive Plan activities

	2011	2010		2009	
	PIP II	PIP II	PIP I	PIP II	PIP I
Number of awards (million)					
Balance at beginning of period	**6.0**	**6.1**	**11.8**	**6.1**	**11.8**
Settled	(6.0)	0.0	(11.6)	0.0	0.0
Forfeited	0.0	(0.1)	(0.2)	0.0	0.0
Balance at end of period	**0.0**	**6.0**	**0.0**	**6.1**	**11.8**
of which vested	–	5.2	–	4.3	10.1
of which unvested	–	0.8	–	1.8	1.7

2008 Partner Asset Facility

On January 21, 2009, the Bank granted Partner Asset Facility awards to employees with a total notional value of CHF 676 million.

Share options

There were no options granted during 2011, 2010 and 2009. As of December 31, 2011, there was no aggregate intrinsic value of options outstanding or exercisable and the weighted-average remaining contractual term was 0.6 year. As of the exercise date, the total intrinsic value of options exercised during 2011, 2010 and 2009 was CHF 1 million, CHF 8 million and CHF 9 million, respectively. Cash received from option exercises during 2011, 2010 and 2009 was CHF 2 million, CHF 32 million and CHF 27 million, respectively. During January 2012, 8.5 million options expired.

Share option activities

	2011		2010		2009	
	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	**28.3**	**63.94**	**32.8**	**62.68**	**36.6**	**61.41**
Exercised	(0.1)	31.74	(0.8)	40.12	(0.7)	41.60
Settled	0.0	0.0	0.0	0.0	(0.1)	62.05
Expired	(11.7)	82.41	(3.7)	57.98	(3.0)	51.89
Balance at end of period	**16.5**	**50.99**	**28.3**	**63.94**	**32.8**	**62.68**
Exercisable at end of period	16.5	50.99	28.3	63.94	32.8	62.68

27 Related parties

The Group owns all of the Bank's outstanding voting registered shares. The Bank is involved in significant financing and other transactions with subsidiaries and affiliates of the Group. The Bank generally enters into these transactions in the ordinary course of business and believes that these transactions are generally on market terms that could be obtained from unrelated third parties.

▸ Refer to "Note 28 – Related parties" in V – Consolidated financial statements – Credit Suisse Group for further information.

Related party assets and liabilities

end of	**2011**	2010
Assets (CHF million)		
Cash and due from banks	2,466	533
Interest-bearing deposits with banks	3,440	3,035
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	0	541
Trading assets	320	185
Net loans	8,000	9,339
Other assets	80	100
Total assets	**14,306**	**13,733**
Liabilities (CHF million)		
Due to banks/customer deposits	12,895	12,135
Trading liabilities	90	93
Long-term debt	7,241	7,906
Other liabilities	386	430
Total liabilities	**20,612**	**20,564**

Related party revenues and expenses

in	**2011**	2010	2009
Revenues (CHF million)			
Interest and dividend income	70	86	120
Interest expense	(274)	(317)	(514)
Net interest income	**(204)**	**(231)**	**(394)**
Commissions and fees	(15)	(33)	(42)
Other revenues	326	330	248
Total non-interest revenues	**311**	**297**	**206**
Net revenues	**107**	**66**	**(188)**
Expenses (CHF million)			
Total operating expenses	**(299)**	**(389)**	**(101)**

Related party guarantees

end of	2011	2010
Guarantees (CHF million)		
Credit guarantees and similar instruments	62	16
Performance guarantees and similar instruments	12	0
Derivatives	66	29
Other guarantees	239	220
Total guarantees	**379**	**265**

Loans to members of the Executive Board and the Board of Directors

in	2011	2010	2009
Loans to members of the Executive Board (CHF million)			
Balance at beginning of period	**18** [1]	**19**	**24**
Additions	5	5	4
Reductions	(1)	(6)	(9)
Balance at end of period	**22** [1]	**18**	**19**
Loans to members of the Boad of Directors (CHF million)			
Balance at beginning of period	**34** [2]	**24**	**14**
Additions	2	14	11
Reductions	(3)	(4)	(1)
Balance at end of period	**33** [2]	**34**	**24**

[1] The number of individuals with outstanding loans at the beginning and end of the year was six. [2] The number of individuals with outstanding loans at the beginning and end of the year was seven and six, respectively.

Liabilities due to own pension funds

Liabilities due to the Bank's own pension funds as of December 31, 2011 and 2010 of CHF 1,897 million and CHF 1,308 million, respectively, were reflected in various liability accounts in the Bank's consolidated balance sheets.

28 Pension and other post-retirement benefits

Pension plans

The Bank participates in a defined benefit pension plan sponsored by the Group and has single-employer defined benefit pension plans, defined contribution pension plans and other post-retirement defined benefit plans. The Bank's principal plans are located in Switzerland, the US and the UK.

Group pension plan

The Bank covers pension requirements for its employees in Switzerland by participating in a defined benefit pension plan sponsored by the Group (Group plan). The plan provides benefits in the event of retirement, death and disability. Various legal entities within the Group participate in the plan, which is set up as an independent trust domiciled in Zurich. 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, effective as of January 1, 2013. In accordance with US GAAP, the Group accounts for the Group plan as a single-employer defined benefit pension plan, for both the annuity section and the savings section, and uses the projected unit credit actuarial method to determine the net periodic pension expense, the PBO and the accumulated benefit obligation (ABO). The Bank accounts for the defined benefit pension plan sponsored by the Group as a Group pension plan because other legal entities within the Group also participate in the plan and the assets contributed by the Bank are not segregated into a separate account or restricted to provide benefits only to employees of the Bank. The assets contributed by the Bank are commingled with the assets contributed by the other legal entities of the Group and can be used to provide benefits to any employee of any participating legal entity. The Bank's contributions to the Group plan comprise 90% of the total assets contributed to the Group plan by all participating legal entities on an annual basis.

The Bank accounts for the Group plan on a defined contribution basis whereby it only recognizes the amounts required to be contributed to the Group plan during the period as net periodic pension expense and only recognizes a liability for any contributions due and unpaid. No other expenses or balance sheet amounts related to the Group plan were recognized by the Bank. In the annuity section of the plan, the Bank's contributions are determined using a predetermined formula based on each employee's salary level, age and funding level and amount to at least 200% of each employee's contribution. In the savings section of the plan, the Bank's contribution varies between 7.5% and 25% of the pensionable salary depending on the employees' age.

During 2011, 2010 and 2009, the Bank contributed and recognized as expense CHF 611 million, CHF 619 million and CHF 394 million to the Group plan, respectively. The Bank expects to contribute CHF 403 million to the Group plan during 2012. If the Bank had accounted for the Group plan as a single-employer defined benefit plan, the net periodic pension expense recognized by the Bank during 2011, 2010 and 2009 would have been lower by CHF 450 million, CHF 447 million and CHF 274 million, respectively, and the Bank would have recognized CHF 91 million, CHF 93 million and CHF 38 million, respectively, as amortization of actuarial losses and prior service cost for the Group plan.

As of December 31, 2011 and 2010, the ABO of the Group plan was CHF 13.5 billion and CHF 12.8 billion, the PBO was CHF 13.9 billion and CHF 13.8 billion and the fair value of plan assets was CHF 13.6 billion and CHF 13.4 billion, respectively. As of December 31, 2011 and 2010, the Group plan was overfunded on an ABO basis by CHF 137 million and CHF 581 million and underfunded on a PBO basis by CHF 340 million and CHF 385 million, respectively. If the Bank had accounted for the Group plan as a defined benefit pension plan, the Bank would have had to recognize the funded status of the Group plan on a PBO basis of CHF 306 million and CHF 347 million as of December 31, 2011 and 2010, respectively, as a liability in the consolidated balance sheets, resulting in a decrease in AOCI within total shareholder's equity.

The calculation of the expense and liability associated with the Group plan requires an extensive use of assumptions, which include the expected long-term rate of return on plan assets and the discount rate as determined by the Group. If the Bank had accounted for the Group plan as a defined benefit plan, the expected long-term rate of return on plan assets used in the net periodic pension costs for 2011 and 2010 would have been 4.8%. As of December 31, 2011 and 2010, the discount rate used in the measurement of the benefit obligation would have been 2.8% and 3.1% and the discount rate used in the measurement of the net periodic pension cost would have been 3.1% and 3.5%, respectively.

International pension plans

Various pension plans cover the Bank's employees outside of Switzerland, including both single-employer defined benefit and defined contribution pension plans. These plans provide defined benefits in the event of retirement, death, disability or employment termination. Retirement benefits under the plans depend on age, contributions and salary. The Bank's funding policy with respect to these plans is consistent with local government and tax requirements. The assumptions used are derived based on local economic conditions.

Other post-retirement defined benefit plans

In the US, the Bank sponsors post-retirement defined benefit plans, that provide health and welfare benefits for certain retired employees. In exchange for the current services provided by the employee, the Bank promises to provide health and welfare benefits after the employee retires. The Bank's obligation for that compensation is incurred as employees render the services necessary to earn their post-retirement benefits.

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

	International single-employer defined benefit pension plans			Other post-retirement defined benefit plans		
in	**2011**	2010	2009	**2011**	2010	2009
Total pension costs (CHF million)						
Service costs on benefit obligation	33	30	33	–	1	1
Interest costs on benefit obligation	123	134	129	7	9	9
Expected return on plan assets	(160)	(163)	(166)	–	–	–
Amortization of recognized prior service cost/(credit)	–	1	1	(2)	(2)	(2)
Amortization of recognized actuarial losses/(gains)	51	36	17	9	6	8
Net periodic pension costs	**47**	**38**	**14**	**14**	**14**	**16**
Settlement losses/(gains)	–	(2)	1	–	–	–
Curtailment losses/(gains)	–	–	(2)	–	–	–
Total pension costs	**47**	**36**	**13**	**14**	**14**	**16**

Total pension costs reflected in compensation and benefits – other for 2011, 2010 and 2009 were CHF 61 million, CHF 50 million and CHF 29 million, respectively.

In December 2008, the Group announced a headcount reduction, which resulted in settlement payments of CHF 1 million in 2009 for the US pension plans. The discontinuance of a Japanese plan in 2009 resulted in a curtailment gain of CHF 2 million in 2009, due to the reduction in the benefit obligation, and a gain of CHF 2 million in 2010 from the related settlement of the obligation.

Benefit obligation

The following table shows the changes in the PBO, the fair value of plan assets and the amounts recognized in the consolidated balance sheets for the international single-employer defined benefit pension plans and other post-retirement defined benefit plans and as well as the ABO for the defined benefit pension plans.

Obligations and funded status of the plans

	International single-employer defined benefit pension plans		Other post-retirement defined benefit plans	
in / end of	**2011**	2010	**2011**	2010
PBO (CHF million) [1]				
Beginning of the measurement period	**2,373**	**2,299**	**160**	**141**
Service cost	33	30	–	1
Interest cost	123	134	7	9
Plan amendments	(2)	–	–	–
Settlements	(1)	(3)	–	–
Curtailments	1	–	–	–
Special termination benefits	4	3	–	–
Actuarial losses/(gains)	199	220	15	31
Plans added	–	9	–	–
Benefit payments	(56)	(52)	(8)	(8)
Exchange rate losses/(gains)	1	(267)	–	(14)
End of the measurement period	**2,675**	**2,373**	**174**	**160**
Fair value of plan assets (CHF million)				
Beginning of the measurement period	**2,121**	**2,036**	**–**	**–**
Actual return on plan assets	485	218	–	–
Employer contributions	33	172	8	8
Settlements	(1)	(3)	–	–
Benefit payments	(56)	(52)	(8)	(8)
Exchange rate gains/(losses)	4	(250)	–	–
End of the measurement period	**2,586**	**2,121**	**–**	**–**
Total funded status recognized (CHF million)				
Funded status of the plan – over/(underfunded)	(89)	(252)	(174)	(160)
Total funded status recognized in the consolidated balance sheet at December 31	**(89)**	**(252)**	**(174)**	**(160)**
Total amount recognized (CHF million)				
Noncurrent assets	498	166	–	–
Current liabilities	(8)	(13)	(8)	(8)
Noncurrent liabilities	(579)	(405)	(166)	(152)
Total amount recognized in the consolidated balance sheet at December 31	**(89)**	**(252)**	**(174)**	**(160)**
ABO (CHF million) [2]				
End of the measurement period	**2,584**	**2,287**	**–**	**–**

[1] Including estimated future salary increases. [2] Exclusive of estimated future salary increases.

The total net amount recognized in other assets – other and other liabilities – other in the consolidated balance sheets as of December 31, 2011 and 2010 was an underfunding of CHF 263 million and CHF 412 million, respectively.

In 2011 and 2010, the Bank made contributions of CHF 33 million and CHF 172 million, respectively, to the international single-employer defined benefit pension plans. The contributions for 2010 included CHF 135 million relating to a special contribution to the UK defined benefit plan. In 2012, the Bank expects to contribute CHF 183 million to the international single-employer defined benefit pension plans and CHF 8 million to other post-retirement defined benefit plans.

PBO or ABO in excess of plan assets

The following table 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, 2011 and 2010, 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]	
December 31	**2011**	2010	**2011**	2010
CHF million				
PBO	1,340	1,212	1,326	1,128
ABO	1,304	1,163	1,296	1,099
Fair value of plan assets	753	794	741	717

[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

	International single-employer defined benefit pension plans		Other post-retirement defined benefit plans		Total	
in	**2011**	2010	**2011**	2010	**2011**	2010
Amounts recognized in AOCI (CHF million)						
Actuarial gains/(losses)	(674)	(819)	(55)	(52)	(729)	(871)
Prior service credit/(cost)	0	(1)	4	6	4	5
Total	**(674)**	**(820)**	**(51)**	**(46)**	**(725)**	**(866)**

The following tables disclose the changes in other comprehensive income due to actuarial gains/(losses) and prior service credit/(cost) recognized in AOCI during 2011 and 2010 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 2012.

Amounts recognized in other comprehensive income

	International single-employer defined benefit pension plans			Other post-retirement defined benefit plans			
in	Gross	Tax	**Net**	Gross	Tax	**Net**	**Total net**
2011 (CHF million)							
Actuarial gains/(losses)	126	(14)	112	(15)	6	(9)	103
Amortization of actuarial losses/(gains)	51	(17)	34	9	(4)	5	39
Amortization of prior service cost/(credit)	0	0	0	(2)	1	(1)	(1)
Total amounts recognized in other comprehensive income	**177**	**(31)**	**146**	**(8)**	**3**	**(5)**	**141**
2010 (CHF million)							
Actuarial gains/(losses)	(165)	50	(115)	(31)	12	(19)	(134)
Amortization of actuarial losses/(gains)	36	(13)	23	6	(3)	3	26
Amortization of prior service cost/(credit)	1	(1)	0	(2)	1	(1)	(1)
Immediate recognition due to curtailment/settlement	(2)	0	(2)	–	–	–	(2)
Total amounts recognized in other comprehensive income	**(130)**	**36**	**(94)**	**(27)**	**10**	**(17)**	**(111)**

Amounts in AOCI, net of tax, expected to be amortized in 2012

in 2012	International single-employer defined benefit pension plans	Other post-retirement defined benefit plans
CHF million		
Amortization of actuarial losses/(gains)	47	8
Amortization of prior service cost/(credit)	0	(1)
Total	**47**	**7**

Assumptions

Weighted-average assumptions used to determine net periodic pension cost and benefit obligation

	International single-employer defined benefit pension plans			Other post-retirement defined benefit plans		
December 31	**2011**	2010	2009	**2011**	2010	2009
Net benefit pension cost (%)						
Discount rate	5.5	6.0	6.3	5.5	6.1	6.4
Salary increases	4.2	4.3	4.0	–	–	–
Expected long-term rate of return on plan assets	7.3	7.2	7.5	–	–	–
Benefit obligation (%)						
Discount rate	4.8	5.5	6.0	4.7	5.5	6.1
Salary increases	4.0	4.2	4.3	–	–	–

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 2011 and 9.75% for 2010 and 2009 was assumed in the cost of covered health care benefits. As of December 31, 2011, the rate is assumed to decrease gradually to 5% by 2020 and remain at that level thereafter. As of December 31, 2011, 2010 and 2009, a 1% increase in the health care cost trend rate assumption would have resulted in an increase in post-retirement expenses of CHF 1.3 million, CHF 1.5 million and CHF 1.3 million, and an increase in accumulated post-retirement defined benefit obligation of CHF 23 million, CHF 26 million and CHF 19 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 1.2 million and CHF 1.0 million, and a decrease in post-retirement defined benefit obligation of CHF 19 million, CHF 21 million and CHF 16 million as of December 31, 2011, 2010 and 2009.

Plan assets and investment strategy

▸ Refer to "Note 29 – Pension and other post-retirement benefits" in V – Consolidated financial statements – Credit Suisse Group for further information.

As of December 31, 2011 and 2010, there were no material amounts of Group debt or equity securities included in plan assets for the international single-employer defined benefit pension plans.

Fair value of plan assets

The following tables present the plan assets measured at fair value on a recurring basis as of December 31, 2011 and 2010, for the Bank's defined benefits plans.

Plan assets measured at fair value on a recurring basis

				2011				2010
end of	Level 1	Level 2	Level 3	**Total**	Level 1	Level 2	Level 3	**Total**
Plan assets at fair value (CHF million)								
Cash and cash equivalents	51	18	–	69	138	19	–	157
Debt securities	130	792	90	1,012	65	644	122	831
of which governments	128	2	–	130	57	1	–	58
of which corporates	2	790	90	882	8	643	122	773
Equity securities	82	807	–	889	–	1,006	–	1,006
Real estate – indirect	–	–	84	84	–	–	52	52
Alternative investments	3	351	90	444	–	(97)	94	(3)
of which private equity	–	–	9	9	–	–	8	8
of which hedge funds	–	–	81	81	–	3	81	84
of which other	3	351 [1]	0	354	–	(100) [1]	5	(95)
Other investments	–	88	–	88	–	78	–	78
Total plan assets at fair value	**266**	**2,056**	**264**	**2,586**	**203**	**1,650**	**268**	**2,121**

[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**
2011 (CHF million)								
Debt securities – corporates	122	30	(2)	(4)	5	(61)	0	90
Real estate – indirect	52	–	–	11	0	21	0	84
Alternative investments	94	3	(4)	(2)	3	(4)	0	90
of which private equity	8	–	–	1	0	0	0	9
of which hedge funds	81	3	–	(3)	3	(3)	0	81
of which other	5	–	(4)	0	0	(1)	0	0
Total plan assets at fair value	**268**	**33**	**(6)**	**5**	**8**	**(44)**	**0**	**264**
2010 (CHF million)								
Debt securities – corporates	176	0	–	16	1	(56)	(15)	122
Real estate – indirect	14	–	–	3	–	37	(2)	52
Alternative investments	57	–	–	0	3	39	(5)	94
of which private equity	12	–	–	0	1	(4)	(1)	8
of which hedge funds	45	–	–	0	2	38	(4)	81
of which other	–	–	–	0	0	5	–	5
Total plan assets at fair value	**247**	**0**	**–**	**19**	**4**	**20**	**(22)**	**268**

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

December 31	**2011**	2010
Weighted-average plan asset allocation (%)		
Cash and cash equivalents	2.7	7.4
Debt securities	39.1	39.1
Equity securities	34.4	47.4
Real estate	3.2	2.5
Alternative investments	17.2	0.0
Insurance	3.4	3.6
Total	**100.0**	**100.0**

The following table shows the target plan asset allocation for 2012 in accordance with the Bank's investment strategy. The target plan asset allocation is used to determine the expected return on plan assets to be considered in the net periodic pension costs for 2012.

Weighted-average target plan asset allocation to be applied prospectively

2012 (%)	
Cash and cash equivalents	1
Debt securities	56
Equity securities	21
Real estate	3
Alternative investments	16
Insurance	3
Total	**100**

Estimated future benefit payments for defined benefit pension and other post-retirement defined benefit plans

	International single-employer defined benefit pension plans	Other post-retirement defined benefit plans
Estimated future benefit payments (CHF million)		
2012	54	8
2013	55	8
2014	64	9
2015	72	10
2016	78	10
For five years thereafter	554	54

Defined contribution pension plans

The Bank contributes to various defined contribution pension plans primarily in the US and the UK as well as other countries throughout the world. During 2011, 2010, and 2009, the Bank contributed to these plans and recognized as expense CHF 244 million, CHF 263 million and CHF 235 million, respectively.

29 Derivatives and hedging activities

▸ Refer to "Note 30 – Derivatives and hedging activities" in V – Consolidated financial statements – Credit Suisse Group for further information.

Hedge accounting

Cash flow hedges

As of the end of 2011, the maximum length of time over which the Bank hedged its exposure to the variability in future cash flows for forecasted transactions, excluding those forecasted transactions related to the payment of variable interest on existing financial instruments, was 20 months.

Fair value of derivative instruments

	Trading			Hedging [1]		
end of 2011	Notional amount	Positive replacement value (PRV)	Negative replacement value (NRV)	Notional amount	Positive replacement value (PRV)	Negative replacement value (NRV)
Derivative instruments (CHF billion)						
Forwards and forward rate agreements	7,210.5	4.5	4.2	0.0	0.0	0.0
Swaps	28,752.3	658.0	649.8	66.6	3.7	2.0
Options bought and sold (OTC)	2,902.5	65.9	66.3	0.0	0.0	0.0
Futures	2,534.5	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	**42,362.1**	**728.8**	**720.6**	**66.6**	**3.7**	**2.0**
Forwards	2,125.5	29.4	30.6	17.4	0.1	0.0
Swaps	1,231.7	34.0	51.5	0.0	0.0	0.0
Options bought and sold (OTC)	829.9	12.3	12.6	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	**4,216.4**	**75.7**	**94.7**	**17.4**	**0.1**	**0.0**
Forwards	16.2	1.4	1.5	0.0	0.0	0.0
Options bought and sold (OTC)	33.5	0.9	0.9	0.0	0.0	0.0
Precious metals products	**49.7**	**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	5.8	0.0	0.0	0.0
Options bought and sold (OTC)	238.9	14.4	14.5	0.2	0.0	0.0
Futures	57.7	0.0	0.0	0.0	0.0	0.0
Options bought and sold (exchange-traded)	362.2	18.1	21.0	0.0	0.0	0.0
Equity/index-related products	**874.3**	**39.2**	**41.3**	**0.2**	**0.0**	**0.0**
Credit derivatives [2]	**2,041.4**	**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)	63.2	3.9	3.8	0.0	0.0	0.0
Other products [3]	**342.5**	**15.3**	**14.1**	**0.0**	**0.0**	**0.0**
Total derivative instruments	**49,886.4**	**924.6**	**933.1**	**84.2**	**3.8**	**2.0**

The notional amount for derivative instruments (trading and hedging) was CHF 49,970.6 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)

end of 2010	Trading Notional amount	Trading Positive replacement value (PRV)	Trading Negative replacement value (NRV)	Hedging [1] Notional amount	Hedging [1] Positive replacement value (PRV)	Hedging [1] Negative replacement value (NRV)
Derivative instruments (CHF billion)						
Forwards and forward rate agreements	8,073.9	6.3	5.9	0.0	0.0	0.0
Swaps	24,105.2	429.5	422.4	66.0	2.4	1.6
Options bought and sold (OTC)	2,420.1	44.9	46.1	0.0	0.0	0.0
Futures	2,765.7	0.0	0.0	0.0	0.0	0.0
Options bought and sold (exchange-traded)	1,365.6	0.5	0.3	0.0	0.0	0.0
Interest rate products	**38,730.5**	**481.2**	**474.7**	**66.0**	**2.4**	**1.6**
Forwards	2,053.6	35.2	37.7	19.4	0.4	0.1
Swaps	1,060.7	34.9	46.1	0.0	0.0	0.0
Options bought and sold (OTC)	794.7	14.3	15.0	0.0	0.0	0.0
Futures	13.5	0.0	0.0	0.0	0.0	0.0
Options bought and sold (exchange-traded)	5.6	0.1	0.1	0.0	0.0	0.0
Foreign exchange products	**3,928.1**	**84.5**	**98.9**	**19.4**	**0.4**	**0.1**
Forwards	15.5	1.6	1.4	0.0	0.0	0.0
Swaps	0.1	0.1	0.0	0.0	0.0	0.0
Options bought and sold (OTC)	24.8	0.7	0.8	0.0	0.0	0.0
Futures	0.5	0.0	0.0	0.0	0.0	0.0
Precious metals products	**40.9**	**2.4**	**2.2**	**0.0**	**0.0**	**0.0**
Forwards	6.2	1.1	0.1	0.0	0.0	0.0
Swaps	213.5	4.1	7.4	0.0	0.0	0.0
Options bought and sold (OTC)	279.2	15.2	16.5	0.0	0.0	0.0
Futures	77.9	0.0	0.0	0.0	0.0	0.0
Options bought and sold (exchange-traded)	387.1	17.0	17.9	0.0	0.0	0.0
Equity/index-related products	**963.9**	**37.4**	**41.9**	**0.0**	**0.0**	**0.0**
Credit derivatives [2]	**1,989.5**	**49.5**	**46.6**	**0.0**	**0.0**	**0.0**
Forwards	32.0	2.0	1.9	0.0	0.0	0.0
Swaps	100.9	14.1	15.7	0.0	0.0	0.0
Options bought and sold (OTC)	50.1	3.2	2.9	0.0	0.0	0.0
Futures	219.8	0.0	0.0	0.0	0.0	0.0
Options bought and sold (exchange-traded)	128.6	4.8	4.8	0.0	0.0	0.0
Other products [3]	**531.4**	**24.1**	**25.3**	**0.0**	**0.0**	**0.0**
Total derivative instruments	**46,184.3**	**679.1**	**689.6**	**85.4**	**2.8**	**1.7**

The notional amount for derivative instruments (trading and hedging) was CHF 46,269.7 billion as of December 31, 2010.
[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)

	2011		2010	
end of	Positive replacement value (PRV)	Negative replacement value (NRV)	Positive replacement value (PRV)	Negative replacement value (NRV)
Derivative instruments (CHF billion)				
Replacement values (trading and hedging) before netting agreements	928.4	935.1	681.9	691.3
Counterparty netting [1]	(836.4)	(836.4)	(603.0)	(603.0)
Cash collateral netting [1]	(36.3)	(37.9)	(28.4)	(29.5)
Replacement values (trading and hedging) after netting agreements	**55.7**	**60.8**	**50.5**	**58.8**
of which recorded in trading assets (PRV) and trading liabilities (NRV)	52.1	59.1	47.8	57.7
of which recorded in other assets (PRV) and other liabilities (NRV)	3.6	1.7	2.7	1.1

[1] Netting was based on legally enforceable netting agreements.

Fair value hedges

in	2011	2010	2009
Gains/(losses) recognized in income on derivatives (CHF million)			
Interest rate products	688	619	(628)
Foreign exchange products	20	21	3
Total	**708**	**640**	**(625)**
Gains/(losses) recognized in income on hedged items (CHF million)			
Interest rate products	(728)	(603)	609
Foreign exchange products	(20)	(21)	(3)
Total	**(748)**	**(624)**	**606**
Details of fair value hedges (CHF million)			
Net gains/(losses) on the ineffective portion	(40)	16	(19)

Represents gains/(losses) recognized in trading revenues.

Cash flow hedges

in	2011	2010	2009
Gains/(losses) recognized in AOCI on derivatives (CHF million)			
Foreign exchange products	(5)	54	30
Gains/(losses) reclassified from AOCI into income (CHF million)			
Foreign exchange products	31 [1]	27 [1]	13 [2]

Represents gains/(losses) on effective portion.
[1] Included in commissions and fees. [2] Included in total operating expenses.

Net investment hedges

in	2011	2010	2009
Gains/(losses) recognized in AOCI on derivatives (CHF million)			
Interest rate products	0	8	12
Foreign exchange products	280	1,563	(1,401)
Total	**280**	**1,571**	**(1,389)**
Gains/(losses) reclassified from AOCI into income (CHF million)			
Foreign exchange products	4 [1]	(4) [1]	(21) [2]
Total	**4**	**(4)**	**(21)**

Represents gains/(losses) on effective portion.
[1] Included in other revenues. [2] Primarily included in discontinued operations.

The Bank includes all derivative instruments not included in hedge accounting relationships in its trading activities.

▸ Refer to "Note 8 – Trading revenues" for gains and losses on trading activities by product type.

Disclosures relating to contingent credit risk

▸ Refer to "Note 30 – Derivatives and hedging activities" in V – Consolidated financial statements – Credit Suisse Group for further information.

The following table provides the Bank's current net exposure from contingent credit risk relating to derivative contracts with bilateral counterparties and special purpose entities (SPEs) that include credit support agreements, the related collateral posted and the additional collateral required in a one-notch and 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 by contract may include amounts other than or in addition to the NRV of derivative instruments with credit risk-related contingent features.

Contingent credit risk

end of	Bilateral counterparties	Special purpose entities	Accelerated terminations	Total
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**
2010 (CHF billion)				
Current net exposure	14.6	2.1	0.8	**17.5**
Collateral posted	13.0	2.0	-	**15.0**
Additional collateral required in a one-notch downgrade event	0.2	1.8	0.1	**2.1**
Additional collateral required in a two-notch downgrade event	0.4	3.2	0.4	**4.0**

Credit derivatives

Fair value of credit protection sold

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 4.8 billion 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

end of 2011	Credit protection sold	Credit protection purchased [1]	Net credit protection (sold)/ purchased	Other protection purchased	Fair value of credit protection sold
Single-name instruments (CHF billion)					
Investment grade [2]	(452.1)	432.3	(19.8)	55.6	(9.0)
Non-investment grade	(189.0)	179.4	(9.6)	16.7	(15.3)
Total single-name instruments	**(641.1)**	**611.7**	**(29.4)**	**72.3**	**(24.3)**
of which sovereigns	(134.7)	132.6	(2.1)	10.9	(8.1)
of which non-sovereigns	(506.4)	479.1	(27.3)	61.4	(16.2)
Multi-name instruments (CHF billion)					
Investment grade [2]	(277.8)	253.1	(24.7)	14.5	(15.6)
Non-investment grade	(71.8)	64.1 [3]	(7.7)	9.0	(1.7)
Total multi-name instruments	**(349.6)**	**317.2**	**(32.4)**	**23.5**	**(17.3)**
of which sovereigns	(18.3)	17.5	(0.8)	0.9	(1.6)
of which non-sovereigns	(331.3)	299.7	(31.6)	22.6	(15.7)
Total instruments (CHF billion)					
Investment grade [2]	(729.9)	685.4	(44.5)	70.1	(24.6)
Non-investment grade	(260.8)	243.5	(17.3)	25.7	(17.0)
Total instruments	**(990.7)**	**928.9**	**(61.8)**	**95.8**	**(41.6)**
of which sovereigns	(153.0)	150.1	(2.9)	11.8	(9.7)
of which non-sovereigns	(837.7)	778.8	(58.9)	84.0	(31.9)
end of 2010					
Single-name instruments (CHF billion)					
Investment grade [1]	(467.5)	450.1	(17.4)	49.0	1.0
Non-investment grade	(195.3)	169.2	(26.1)	17.2	(2.2)
Total single-name instruments	**(662.8)**	**619.3**	**(43.5)**	**66.2**	**(1.2)**
of which sovereigns	(115.2)	113.6	(1.6)	10.3	(2.4)
of which non-sovereigns	(547.6)	505.7	(41.9)	55.9	1.2
Multi-name instruments (CHF billion)					
Investment grade [1]	(238.4)	215.1	(23.3)	14.5	(4.8)
Non-investment grade	(60.3)	55.9	(4.4)	16.1	(1.1)
Total multi-name instruments	**(298.7)**	**271.0**	**(27.7)**	**30.6**	**(5.9)**
of which sovereigns	(15.5)	14.7	(0.8)	0.7	(0.7)
of which non-sovereigns	(283.2)	256.3	(26.9)	29.9	(5.2)
Total instruments (CHF billion)					
Investment grade [2]	(705.9)	665.2	(40.7)	63.5	(3.8)
Non-investment grade	(255.6)	225.1	(30.5)	33.3	(3.3)
Total instruments	**(961.5)**	**890.3**	**(71.2)**	**96.8**	**(7.1)**
of which sovereigns	(130.7)	128.3	(2.4)	11.0	(3.1)
of which non-sovereigns	(830.8)	762.0	(68.8)	85.8	(4.0)

[1] Represents credit protection purchased with identical underlyings and recoveries. [2] Based on internal ratings of BBB and above. [3] Includes Clock Finance.

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	2011
Credit derivatives (CHF billion)	
Credit protection sold	990.7
Credit protection purchased	928.9
Other protection purchased	95.8
Other instruments	26.0 [1]
Total credit derivatives	**2,041.4**

[1] Consists of certain cash collateralized debt obligations, TRS and other derivative instruments.

Maturity of credit protection sold

end of	Maturity less than 1 year	Maturity between 1 to 5 years	Maturity greater than 5 years	Total
2011 (CHF billion)				
Single-name instruments	134.2	394.3	112.6	641.1
Multi-name instruments	58.7	201.9	89.0	349.6
Total instruments	**192.9**	**596.2**	**201.6**	**990.7**
2010 (CHF billion)				
Single-name instruments	90.7	468.2	103.9	662.8
Multi-name instruments	27.3	227.0	44.4	298.7
Total instruments	**118.0**	**695.2**	**148.3**	**961.5**

30 Guarantees and commitments

Guarantees

end of	Maturity less than 1 year	Maturity between 1 to 3 years	Maturity between 3 to 5 years	Maturity greater than 5 years	**Total gross amount**	Total net amount [1]	Carrying value	Collateral received
2011 (CHF million)								
Credit guarantees and similar instruments	3,243	2,041	1,101	904	7,289	6,554	50	2,342
Performance guarantees and similar instruments	5,465	1,617	1,299	1,706	10,087	9,177	69	3,327
Securities lending indemnifications	15,005	0	0	0	15,005	15,005	0	15,005
Derivatives [2]	27,561	12,953	5,137	5,710	51,361	51,361	3,650	– [3]
Other guarantees	3,623	353	417	182	4,575	4,539	4	1,795
Total guarantees	**54,897**	**16,964**	**7,954**	**8,502**	**88,317**	**86,636**	**3,773**	**22,469**
2010 (CHF million)								
Credit guarantees and similar instruments	3,306	1,504	1,031	1,430	7,271	6,785	512	4,217
Performance guarantees and similar instruments	6,486	2,096	1,192	2,105	11,879	10,613	97	4,240
Securities lending indemnifications	18,254	0	0	0	18,254	18,254	0	18,254
Derivatives [2]	35,743	19,292	6,486	4,061	65,582	65,582	2,246	– [3]
Other guarantees	4,016	504	274	279	5,073	5,003	7	2,183
Total guarantees	**67,805**	**23,396**	**8,983**	**7,875**	**108,059**	**106,237**	**2,862**	**28,894**

[1] Total net amount is computed as the gross amount less any participations. [2] Excludes derivative contracts with certain active commercial and investment banks and certain other counterparties, as such contracts can be cash settled and the Bank had no basis to conclude it was probable that the counterparties held, at inception, the underlying instruments. [3] Collateral for derivatives accounted for as guarantees is not considered significant.

Deposit-taking banks and securities dealers in Switzerland and certain other European countries are required to ensure the payout of privileged deposits in case of specified restrictions or compulsory liquidation of a deposit-taking bank. In Switzerland, deposit-taking banks and securities dealers jointly guarantee an amount of up to CHF 6 billion. Upon occurrence of a payout event triggered by a specified restriction of business imposed by the Swiss Financial Market Supervisory Authority (FINMA) or by 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 Bank, the Bank's share in the deposit insurance guarantee program for the period July 1, 2011 to June 30, 2012 is CHF 0,6 billion. These deposit insurance guarantees were reflected in other guarantees.

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 following tables present the total amount of residential mortgage loans sold during the period from January 1, 2004 to December 31, 2011 by counterparty type, the outstanding repurchase claims during the period July 1, 2011 to December 31, 2011, the development of provisions for outstanding repurchase claims during the period January 1, 2011 to December 31, 2011 and the 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, 2011 (USD billion)	
Government-sponsored enterprises	8.2
Private investors [1]	22.1
Non-agency securitizations	128.5 [2]
Total	**158.8**

[1] Primarily banks. [2] The outstanding balance of residential mortgage loans sold as of December 31, 2011 was USD 30.9 billion. The difference of the total balance of mortgage loans sold and the outstanding balance as of December 31, 2011 was attributable to borrower payments of USD 82.1 billion and losses of USD 15.5 billion due to loan defaults.

Residential mortgage loans sold – repurchase claims

				2011
	Government-sponsored enterprises	Private investors	Non-agency securitizations	**Total**
Outstanding repurchase claims (USD million)				
Balance as of July 1	**60**	**487**	**1,084**	**1,631**
New claims	29	10	1,160	1,199
Claims settled through repurchases	0	(1)	(4)	(5) [1]
Other settlements	(8)	0	(3)	(11) [2]
Total claims settled	(8)	(1)	(7)	(16)
Claims rescinded	(13)	(64)	(28)	(105)
Transfers to arbitration and litigation [3]			(1,966)	(1,966)
Balance as of December 31 [4]	**68**	**432**	**243**	**743**

[1] Settled at a repurchase price of USD 5 million. [2] Settled at USD 9 million. [3] Refer to "Note 35 – Litigation" for repurchase claims that are in arbitration or litigation. [4] As of December 31, 2010, total outstanding repurchase claims were USD 473 million, of which USD 39 million, USD 434 million and USD 0 million related to government-sponsered enterprises, private investors and non-agency securitizations, respectively.

Residential mortgage loans sold – provisions for outstanding repurchase claims

	2011
Provisions for outstanding repurchase claims (USD million) [1]	
Balance as of January 1	**29**
Increase/(decrease) in provisions, net	47
Realized losses [2]	(17)
Balance as of December 31	**59** [3]

[1] Excludes provisions for repurchase claims related to residential mortgage loans sold that are in arbitration or litigation. Refer to "Note 35 – Litigation" for further information. [2] Includes indemnifications paid to resolve loan repurchase claims. [3] Substantially all related to government-sponsored enterprises.

Losses from repurchase of residential mortgage loans sold

in	**2011**	2010	2009
Losses from repurchase of residential mortgage loans sold (USD million)			
Realized losses	17 [1]	24 [2]	24 [2]

Includes indemnifications paid to resolve loan repurchase claims.
[1] Primarily related to government-sponsored enterprises and non-agency securitizations. [2] Primarily related to government-sponsored enterprises.

Lease commitments

Lease commitments (CHF million)	
2012	570
2013	521
2014	444
2015	393
2016	361
Thereafter	1,941
Future operating lease commitments	**4,230**
Less minimum non-cancellable sublease rentals	416
Total net future minimum lease commitments	**3,814**

Rental expense for operating leases

in	**2011**	2010	2009
Rental expense for operating leases (CHF million)			
Minimum rental expense	530	605	577
Sublease rental income	(96)	(122)	(125)
Total net expenses for operating leases	**434**	**483**	**452**

Other commitments

end of	Maturity less than 1 year	Maturity between 1 to 3 years	Maturity between 3 to 5 years	Maturity greater than 5 years	**Total gross amount**	Total net amount [1]	Collateral received
2011 (CHF million)							
Irrevocable commitments under documentary credits	5,638	3	40	0	5,681	5,201	2,371
Loan commitments	147,537	19,951	35,746	7,108	210,342 [2]	205,125	136,511
Forward reverse repurchase agreements	28,885	0	0	0	28,885	28,885	28,885
Other commitments	1,429	405	872	872	3,578	3,578	33
Total other commitments	**183,489**	**20,359**	**36,658**	**7,980**	**248,486**	**242,789**	**167,800**
2010 (CHF million)							
Irrevocable commitments under documentary credits	4,489	10	41	0	4,540	4,151	1,882
Loan commitments	144,297	35,431	12,232	8,088	200,048 [2]	193,495	133,211
Forward reverse repurchase agreements	51,968	0	0	0	51,968	51,968	51,968
Other commitments	1,347	832	1,096	554	3,829	3,829	53
Total other commitments	**202,101**	**36,273**	**13,369**	**8,642**	**260,385**	**253,443**	**187,114**

[1] Total net amount is computed as the gross amount less any participations. [2] Included as of December 31, 2011 and 2010 were CHF 128,058 million and CHF 127,241 million, respectively, of unused credit limits which were revocable at the Bank's sole discretion upon notice to the client.

There are redeemable noncontrolling interests in the Bank's consolidated Brazilian subsidiary Credit Suisse Hedging-Griffo Investimentos S.A. The minority investors have the right to put their interest at a value that is based on a formula relating to the subsidiary's performance. The put is exercisable by May 30, 2012 and, if exercised, would give the Bank full control and ownership. The Bank estimated the redemption value of the put to be BRL 1,209 million (CHF 609 million). The Bank elected to accrete the value of the payment over 2011 and as of December 31, 2011, the estimated purchase price had been fully accrued in the balance of the redeemable noncontrolling interest in other liabilities and related commitments were released accordingly. In addition, the Bank has a call option to acquire the noncontrolling interests by June 9, 2012.

‣ Refer to "Note 31 – Guarantees and commitments" in V – Consolidated financial statements – Credit Suisse Group for further information.

31 Transfers of financial assets and variable interest entities

Transfers of financial assets

Securitizations

‣ Refer to "Note 32 – Transfers of financial assets and variable interest entities" in V – Credit Suisse Group – Consolidated financial statements for further information.

The following table provides the gains or losses and proceeds from the transfer of assets relating to 2011, 2010 and 2009 securitizations of financial assets that qualify for sale accounting and subsequent derecognition, along with the cash flows between the Bank and the SPEs used in any securitizations in which the Bank still has continuing involvement as of the end of 2011, 2010 and 2009, regardless of when the securitization occurred.

Securitizations

in	**2011**	2010	2009
Gains and cash flows (CHF million)			
CMBS			
Net gain [1]	6	13	0
Proceeds from transfer of assets	974	523	144
Servicing fees	1	1	1
Cash received on interests that continue to be held	205	150	244
RMBS			
Net gain [1]	65	214	194
Proceeds from transfer of assets	30,695	52,308	34,246
Purchases of previously transferred financial assets or their underlying collateral	(4)	0	(46)
Servicing fees	3	6	6
Cash received on interests that continue to be held	382	488	329
ABS [2]			
Net gain [1]	0	0	19
Proceeds from transfer of assets	0	0	104
Purchases of previously transferred financial assets or their underlying collateral	0	0	(18)
Cash received on interests that continue to be held	4	6	18
CDO			
Net gain [1]	25	69	107
Proceeds from transfer of assets	988	2,952	2,374
Purchases of previously transferred financial assets or their underlying collateral [3]	(206)	(1,823)	(1,850)
Cash received on interests that continue to be held	32	157	13

[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] Primarily home equity loans. [3] Represents market-making activity and voluntary repurchases at fair value where no repurchase obligations were present.

Other asset-backed financing activities

The following table provides the gains or losses and proceeds from the transfer of assets relating to 2011, 2010 and 2009 transfers (which were not securitizations) treated as sales, along with the cash flows between the Bank and the SPEs used in such transfers in which the Bank had continuing involvement as of the end of 2011, 2010 and 2009, regardless of when the transfer of assets occurred.

Other asset-backed financing activities

in	**2011**	2010	2009
Gains and cash flows (CHF million)			
Net gain/(loss) [1]	(1)	16	12
Proceeds from transfer of assets [2]	280	1,424	3,494
Purchases of previously transferred financial assets or their underlying collateral	(50)	(696)	(219)
Cash received on interests that continue to be held	665	1,376	1,422

[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 other asset-backed financing activity. The gains or losses on the sale of the collateral are the difference between the fair value on the day prior to the other asset-backed financing activity pricing date and the sale price of the loans. [2] Primarily home equity loans.

Continuing involvement in transferred financial assets

The following table provides the outstanding principal balance of assets to which the Bank continued to be exposed after the transfer of the financial assets to any SPE and the total assets of the SPE as of the end of 2011 and 2010, regardless of when the transfer of assets occurred.

Principal amounts outstanding and total assets of SPEs resulting from continuing involvement

end of	**2011**	2010
CHF million		
CMBS		
Principal amount outstanding	35,487	45,129
Total assets of SPE	52,536	65,667
RMBS		
Principal amount outstanding	91,242	79,077
Total assets of SPE	95,297	85,556
ABS		
Principal amount outstanding	3,023	4,171
Total assets of SPE	3,023	4,171
CDO		
Principal amount outstanding	20,729	29,275
Total assets of SPE	20,729	29,279
Other asset-backed financing activities		
Principal amount outstanding	11,481	10,770
Total assets of SPE	11,555	10,770

Principal amounts outstanding relate to assets transferred from the Bank and do not include principle 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 Bank may utilize to hedge the inherent risks.

Key economic assumptions at the time of transfer

In January 2010, the Financial Accounting Standards Board amended the disclosure requirements for the Bank's reporting of the fair value of beneficial interests retained at the time of transfer. Further, the beneficial interests are categorized according to their fair value hierarchy levels.

▸ Refer to "Note 32 – Financial instruments" for further information on fair value hierarchy.

Key economic assumptions used in measuring fair value of beneficial interests at time of transfer

at time of transfer in		2011		2010
	CMBS	RMBS	CMBS	RMBS
CHF million, except where indicated				
Fair value of beneficial interests	57	5,095	79	3,110
of which level 2	42	4,695	79	2,751
of which level 3	15	399	0	359
Weighted-average life, in years	7.2	5.4	6.4	7.7
Prepayment speed assumption (rate per annum), in % [1]	15.0	9.0-34.9	–	0.0-43.7
Cash flow discount rate (rate per annum), in % [2]	2.9-10.6	0.5-71.2	5.5-10.2	0.0-70.1
Expected credit losses (rate per annum), in %	1.2-9.3	0.3-71.0	3.2-8.0	0.0-71.5

Transfers of assets in which the Bank does not have beneficial interests are not included in this table.
[1] Prepayment speed assumption (PSA) is an industry standard prepayment speed metric used for projecting prepayments over the life of a residential mortgage loan. PSA utilizes the constant prepayment rate (CPR) assumptions. A 100% prepayment assumption assumes a prepayment rate of 0.2% per annum of the outstanding principal balance of mortgage loans in the first month. This increases by 0.2% thereafter during the term of the mortgage loan, leveling off to a CPR of 6% per annum beginning in the 30th month and each month thereafter during the term of the mortgage loan. 100 PSA equals 6 CPR. [2] The rate was based on the weighted-average yield on the beneficial interests.

Sensitivity analysis

The following tables provide the sensitivity analysis of key economic assumptions used in measuring the fair value of beneficial interests held in SPEs as of the end of 2011 and 2010.

Key economic assumptions used in measuring fair value of beneficial interests held in SPEs

end of 2011	CMBS [1]	RMBS	ABS	CDO [2]	Other asset-backed financing activities
CHF million, except where indicated					
Fair value of beneficial interests	342	2,960	10	244	1,500
of which non-investment grade	133	688	10	42	1,461
Weighted-average life, in years	4.1	5.3	18.9	2.9	2.4
Prepayment speed assumption (rate per annum), in % [3]	–	01.-30.0	–	–	–
Impact on fair value from 10% adverse change	–	(44.2)	–	–	–
Impact on fair value from 20% adverse change	–	(86.6)	–	–	–
Cash flow discount rate (rate per annum), in % [4]	2.3-50.1	0.3-49.1	–	2.6-58.7	0.7-12.8
Impact on fair value from 10% adverse change	(30.5)	(94.4)	–	(3.9)	(4.3)
Impact on fair value from 20% adverse change	(36.2)	(151.9)	–	(7.3)	(8.6)
Expected credit losses (rate per annum), in %	1.9-49.0	0.9-48.9	–	5.4-31.8	9.5-12.2
Impact on fair value from 10% adverse change	(29.8)	(83.6)	–	(2.7)	(4.1)
Impact on fair value from 20% adverse change	(34.8)	(131.5)	–	(5.1)	(8.1)

end of 2010	CMBS [1]	RMBS	ABS	CDO [2]	Other asset-backed financing activities
CHF million, except where indicated					
Fair value of beneficial interests	412	1,694	22	262	2,440
of which non-investment grade	25	1,070	22	35	2,397
Weighted-average life, in years	3.4	6.9	11.4	1.8	3.7
Prepayment speed assumption (rate per annum), in % [3]	–	0.2-35.8	0.0-4.1	–	–
Impact on fair value from 10% adverse change	–	(38.8)	(0.1)	–	–
Impact on fair value from 20% adverse change	–	(78.1)	(0.3)	–	–
Cash flow discount rate (rate per annum), in % [4]	2.2-40.3	2.2-52.5	7.5-28.0	0.7-29.2	0.8-7.8
Impact on fair value from 10% adverse change	(13.7)	(61.8)	(1.0)	(1.3)	(4.6)
Impact on fair value from 20% adverse change	(26.6)	(117.6)	(1.8)	(2.6)	(9.3)
Expected credit losses (rate per annum), in %	1.8-40.2	1.5-49.9	3.6-24.9	0.8-27.6	6.6-13.3
Impact on fair value from 10% adverse change	(9.8)	(48.2)	(0.6)	(0.8)	(4.1)
Impact on fair value from 20% adverse change	(19.2)	(92.1)	(1.2)	(1.5)	(8.4)

[1] To deter prepayment, commercial mortgage loans typically have prepayment protection in the form of prepayment lockouts and yield maintenances. [2] CDOs are generally structured to be protected from prepayment risk. [3] PSA is an industry standard prepayment speed metric used for projecting prepayments over the life of a residential mortgage loan. PSA utilizes the 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.

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 2011 and 2010.

Carrying amounts of transferred financial assets and liabilities where sale treatment was not achieved

end of	2011	2010
CHF million		
CMBS		
Other assets	664	602
Liability to SPE, included in Other liabilities	(664)	(602)
RMBS		
Other assets	12	58
Liability to SPE, included in Other liabilities	(12)	(58)
ABS		
Trading assets	43	19
Other assets	1,268	1,341
Liability to SPE, included in Other liabilities	(1,312)	(1,360)
CDO		
Trading assets	40	203
Other assets	206	171
Liability to SPE, included in Other liabilities	(246)	(374)
Other asset-backed financing activities		
Trading assets	1,768	1,381
Other assets	0	29
Liability to SPE, included in Other liabilities	(1,768)	(1,410)

Variable interest entities

‣ Refer to "Note 32 – Transfers of financial assets and variable interest entities" in V – Consolidated financial statements – Credit Suisse Group for further information.

Consolidated VIEs

The Bank has significant involvement with VIEs in its role as a financial intermediary on behalf of clients. The Bank consolidated all VIEs related to financial intermediation for which it was the primary beneficiary.

Consolidated VIEs in which the Bank was the primary beneficiary

end of 2011	CDO	CP Conduit	Securi-tizations	Funds (Financial intermediation)	Loans (Financial intermediation)	Other (Financial intermediation)	Total
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	527	82	609
Loans held-for-sale	7,231	0	3,941	0	2	0	11,174
Other assets	43	751	0	30	740	263	1,827
Total assets of consolidated VIEs	**9,683**	**6,283**	**3,959**	**2,754**	**3,850**	**3,222**	**29,751**
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	157	493	745
Total liabilities of consolidated VIEs	9,482	6,167	4,483	300	387	2,432	23,251

Consolidated VIEs in which the Bank was the primary beneficiary

end of 2010	CDO	CP Conduit	Securi-tizations	Funds (Financial intermediation)	Loans (Financial intermediation)	Other (Financial intermediation)	Total
Assets of consolidated VIEs (CHF million)							
Cash and due from banks	1,011	24	95	118	129	55	1,432
Trading assets	1,943	1,392	31	3,417	605	1,329	8,717
Investment securities	0	72	0	0	0	0	72
Other investments	0	0	0	46	1,781	507	2,334
Net loans	0	2,521	0	0	60	1,164	3,745
Premises and equipment	0	0	0	0	0	33	33
Loans held-for-sale	7,510	0	7,960	0	0	0	15,470
Other assets	58	1,278	1	65	2,276	421	4,099
Total assets of consolidated VIEs	**10,522**	**5,287**	**8,087**	**3,646**	**4,851**	**3,509**	**35,902**
Liabilities of consolidated VIEs (CHF million)							
Customer deposits	0	0	0	0	0	54	54
Trading liabilities	33	0	0	149	0	6	188
Short-term borrowings	0	4,307	0	26	0	0	4,333
Long-term debt	9,617	23	9,139	499	221	240	19,739
Other liabilities	54	6	99	32	321	327	839
Total liabilities of consolidated VIEs	9,704	4,336	9,238	706	542	627	25,153

Non-consolidated VIEs

Non-consolidated VIE assets are related to the non-consolidated VIEs with which the Bank has variable interests. These amounts represent the assets of the entities themselves and are typically unrelated to the exposures the Bank has with the entity and thus are not amounts that are considered for risk management purposes.

Non-consolidated VIEs

			Financial intermediation			
end of 2011	CDO	Securi-tizations	Funds	Loans	Other	**Total**
Variable interest assets (CHF million)						
Trading assets	126	5,497	574	834	2,079	9,110
Net loans	0	123	1,209	4,742	3,257	9,331
Other assets	0	0	14	0	369	383
Total variable interest assets	**126**	**5,620**	**1,797**	**5,576**	**5,705**	**18,824**
Maximum exposure to loss (CHF million)						
Maximum exposure to loss	**153**	**7,056**	**2,008**	**6,051**	**6,075**	**21,343**
Non-consolidated VIE assets (CHF million)						
Non-consolidated VIE assets	**7,093**	**113,845**	**48,842**	**23,633**	**10,440**	**203,853**

			Financial intermediation			
end of 2010	CDO	Securi-tizations	Funds	Loans	Other	**Total**
Variable interest assets (CHF million)						
Trading assets	130	3,847	1,423	645	2,905	8,950
Net loans	332	145	1,106	6,520	2,031	10,134
Other assets	0	0	57	0	32	89
Total variable interest assets	**462**	**3,992**	**2,586**	**7,165**	**4,968**	**19,173**
Maximum exposure to loss (CHF million)						
Maximum exposure to loss	**634**	**7,686**	**2,716**	**7,936**	**5,370**	**24,342**
Non-consolidated VIE assets (CHF million)						
Non-consolidated VIE assets	**10,491**	**115,024**	**52,430**	**31,006**	**8,639**	**217,590**

32 Financial instruments

▸ Refer to “Note 33 – Financial instruments” in V – Consolidated financial statements – Credit Suisse Group for further information.

Assets and liabilities measured at fair value on a recurring basis

end of 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	3,853	112	0	4,059
of which corporates	0	3,818	112	0	3,930
Equity	25,932	51	81	0	26,064
Securities received as collateral	26,026	3,904	193	0	30,123
Debt	82,197	52,046	9,941	0	144,184
of which foreign governments	61,507	8,113	358	0	69,978
of which corporates	297	27,167	5,076	0	32,540
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	6,316	727	0	7,043
Equity	56,351	8,333	454	0	65,138
Derivatives	6,295	908,778	9,586	(872,589)	52,070
of which interest rate products	2,017	724,276	2,547	–	–
of which foreign exchange products	1	74,695	1,038	–	–
of which equity/index-related products	3,770	32,737	2,731	–	–
of which credit derivatives	0	61,083	2,172	–	–
Other	8,851	3,636	2,195	0	14,682
Trading assets	153,694	972,793	22,176	(872,589)	276,074
Debt	3,009	310	102	0	3,421
of which foreign governments	3,010	0	18	0	3,028
of which corporates	0	309	43	0	352
of which CDO	0	0	41	0	41
Equity	9	81	0	0	90
Investment securities	3,018	391	102	0	3,511
Private equity	0	0	4,143	0	4,143
of which equity funds	0	0	2,973	0	2,973
Hedge funds	0	232	266	0	498
of which debt funds	0	154	172	0	326
Other equity investments	403	50	2,490	0	2,943
of which private	0	40	2,491	0	2,531
Life finance instruments	0	0	1,968	0	1,968
Other investments	403	282	8,867	0	9,552
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	22,951	7,469	(205)	35,666
of which loans held-for-sale	0	12,104	6,901	0	19,005
Total assets at fair value	**188,592**	**1,172,047**	**46,923**	**(872,794)**	**534,768**
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	**188,297**	**1,162,644**	**38,976**	**(872,794)**	**517,123**

[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	3,564	0	0	3,564
Customer deposits	0	3,762	0	0	3,762
Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions	0	136,483	0	0	136,483
Debt	94	3,853	112	0	4,059
of which corporates	0	3,818	112	0	3,930
Equity	25,932	51	81	0	26,064
Obligation to return securities received as collateral	26,026	3,904	193	0	30,123
Debt	38,680	9,301	21	0	48,002
of which foreign governments	38,622	829	0	0	39,451
of which corporates	6	7,590	13	0	7,609
Equity	19,053	461	7	0	19,521
Derivatives	6,070	919,806	7,314	(874,015)	59,175
of which interest rate products	1,941	717,260	1,588	–	–
of which foreign exchange products	1	91,843	2,836	–	–
of which equity/index-related products	3,596	36,652	1,021	–	–
of which credit derivatives	0	58,459	1,520	–	–
Trading liabilities	63,803	929,568	7,342	(874,015)	126,698
Short-term borrowings	0	3,311	236	0	3,547
Long-term debt	122	55,419	12,715	0	68,256
of which treasury debt over two years	0	13,411	0	0	13,411
of which structured notes over two years	1	19,694	7,576	0	27,271
of which non-recourse liabilities	121	10,564	3,585	0	14,270
Other liabilities	0	27,283	3,890	(335)	30,838
of which failed sales	0	3,821	1,909	0	5,730
Total liabilities at fair value	**89,951**	**1,163,294**	**24,376**	**(874,350)**	**403,271**

[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 2010	Level 1	Level 2	Level 3	Netting impact [1]	Total
Assets (CHF million)					
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	0	135,709	1,197	0	136,906
Debt	431	5,781	0	0	6,212
of which corporates	0	5,551	0	0	5,551
Equity	35,872	16	0	0	35,888
Securities received as collateral	36,303	5,797	0	0	42,100
Debt	84,904	57,438	10,886	0	153,228
of which foreign governments	67,766	8,096	373	0	76,235
of which corporates	172	34,429	3,802	0	38,403
of which RMBS	16,233	6,936	3,264	0	26,433
of which CMBS	0	2,220	1,861	0	4,081
of which CDO	0	5,704	1,135	0	6,839
Equity	90,779	9,795	622	0	101,196
Derivatives	6,962	663,164	8,719	(631,069)	47,776
of which interest rate products	3,217	475,688	2,072	–	–
of which foreign exchange products	1	83,663	842	–	–
of which equity/index-related products	2,960	32,127	2,301	–	–
of which credit derivatives	0	46,822	2,725	–	–
Other	6,821	10,218	2,017	0	19,056
Trading assets	189,466	740,615	22,244	(631,069)	321,256
Debt	5,625	399	79	0	6,103
of which foreign governments	5,625	0	18	0	5,643
of which corporates	0	387	0	0	387
of which CDO	0	11	62	0	73
Equity	4	85	0	0	89
Investment securities	5,629	484	79	0	6,192
Private equity	0	0	4,370	0	4,370
of which equity funds	0	0	3,277	0	3,277
Hedge funds	0	575	259	0	834
of which debt funds	0	185	165	0	350
Other equity investments	612	807	4,717	0	6,136
of which private	8	614	4,714	0	5,336
Life finance instruments	0	0	1,844	0	1,844
Other investments	612	1,382	11,190	0	13,184
Loans	0	12,294	6,258	0	18,552
of which commercial and industrial loans	0	6,574	3,558	0	10,132
of which financial institutions	0	5,389	2,195	0	7,584
Other intangible assets (mortgage servicing rights)	0	0	66	0	66
Other assets	5,886	24,475	9,253	(195)	39,419
of which loans held-for-sale	0	14,866	8,932	0	23,798
Total assets at fair value	**237,896**	**920,756**	**50,287**	**(631,264)**	**577,675**
Less other investments – equity at fair value attributable to noncontrolling interests	(522)	(870)	(5,163)	0	(6,555)
Less assets consolidated under ASU 2009-17 [2]	0	(11,655)	(7,155)	0	(18,810)
Assets at fair value excluding noncontrolling interests and assets not consolidated under the Basel framework	**237,374**	**908,231**	**37,969**	**(631,264)**	**552,310**

[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 2010	Level 1	Level 2	Level 3	Netting impact [1]	Total
Liabilities (CHF million)					
Due to banks	0	3,995	0	0	3,995
Customer deposits	0	2,855	0	0	2,855
Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions	0	123,190	507	0	123,697
Debt	431	5,781	0	0	6,212
of which corporates	0	5,551	0	0	5,551
Equity	35,872	16	0	0	35,888
Obligation to return securities received as collateral	36,303	5,797	0	0	42,100
Debt	44,635	11,351	65	0	56,051
of which foreign governments	44,466	1,130	0	0	45,596
of which corporates	6	9,426	65	0	9,497
Equity	19,720	394	28	0	20,142
Derivatives	6,693	673,693	9,106	(631,748)	57,744
of which interest rate products	2,980	470,354	1,342	–	–
of which foreign exchange products	16	95,919	2,941	–	–
of which equity/index-related products	2,847	36,098	2,938	–	–
of which credit derivatives	0	45,342	1,256	–	–
Trading liabilities	71,048	685,438	9,199	(631,748)	133,937
Short-term borrowings	0	3,185	123	0	3,308
Long-term debt	402	64,275	16,797	0	81,474
of which treasury debt over two years	0	18,666	0	0	18,666
of which structured notes over two years	0	20,170	9,488	0	29,658
of which non-recourse liabilities	402	12,200	6,825	0	19,427
Other liabilities	0	25,903	3,733	(596)	29,040
of which failed sales	0	3,885	1,849	0	5,734
Total liabilities at fair value	**107,753**	**914,638**	**30,359**	**(632,344)**	**420,406**

[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 for level 3

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	10,886	3,405	(3,043)	10,382
of which corporates	3,802	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)	713
Derivatives	8,719	2,998	(2,311)	0
of which interest rate products	2,072	815	(142)	0
of which equity/index-related products	2,301	666	(796)	0
of which credit derivatives	2,725	1,216	(1,267)	0
Other	2,017	195	(434)	2,806
Trading assets	22,244	6,907	(6,303)	13,901
Investment securities	79	2	0	48
Equity	9,346	26	(74)	986
Life finance instruments	1,844	0	0	79
Other investments	11,190	26	(74)	1,065
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 [2]	8,932	5,988	(6,974)	4,426
Total assets at fair value	**50,287**	**14,894**	**(14,767)**	**21,129**
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	9,199	1,276	(2,062)	214
of which interest rate derivatives	1,342	91	(45)	0
of which foreign exchange derivatives	2,941	48	(135)	0
of which equity/index-related derivatives	2,938	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	3,733	663	(383)	290
of which failed sales	1,849	607	(345)	237
Total liabilities at fair value	**30,359**	**9,550**	**(11,283)**	**504**
Net assets/liabilities at fair value	**19,928**	**5,344**	**(3,484)**	**20,625**

[1] For all transfers to level 3 or out of level 3, the Bank determines and discloses as level 3 events only gains or losses through the last day of the reporting period. [2] Includes unrealized losses recorded in trading revenues of CHF 528 million primarily related to sub-prime exposures to RMBS (including non-agency), partially offset by gains from consolidated SPE positions and the foreign exchange translation impact across the loans held-for-sale portfolio.

Sales	Issuances	Settlements	Trading revenues: On transfers in / out [1]	Trading revenues: On all other	Other revenues: On transfers in / out [1]	Other revenues: On all other	Foreign currency translation impact	**Balance at end of period**
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
(11,178)	0	0	1	(467)	0	0	(45)	9,941
(4,573)	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	454
0	777	(3,085)	22	2,436	0	0	30	9,586
0	133	(599)	13	266	0	0	(11)	2,547
0	272	(184)	(21)	455	0	0	38	2,731
0	86	(2,051)	31	1,452	0	0	(20)	2,172
(2,300)	0	(43)	(7)	(68)	0	0	29	2,195
(14,146)	777	(3,128)	51	1,854	0	0	19	22,176
(18)	0	(4)	0	0	0	0	(5)	102
(4,605)	0	0	0	30	0	1,255	(65)	6,899
(83)	0	0	0	116	0	0	12	1,968
(4,688)	0	0	0	146	0	1,255	(53)	8,867
(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
(25,364)	**4,885**	**(6,964)**	**(37)**	**1,719**	**0**	**1,237**	**(96)**	**46,923**
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)	7,342
0	2	(194)	(4)	383	0	0	13	1,588
0	17	(704)	7	655	0	0	7	2,836
0	153	(347)	181	(1,236)	0	0	(65)	1,021
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)	3,890
(403)	0	0	(11)	(20)	0	0	(5)	1,909
(727)	**7,092**	**(10,991)**	**(11)**	**(74)**	**0**	**128**	**(171)**	**24,376**
(24,637)	**(2,207)**	**4,027**	**(26)**	**1,793**	**0**	**1,109**	**75**	**22,547**

Assets and liabilities measured at fair value on a recurring basis for level 3 (continued)

2010	Balance at beginning of period	Transfers in	Transfers out	Purchases, sales, issuances, settlements [1]
Assets (CHF million)				
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	1,514	0	0	(209)
Debt	11,975	3,142	(2,422)	(2,081)
of which corporates	4,811	770	(604)	(865)
of which RMBS	3,626	1,239	(1,093)	(824)
of which CMBS	2,461	259	(207)	(577)
of which CDO	559	607	(435)	(28)
Equity	487	334	(177)	48
Derivatives	11,192	2,493	(2,156)	(2,412)
of which interest rate products	1,529	576	(206)	(109)
of which equity/index-related products	3,298	236	(644)	(744)
of which credit derivatives	4,339	1,407	(1,060)	(870)
Other	2,310	688	(778)	14
Trading assets	25,964	6,657	(5,533)	(4,431)
Investment securities	86	0	(133)	148
Equity	11,944	328	(380)	(2,322)
Life finance instruments	2,048	0	0	(134)
Other investments	13,992	328	(380)	(2,456)
Loans	11,079	1,215	(3,686)	(1,689)
of which commercial and industrial loans	8,346	703	(1,644)	(3,251)
of which financial institutions	2,454	160	(1,839)	1,439
Other intangible assets	30	0	0	91
Other assets	6,744	4,808	(7,169)	4,158
of which loans held-for-sale	6,220	4,744	(7,132)	4,294
Total assets at fair value	**59,409**	**13,008**	**(16,901)**	**(4,388)**
Liabilities (CHF million)				
Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions	206	0	0	356
Trading liabilities	11,951	2,109	(2,632)	(2,135)
of which interest rate derivatives	1,788	387	(307)	(284)
of which foreign exchange derivatives	2,936	156	(16)	(421)
of which equity/index-related derivatives	3,635	194	(744)	(576)
of which credit derivatives	1,996	1,244	(939)	(467)
Short-term borrowings	164	46	(69)	33
Long-term debt	16,645	4,313	(8,780)	4,595
of which structured notes over two years	14,781	1,330	(3,364)	(2,198)
of which non-recourse liabilities	0	2,789	(5,069)	7,975
Other liabilities	3,994	409	(150)	(42)
of which failed sales	1,932	197	(37)	161
Total liabilities at fair value	**32,960**	**6,877**	**(11,631)**	**2,807**
Net assets/liabilities at fair value	**26,449**	**6,131**	**(5,270)**	**(7,195)**

[1] Includes CHF 10.1 billion of level 3 assets shown as purchases due to the adoption of ASU 2009-17 as of January 1, 2010. [2] For all transfers to level 3 or out of level 3, the Bank determines and discloses as level 3 events only gains or losses through the last day of the reporting period.

Trading revenues		Other revenues			
On transfers in / out [2]	On all other	On transfers in / out [2]	On all other	Foreign currency translation impact	**Balance at end of period**
0	8	0	0	(116)	1,197
193	1,037	0	(2)	(956)	10,886
45	121	0	(2)	(474)	3,802
126	491	0	0	(301)	3,264
12	(73)	0	0	(14)	1,861
7	526	0	0	(101)	1,135
(3)	(31)	0	0	(36)	622
108	302	0	(1)	(807)	8,719
102	353	0	(1)	(172)	2,072
104	315	0	0	(264)	2,301
(141)	(739)	0	0	(211)	2,725
27	(37)	0	0	(207)	2,017
325	1,271	0	(3)	(2,006)	22,244
0	4	0	0	(26)	79
0	(14)	26	547	(783)	9,346
0	113	0	0	(183)	1,844
0	99	26	547	(966)	11,190
51	81	0	34	(827)	6,258
43	(267)	0	34	(406)	3,558
8	362	0	0	(389)	2,195
0	0	0	(48)	(7)	66
852	1,043	0	39	(1,222)	9,253
849	1,106	0	46	(1,195)	8,932
1,228	**2,506**	**26**	**569**	**(5,170)**	**50,287**
(3)	3	0	0	(55)	507
397	454	0	0	(945)	9,199
57	(179)	0	0	(120)	1,342
5	561	0	0	(280)	2,941
140	639	0	0	(350)	2,938
35	(530)	0	0	(83)	1,256
5	(41)	0	0	(15)	123
658	1,600	0	0	(2,234)	16,797
(52)	179	0	0	(1,188)	9,488
696	1,425	0	0	(991)	6,825
(39)	(283)	0	170	(326)	3,733
5	(244)	0	0	(165)	1,849
1,018	**1,733**	**0**	**170**	**(3,575)**	**30,359**
210	**773**	**26**	**399**	**(1,595)**	**19,928**

Gains and losses on assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (level 3)

			2011			2010
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	1,767	1,109	**2,876** [1]	983	425	1,408 [1]
Whereof:						
Unrealized gains/(losses) relating to assets and liabilities still held as of the reporting date	546	(116)	**430**	(1,195)	117	(1,078)

[1] Excludes net realized/unrealized gains/(losses) attributable to foreign currency translation impact.

Nonrecurring fair value changes

end of	**2011**	2010
Loans recorded at fair value on a nonrecurring basis (CHF billion)		
Loans recorded at fair value on a nonrecurring basis	**0.7**	**0.6**
of which level 2	0.0	0.1
of which level 3	0.7	0.5

Difference between the aggregate fair value and the aggregate unpaid principal balances of loans and financial instruments

			2011			2010
end of	Aggregate fair value	Aggregate unpaid principal	Difference	Aggregate fair value	Aggregate unpaid principal	Difference
Loans (CHF million)						
Non-interest-earning loans	807	3,277	(2,470)	758	2,274	(1,516)
Financial instruments (CHF million)						
Interest-bearing deposits with banks	405	404	1	0	0	0
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	158,673	157,889	784	136,906	135,939	967
Loans	20,694	21,382	(688)	18,552	18,677	(125)
Other assets [1]	20,511	30,778	(10,267)	25,078	36,195	(11,117)
Due to banks and customer deposits	(610)	(620)	10	(410)	(420)	10
Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions	(136,483)	(136,396)	(87)	(123,697)	(123,562)	(135)
Short-term borrowings	(3,547)	(3,681)	134	(3,308)	(3,262)	(46)
Long-term debt	(68,256)	(77,211)	8,955	(81,474)	(87,977)	6,503
Other liabilities	(5,730)	(8,210)	2,480	(5,734)	(7,569)	1,835

[1] Primarily loans held-for-sale.

Gains and losses on financial instruments

in	2011 Net gains/ (losses)	2010 Net gains/ (losses)	2009 Net gains/ (losses)
Financial instruments (CHF million)			
Interest-bearing deposits with banks	0	11 [1]	0
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	1,698 [1]	1,901 [1]	1,363 [1]
Other trading assets	10 [2]	46 [2]	262 [2]
Other investments	196 [2]	(225) [3]	998 [3]
of which related to credit risk	(14)	(2)	0
Loans	(1,105) [2]	1,065 [1]	7,976 [2]
of which related to credit risk	(256)	707	5,255
Other assets	476 [1]	5,896 [2]	1,458 [1]
of which related to credit risk	(332)	589	549
Due to banks and customer deposits	(2) [1]	(27) [2]	(9) [1]
of which related to credit risk	45	0	2
Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions	(575) [1]	(471) [1]	(1,421) [1]
Short-term borrowings	91 [2]	(51) [2]	(778) [2]
of which related to credit risk [4]	(2)	1	6
Long-term debt	2,301 [2]	(6,313) [2]	(9,729) [2]
of which related to credit risk [4]	1,769	166	(3,705)
Other liabilities	(286) [2]	(232) [2]	1,299 [2]
of which related to credit risk	(348)	(97)	1,125

[1] Primarily recognized in net interest income. [2] Primarily recognized in trading revenues. [3] Primarily recognized in other revenues. [4] Changes in fair value related to credit risk are due to the change in the Bank's own credit spreads. Other changes in fair value are attributable to changes in foreign currency exchange rates and interest rates, as well as movements in the reference price or index for structured notes.

Fair value, unfunded commitments and term of redemption conditions

end of 2011	Non-redeemable	Redeemable	Total fair value	Unfunded commitments
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	2,973	0	2,973	952
Real estate funds	338	0	338	200
Others	823	0	823	231
Private equity	4,143	0	4,143	1,401
Equity method investments	360	0	360	0
Total funds held in other investments	4,570	431	5,001	1,675
Total fair value	**4,655** [3]	**5,278** [4]	**9,933**	**1,675** [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.

Fair value, unfunded commitments and term of redemption conditions (continued)

end of 2010	Non-redeemable	Redeemable	Total fair value	Unfunded commitments
Fair value and unfunded commitments (CHF million)				
Debt funds	0	29	29	0
Equity funds	36	6,340 [1]	6,376	0
Equity funds sold short	0	(109)	(109)	0
Total funds held in trading assets and liabilities	36	6,260	6,296	0
Debt funds	20	330	350	234
Equity funds	8	219	227	0
Others	5	252	257	0
Hedge funds	33	801 [2]	834	234
Debt funds	12	0	12	19
Equity funds	3,277	0	3,277	1,052
Real estate funds	322	0	322	223
Others	759	0	759	214
Private equity	4,370	0	4,370	1,508
Equity method investments	1,183	0	1,183	0
Total funds held in other investments	5,586	801	6,387	1,742
Total fair value	**5,622** [3]	**7,061** [4]	**12,683**	**1,742** [5]

[1] 47% of the redeemable fair value amount of equity funds is redeemable on demand with a notice period of less than 30 days, 22% is redeemable on a monthly basis with a notice period primarily of less than 30 days and 16% is redeemable on an annual basis with a notice period primarily of more than 60 days. [2] 51% 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, 22% is redeemable on demand with a notice period of less than 30 days and 17% is redeemable on a monthly basis with a notice period primarily of more than 30 days. [3] Includes CHF 2,399 million attributable to noncontrolling interests. [4] Includes CHF 95 million attributable to noncontrolling interests. [5] Includes CHF 641 million attributable to noncontrolling interests.

Carrying value and estimated fair values of financial instruments

	2011		2010	
end of	Carrying value	Fair value	Carrying value	Fair value
Financial assets (CHF million)				
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	236,487	236,487	220,708	220,708
Securities received as collateral	30,123	30,123	42,100	42,100
Trading assets	267,222	267,222	321,256	321,256
Investment securities	3,513	3,513	6,331	6,331
Loans	209,326	213,171	200,748	203,346
Other financial assets [1]	235,100	235,139	191,893	191,931
Financial liabilities (CHF million)				
Due to banks and deposits	339,182	339,105	311,442	311,436
Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions	176,559	176,559	168,394	168,394
Obligation to return securities received as collateral	30,123	30,123	42,100	42,100
Trading liabilities	126,698	126,698	133,937	133,937
Short-term borrowings	24,643	24,644	19,516	19,516
Long-term debt	159,407	156,107	171,140	169,942
Other financial liabilities [2]	127,409	127,409	122,801	122,801

[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.

33 Assets pledged or assigned

end of	**2011**	2010
Assets pledged or assigned (CHF million)		
Book value of assets pledged or assigned as collateral	151,266	163,535
of which assets provided with the right to sell or repledge	96,630	112,030
Fair value of collateral received with the right to sell or repledge	373,199	357,618
of which sold or repledged	332,802	308,316
Other information (CHF million)		
Cash and securities restricted under foreign banking regulations	17,943	16,090
Swiss National Bank required minimum liquidity reserves	2,092	1,883

▸ Refer to "Note 34 – Assets pledged or assigned" in V – Consolidated financial statements – Credit Suisse Group for further information.

34 Capital adequacy

The Bank is subject to regulation by the FINMA. The capital levels of the Bank are subject to qualitative judgments by regulators, including FINMA, about the components of capital, risk weightings and other factors. Since January 2008, the Bank has operated under the international capital adequacy standards known as Basel II set forth by the Basel Committee on Banking Supervision (BCBS). These standards affected the measurement of both total eligible capital and risk-weighted assets. In January 2011, as required by FINMA, the Bank implemented BCBS's "Revisions to the Basel II market risk framework" (Basel II.5) for FINMA regulatory capital purposes. The Bank has based its capital adequacy calculations on US GAAP, as permitted by FINMA Circular 2008/34. FINMA has advised the Bank that it may continue to include as tier 1 capital CHF 3.2 billion and CHF 3.1 billion of equity from SPEs which are deconsolidated under US GAAP as of December 31, 2011 and 2010, respectively.

As of December 31, 2011 and 2010, the Bank was adequately capitalized under the regulatory provisions outlined under both FINMA and the Bank for International Settlements (BIS) guidelines.

▸ Refer to "Note 35 – Capital adequacy" in V – Consolidated financial statements – Credit Suisse Group for further information.

BIS statistics

end of	Basel II.5 2011 [1]	Basel II 2011	Basel II 2010
Eligible capital (CHF million)			
Tier 1 capital	33,459	34,644	35,310
Of which core tier 1 capital	22,571	23,756	24,721
Tier 2 capital	13,169	14,354	12,259
Total eligible capital	**46,628**	**48,998**	**47,569**
Risk-weighted assets (CHF million)			
Credit risk	147,224	145,338	147,516
Market risk	39,810	10,371	18,008
Non-counterparty risk	7,274	7,274	6,819
Operational risk	36,088	36,088	33,663
Risk-weighted assets	**230,396**	**199,071**	**206,006**
Capital ratios (%)			
Core tier 1 ratio	9.8	11.9	12.0
Tier 1 ratio	14.5	17.4	17.1
Total capital ratio	20.2	24.6	23.1

For BIS reporting purposes, Basel II.5 was effective December 31, 2011.

Broker-dealer operations

Certain Bank broker-dealer subsidiaries are also subject to capital adequacy requirements. As of December 31, 2011 and 2010, the Bank and its subsidiaries complied with all applicable regulatory capital adequacy requirements.

Dividend restrictions

Certain of the Bank's subsidiaries are subject to legal restrictions governing the amount of dividends they can pay (for example, pursuant to corporate law as defined by the Swiss Code of Obligations). As of December 31, 2011 and 2010, the Bank was not subject to restrictions on its ability to pay the proposed dividends.

35 Litigation

▸ Refer to "Note 37 – Litigation" in V – Consolidated financial statements – Credit Suisse Group for further information.

36 Significant subsidiaries and equity method investments

Significant subsidiaries

Equity interest in %	Company name	Domicile	Currency	Nominal capital in million
as of December 31, 2011				
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	Casa de Bolsa Credit Suisse (México), S.A. de C.V.	Mexico City, Mexico	MXN	274.1
100	CJSC Bank Credit Suisse (Moscow)	Moscow, Russia	USD	37.8
100	Column Financial, Inc.	Salt Lake City, United States	USD	0.0
100	Credit Suisse (Australia) Limited	Sydney, Australia	AUD	34.1
100	Credit Suisse (Brasil) Distribuidora de Titulos e Valores Mobiliários S.A.	São Paulo, Brazil	BRL	5.0
100	Credit Suisse (Brasil) S.A. Corretora de Titulos e Valores Mobiliários	São Paulo, Brazil	BRL	98.4
100	Credit Suisse (Deutschland) Aktiengesellschaft	Frankfurt, Germany	EUR	130.0
100	Credit Suisse (France)	Paris, France	EUR	52.9
100	Credit Suisse (Gibraltar) Limited	Gibraltar, Gibraltar	GBP	5.0
100	Credit Suisse (Guernsey) Limited	St. Peter Port, Guernsey	USD	6.1
100	Credit Suisse (Hong Kong) Limited	Hong Kong, China	HKD	3,809.9
100	Credit Suisse (Italy) S.p.A.	Milan, Italy	EUR	109.6
100	Credit Suisse (Monaco) S.A.M.	Monte Carlo, Monaco	EUR	12.0
100	Credit Suisse (Singapore) Limited	Singapore, Singapore	SGD	621.3
100	Credit Suisse (UK) Limited	London, United Kingdom	GBP	126.8
100 [1]	Credit Suisse (USA), Inc.	Wilmington, United States	USD	0.0
100	Credit Suisse Asset Management (UK) Holding Limited	London, United Kingdom	GBP	144.2
100	Credit Suisse Fund Services (Luxembourg) S.A.	Luxembourg, Luxembourg	CHF	1.5
100	Credit Suisse Asset Management Funds (UK) Limited	London, United Kingdom	GBP	15.5
100	Credit Suisse Funds AG	Zurich, Switzerland	CHF	7.0
100	Credit Suisse Asset Management Funds S.p.A. S.G.R.	Milan, Italy	EUR	5.0
100	Credit Suisse Holding Europe (Luxembourg) S.A.	Luxembourg, Luxembourg	CHF	32.6
100	Credit Suisse Asset Management Immobilien Kapitalanlagegesellschaft mbH	Frankfurt, Germany	EUR	6.1
100	Credit Suisse Asset Management International Holding Ltd	Zurich, Switzerland	CHF	20.0
100	Credit Suisse Asset Management Investments Ltd	Zurich, Switzerland	CHF	0.1
100	Credit Suisse Asset Management Limited	London, United Kingdom	GBP	45.0
100	Credit Suisse Asset Management, LLC	Wilmington, United States	USD	1,064.7
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

Significant subsidiaries (continued)

Equity interest in %	Company name	Domicile	Currency	Nominal capital in million
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	349.5
100	Credit Suisse Fund Management S.A.	Luxembourg, Luxembourg	CHF	0.3
100	Credit Suisse Holdings (Australia) Limited	Sydney, Australia	AUD	3.0
100	Credit Suisse Holdings (USA), Inc.	Wilmington, United States	USD	4,185.6
100	Credit Suisse Leasing 92A, L.P.	New York, United States	USD	75.6
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	4,277.3
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	3,837.8
100	CS Non-Traditional Products Ltd.	Nassau, Bahamas	USD	0.1
100	DLJ Capital Corporation	Wilmington, United States	USD	4.0
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
94 [2]	Credit Suisse International	London, United Kingdom	USD	4,389.6
83	Asset Management Finance LLC	Wilmington, United States	USD	341.6
71	Credit Suisse Saudi Arabia	Riyadh, Saudia Arabia	SAR	300.0
60	Credit Suisse (Qatar) LLC	Doha, Qatar	USD	10.0
58 [3]	Credit Suisse (Luxembourg) S.A.	Luxembourg, Luxembourg	CHF	43.0
50 [4]	Credit Suisse Hedging-Griffo Investimentos S.A.	São Paulo, Brazil	BRL	49.2

[1] 43% of voting rights held by Credit Suisse Group AG, Guernsey Branch. [2] Remaining 6% held directly by Credit Suisse Group AG. 80% of voting rights and 94% of equity interest held by Credit Suisse AG. [3] 42% of voting rights held directly by Credit Suisse Group AG. [4] Controlling interest.

Significant equity method investments

Equity interest in %	Company name	Domicile
as of December 31, 2011		
33	Credit Suisse Founder Securities Limited	Beijing, China
25	E.L. & C. Baillieu Stockbroking (Holdings) Pty Ltd	Melbourne, Australia
25	ICBC Credit Suisse Asset Management Co., Ltd.	Beijing, China
20 [1]	Aberdeen Asset Management PLC	Aberdeen, United Kingdom
5 [2]	York Capital Management	New York, United States

[1] In February 2012, the Bank sold a 10% stake in Aberdeen. [2] The Bank holds a significant noncontrolling interest.

37 Significant valuation and income recognition differences between US GAAP and Swiss GAAP bank law (true and fair view)

▸ Refer to “Note 41 – Significant valuation and income recognition differences between US GAAP and Swiss GAAP bank law (true and fair view)” in V – Consolidated financial statements – Credit Suisse Group for further information.

38 Risk assessment

During the reporting period the Board of Directors (Board) and its Risk Committee performed risk assessments in accordance with established policies and procedures.

The governance of the Bank and the Group, including risk governance, is fully aligned. Both the Board and the Executive Board are comprised of the same individuals.

▸ Refer to “Note 42 – Risk assessment” in V – Consolidated financial statements – Credit Suisse Group for information in accordance with the Swiss Code of Obligations on the risk assessment process followed by the Board.

Controls and procedures

Evaluation of disclosure controls and procedures

The Bank has evaluated the effectiveness of the design and operation of its disclosure controls and procedures as of the end of the period covered by this report under the supervision and with the participation of management, including the Bank Chief Executive Officer (CEO) and Chief Financial Officer (CFO), pursuant to Rule 13(a)-15(a) under the Securities Exchange Act of 1934 (the Exchange Act). There are inherent limitations to the effectiveness of any system of controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective controls and procedures can only provide reasonable assurance of achieving their control objectives.

The CEO and CFO concluded that, as of December 31, 2011, the design and operation of the Bank's disclosure controls and procedures were effective, in all material respects, to ensure that information required to be disclosed in reports filed and submitted under the Exchange Act is recorded, processed, summarized and reported as and when required.

Management report on internal control over financial reporting

The management of the Bank is responsible for establishing and maintaining adequate internal control over financial reporting. The Bank's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with US GAAP. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies or procedures may deteriorate.

Management has made an evaluation and assessment of the Bank's internal control over financial reporting as of December 31, 2011 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 Bank CEO and CFO, has concluded that the Bank's internal control over financial reporting is effective as of December 31, 2011.

KPMG AG, the Bank's independent auditors, have issued an unqualified opinion on the effectiveness of the Bank's internal control over financial reporting as of December 31, 2011, as stated in their report, which follows.

Changes in internal control over financial reporting

There were no changes in the Bank's internal control over financial reporting during the period covered by this report that have materially affected, or are reasonably likely to materially affect the Bank's internal control over financial reporting.

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Report of the Independent Registered Public Accounting Firm to the General Meeting of

Credit Suisse AG, Zurich

We have audited Credit Suisse AG and subsidiaries' (the "Bank") internal control over financial reporting as of December 31, 2011, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Bank's board of directors and management are responsible for maintaining effective internal control over financial reporting and the Bank's management is responsible for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Bank's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Bank maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, 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 Bank as of December 31, 2011 and 2010, 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, 2011, and our report dated March 23, 2012 expressed an unqualified opinion on those consolidated financial statements.

KPMG AG

Marc Ufer
Licensed Audit Expert

Simon Ryder
Licensed Audit Expert

Zurich, Switzerland
March 23, 2012

APPENDIX 6 — LEGAL PROCEEDINGS INFORMATION EXTRACTED FROM CREDIT SUISSE GROUP AG ANNUAL REPORT 2011

We are a wholly owned subsidiary of Credit Suisse Group AG. We have extracted the section headed "Litigation" from pages 333 to 340 of the Credit Suisse Group AG annual report 2011 in this appendix 6. References to page numbers in this appendix 6 are to the pages in the Credit Suisse Group AG annual report 2011 and not to the pages in this document.

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 fees and expenses of external lawyers and other service providers) in connection with certain judicial, regulatory and arbitration proceedings when losses, additional losses or ranges of loss are probable and reasonably estimable. The Group reviews its judicial, regulatory and arbitration 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. Further provisions or releases of litigation provisions may be necessary in the future as developments in such litigation, claims or 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 these matters. In presenting the consolidated financial statements, management makes estimates regarding the outcome of these matters, records a provision and takes a charge to income when losses with respect to such matters are probable and can 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 litigation, claim or proceeding, the progress of the matter, the advice of legal counsel, the Group's defenses and its experience in similar cases or proceedings, as well as its assessment of matters, including settlements, involving other defendants in similar or related cases or proceedings. Factual and legal determinations must be made before a loss, additional losses or ranges of loss can be reasonably estimated for any proceeding or matter.

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 reasonably possible losses. The Group has disclosed below the amount of damages claimed (if specified in the relevant proceeding) 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

	2011
CHF million	
Balance at beginning of period	**861**
Increase in litigation accruals	752
Decrease in litigation accruals	(29)
Decrease for settlements and other cash payments	(688)
Foreign exchange translation	(26)
Balance at end of period	**870**

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 the complexity of the proceedings, the novelty of some of the claims, the early stage of the proceedings and 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 is zero to CHF 2.3 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 proceedings, in the aggregate, will not have a material adverse effect on the Group's financial condition. However, in light of the uncertainties involved in such proceedings, including those proceedings brought by regulators or other governmental authorities, the ultimate resolution of such proceedings may exceed current litigation provisions and any excess may be material to operating results for any particular period, depending, in part, upon the operating results for such period.

Litigation relating to IPO allocation

Beginning in January 2001, Credit Suisse Securities (USA) LLC (CSS LLC), one of its affiliates and several other investment banks were named as defendants in a large number of putative class action complaints filed in the US District Court for the Southern District of New York (SDNY) concerning initial public offering (IPO) allocation practices. In April 2002, the plaintiffs filed consolidated amended complaints alleging various violations of the federal securities laws resulting from alleged material omissions and misstatements in registration statements and prospectuses for the IPOs and, in some cases, follow-on offerings, and with respect to transactions in the aftermarket for those offerings. The complaints contained allegations that the registration statements and prospectuses either omitted or misrepresented material information about commissions paid to investment banks and aftermarket transactions by certain customers that received allocations of shares in the IPOs. The complaints also alleged that misleading analyst reports were issued to support the issuers' allegedly manipulated stock price and that such reports failed to disclose the alleged allocation practices or that analysts were allegedly subject to conflicts of interest. In September 2008, a settlement in principle was reached between the plaintiffs and the underwriter and issuer defendants, and in October 2009, the SDNY issued an order granting final approval of the settlement. Certain members of the settlement class filed appeals challenging the SDNY's approval of the settlement. These appeals have since been resolved or dismissed, although one such appellant attempted to file a petition for review by the US Supreme Court. That petition was initially rejected as procedurally defective. On January 18, 2012, the Clerk of the US Supreme Court determined that the petition had been untimely and therefore was not eligible for resubmission. On January 27, 2012, plaintiffs notified the SDNY that the settlement had thereby been final and effective, permitting the distribution of the funds to claimants and terminating the litigation for all purposes. Resolution of this matter was covered by existing provisions.

Research-related litigation

Putative class action lawsuits were filed against 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 final 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 has 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. The district court denied CSS LLC's motion to dismiss the complaint on December 16, 2006. On September 26, 2008, the district court granted class certification, and the US Court of Appeals for the First Circuit subsequently declined to hear CSS LLC's appeal of that decision. On November 4, 2008, CSS LLC filed a motion for summary judgment on the grounds that there was no evidence that CSS LLC's research coverage of AOL was false or misleading, and there was no evidence that CSS LLC's research coverage had any effect on AOL's stock price or caused the losses asserted by the plaintiff class. In addition, on April 21 and June 5, 2009, CSS LLC and the plaintiff class cross-moved to preclude the testimony of each other's expert witnesses. On August 26, 2011, the district court denied CSS LLC's motion for summary judgment. On September 28, 2011, the defendants filed a motion to certify questions for interlocutory appeal, which was denied on November 21, 2011. 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 February 16, 2012, the plaintiffs filed a motion for reconsideration. On March 1, 2012, the defendants filed an opposition to plaintiffs' motion.

Enron-related litigation

Two Enron-related individual actions remain pending against CSS LLC and certain of its affiliates, each in the US District Court for the Southern District of Texas (SDT). 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. On August 9, 2011, the SDT granted plaintiffs' motion for leave to file a third amended complaint in this matter. CSS LLC and the other defendants filed motions to dismiss this complaint on September 27, 2011. In Ravenswood I LLC, et al. v. Citigroup, Inc., et al., an individual action asserting similar claims, plaintiffs as putative successors in interest sought to recover approximately USD 140 million relating to the decline in value of certain Enron debt securities purchased by a third party from Enron. On November 29, 2011, the SDT granted the motion to dismiss filed by CSS LLC and the remaining defendants in the case.

NCFE-related litigation

Since February 2003, lawsuits have been filed 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. NCFE filed for bankruptcy protection in November 2002. In these lawsuits, which have since been consolidated in the US District Court for the Southern District of Ohio (SDO) and are known as the MDL cases, investors holding approximately USD 1.9 billion face amount of NCFE's bonds and approximately USD 12 million in preferred stock have 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 allegations include claims for breach of contract, negligence, fraud and violation of federal and state securities laws. The lawsuits generally allege that CSS LLC and/or its affiliate knew or should have known that the health care receivables purportedly backing the bonds were either ineligible for the programs or non-existent. CSS LLC and its affiliate filed motions to dismiss these cases. In December 2007, the SDO denied, in large part, CSS LLC's and its affiliate's motions to dismiss, allowing most of the investor claims to proceed. In February 2009, CSS LLC and its affiliate filed motions for summary judgment seeking to dismiss the investors' remaining claims, and certain of the bond investors filed summary judgment motions seeking judgment on certain of their claims. In December 2010, the SDO ruled in CSS LLC's favor on cross-motions for partial summary judgment with respect to a claim under Ohio's blue sky law. More specifically, the SDO held that application of the Ohio statute would violate the commerce clause of the US Constitution. On March 2, 2012, the SDO issued a decision which granted in part, and denied in part, CSS LLC's and its affiliate's remaining summary judgment motions in the bond investor lawsuits. To date, CSS LLC has settled one bond investor lawsuit. In that settlement, dated April 2009, CSS LLC settled with the New York City Pension Fund plaintiffs for an amount covered by existing reserves.

In addition, in November 2004, the trust created through NCFE's confirmed bankruptcy plan commenced two actions against CSS LLC and certain of its affiliates. The trust filed an action in the SDO asserting common law claims similar to those asserted in the MDL cases against several of the same defendants, and it also alleged statutory claims under the Ohio Corrupt Practices Act, claims for professional negligence and claims under the US Bankruptcy Code. CSS LLC and its affiliates filed a motion to dismiss that action in March 2005. In March 2009, the SDO issued a decision in large part denying that motion. In May 2009, CSS LLC and its affiliates moved for summary judgment, and the SDO heard oral argument on that motion in November 2009. The trust (and another trust created in NCFE's bankruptcy) also filed an action in the US Bankruptcy Court for the Southern District of Ohio objecting to the proofs of claim filed by CSS LLC and its affiliates in NCFE's bankruptcy and seeking disgorgement of amounts previously distributed to CSS LLC and its affiliates under the bankruptcy plan. CSS LLC and its affiliates answered that complaint. On April 12, 2011, the SDO granted the summary judgment motion of CSS LLC and an affiliate to dismiss the action filed by the trust. The trust filed a motion with the SDO to reconsider that decision on May 11, 2011. CSS LLC and an affiliate filed an opposition to that motion on May 19, 2011. On June 24, 2011, CSS LLC and its affiliates agreed in principle to settle both of these actions. That settlement was finalized on October 31, 2011 and was covered by existing provisions.

Refco-related litigation

Refco trustee action

In August 2007, the litigation trustee appointed pursuant to the Refco bankruptcy plan named CSS LLC along with other financial services firms, accountants, officers, directors and controlling persons, as a defendant in a lawsuit filed in Illinois state court. The lawsuit asserted claims against CSS LLC for aiding and abetting breaches of fiduciary duty by Refco insiders in connection with Refco's August 2004 notes offering and August 2005 IPO. The lawsuit also asserted claims in excess of USD 2 billion against CSS LLC for professional malpractice and negligent misrepresentation in connection with CSS LLC's role as a financial advisor to Refco. CSS LLC and certain other defendants removed this action to Illinois federal district court and the case was transferred (by the Judicial Panel on Multi-District Litigation) to the SDNY. In May 2008, CSS LLC and certain other defendants filed a motion to dismiss plaintiffs' claims. In April 2009, the SDNY granted CSS LLC's and other defendants' motion to dismiss. In December 2009, following an appeal by the plaintiffs to the US Court of Appeals for the Second Circuit (Second Circuit), the Second Circuit certified certain questions of law to the New York Court of Appeals. In October 2010, the New York Court of Appeals issued an opinion clarifying New York law. On November 18, 2010, after consideration of the New York Court of Appeals opinion, the Second Circuit affirmed the SDNY's dismissal with prejudice. In December 2010, the trustee filed a petition for panel rehearing by the Second Circuit. In April 2011, the Second Circuit denied the trustee's request for rehearing. The trustee's time to petition for certiorari with the US Supreme Court has expired.

SPhinX action

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. (PlusFunds), the investment manager for the SPhinX Funds. The operative amended complaint in the suit asserts 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. That complaint seeks to recover from defendants approximately USD 263 million that the SPhinX Managed Futures Fund (SMFF), a SPhinX fund, had on deposit and lost at Refco, plus several hundred million dollars in alleged additional "lost enterprise" damages of PlusFunds. In March 2008, CSS LLC and certain other defendants removed the action to the SDNY. In November 2008, CSS LLC filed motions to dismiss. While the court initially dismissed all plaintiffs' claims against CSS LLC for lack of standing, it later held that SMFF and PlusFunds had standing and permitted those plaintiffs to reinstate their claims in light of the Second Circuit's decision dismissing the Refco trustee's claims (described above). In February 2012, the court granted in part and denied in part CSS LLC's other arguments for dismissal of the complaint. The claim by SMFF and PlusFunds against CSS LLC for aiding and abetting breach of fiduciary duty has been dismissed with prejudice. Plaintiffs' claim for aiding and abetting fraud remains, though the court circumscribed the damages plaintiffs can seek. A court appointed Special Master issued a Report and Recommendation (R&R) recommending the denial of one additional ground asserted by CSS LLC for the dismissal of the entire complaint against CSS LLC. Objections to the Special Master's R&R are under consideration by the court.

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 inquiries and requests.

These inquiries include CSS LLC being advised in January and February 2012 by the US Securities and Exchange Commission (SEC) staff that they are considering recommending to the Commission that civil or administrative actions be pursued arising out of two separate investigations they have been conducting. The first involves potential claims against CSS LLC relating to due diligence conducted for two mortgage-backed securitizations and corresponding disclosures. The second involves potential claims against CSS LLC and certain of its affiliates relating to settlements of claims against originators involving loans included in a number of Credit Suisse securitizations. In both investigations, the SEC staff has invited CSS LLC to submit responses to the proposed actions and CSS LLC is in the process of responding to the SEC.

CSS LLC and certain of its affiliates have also been named as defendants in various civil litigation matters related to their roles as issuer, sponsor, depositor and/or underwriter of RMBS transactions. These cases include a class action lawsuit and putative class action lawsuits, actions by individual investors in RMBS, and actions by monoline insurance companies that guaranteed payments of principal and interest for certain RMBS. Although the allegations vary by lawsuit, plaintiffs in the class actions and individual investor lawsuits 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. In addition, certain monoline insurers have alleged that loans that collateralize RMBS they insured breached representations and warranties made with respect to the loans at the time of securitization.

The amounts disclosed below do not reflect actual realized plaintiff losses to date or anticipated future litigation exposure. Rather, 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.

Class action litigations

In 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 purported class actions pending in the SDNY brought on behalf of purchasers of securities in various IndyMac RMBS offerings. In one action, In re IndyMac Mortgage-Backed Securities Litigation, CSS LLC is named along with numerous other underwriters and individual defendants related to approximately USD 9.8 billion of IndyMac RMBS offerings. CSS LLC served as an underwriter with respect to approximately 31% of the IndyMac RMBS at issue or approximately USD 3.0 billion. In addition, 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 district court has denied these motions to intervene, and the proposed intervenors are now appealing that ruling. In the other action, Tsereteli v. Residential Asset Securitization Trust 2006-A8, CSS LLC was the sole underwriter defendant related to a USD 632 million IndyMac RMBS offering, of which CSS LLC underwrote USD 603 million of certificates. The court in the In re IndyMac action has dismissed claims as to certain RMBS securitizations, including all offerings in which no named plaintiff purchased securities, and in both actions has limited the theories on which claims as to other offerings may proceed. Discovery has commenced in both actions and plaintiffs have filed motions for class certification. With respect to 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. Defendants' motion to dismiss the complaint was granted in part, with leave to replead, and denied in part. One 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 a single USD 784 million RMBS offering sponsored and underwritten by the Credit Suisse defendants. Defendants' motion to dismiss was granted in part for claims related to RMBS offerings in which a named plaintiff was not a purchaser and to limit the theories on which the remaining claims may proceed. The SDNY granted plaintiff's motion for class certification in the lawsuit.

Individual investor actions

In other actions brought against CSS LLC and its affiliates as an RMBS issuer, underwriter and/or other participant, CSS LLC and certain of its affiliates, along with other financial institutions, are defendants in seven separate individual actions filed by the Federal Home Loan Banks of Seattle, San Francisco, Chicago, Indianapolis and Boston in various state courts. The claims against CSS LLC and its affiliates relate to approximately USD 3.3 billion of the RMBS collectively at issue in those actions (approximately 9% of the USD 36 billion at issue against all banks across all the actions and coordinated proceedings). CSS LLC, and in some instances certain of its affiliates and employees, are also among the defendants, along with other financial institutions, named in: two actions brought by the Asset Management Fund and affiliated entities in the Supreme Court for the State of New York, New York County (SCNY), in which claims against CSS LLC and its affiliates relate to approximately USD 238 million of RMBS at issue (approximately 32% of the USD 755 million at issue against all banks); two actions brought by Cambridge Place Investment Management Inc. in Massachusetts state court, in which claims against CSS LLC and its affiliates relate to approximately USD 525 million of the RMBS at issue (approximately 16% of the USD 3.3 billion at issue against all banks); 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 banks); one action brought by HSH Nordbank AG and affiliated entities in the SCNY, in which claims against CSS LLC relate to approximately USD 16 million of RMBS at issue (approximately 12% of the USD 130 million at issue against all banks); two actions brought by Massachusetts Mutual Life Insurance Company in Massachusetts federal court, in which claims against CSS LLC and its affiliates and employees relate to approximately USD 107 million of the RMBS at issue (approximately 97% of the USD 110 million at issue against all banks); one action brought by Sealink Funding Limited in the SCNY, in which claims against CSS LLC and its affiliates relate to USD 20 million of RMBS at issue (approximately 2% of the USD 949 million at issue against all banks); one action against CSS LLC brought by Stichting Pensioenfonds ABP in the SCNY, in which claims against CSS LLC relate to an unstated amount of RMBS at issue; two actions brought by The Union Central Life Insurance Company and certain of its affiliates in the SDNY, in which claims against CSS LLC and its affiliates and employees relate to approximately USD 71 million of RMBS at issue (approximately 36% of the USD 199 million at issue against all banks); 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 RMBS at issue (approximately 35% of the USD 17 million at issue against all banks); and one action brought by the Western & Southern Life Insurance Company and certain of its affiliates in the Court of Common Pleas for Hamilton County, Ohio, in which claims against CSS LLC and its affiliates relate to approximately USD 259 million of RMBS at issue (approximately 94% of the USD 276 million at issue against all banks). CSS LLC and certain of its affiliates are the only defendants named in: one action commenced by Allstate Insurance Company in the SCNY related to approximately USD 232 million of RMBS at issue; and one action commenced by IKB Deutsche Industriebank AG and certain of its affiliates in the SCNY related to approximately USD 240 million of RMBS at issue. CSS LLC and certain of its affiliates and employees are the only defendants named in a separate action commenced by Stichting Pensioenfonds

ABP in the SCNY related to an unstated amount of RMBS at issue. In September 2011, the Federal Housing Finance Agency (FHFA), as conservator for Fannie Mae and Freddie Mac, filed seventeen separate complaints against various major financial institutions concerning a total of more than USD 196 billion of RMBS issued. CSS LLC and certain of its affiliates and employees are named as the defendants in one such action filed in the SDNY concerning approximately USD 14.1 billion of RMBS issued and/or underwritten by Credit Suisse defendants. CSS LLC is also named as an underwriter defendant in five of the other FHFA actions filed in September 2011, each pending in the SDNY. These claims against CSS LLC relate to approximately USD 5.5 billion of the RMBS at issue (about 11% of the approximately USD 51 billion at issue against all banks in those actions). Each of these actions is at an early procedural point in the litigation. A number of other entities have threatened to assert claims against CSS LLC and/or its affiliates in connection with various mortgage-related offerings, and CSS LLC and its affiliates have entered into agreements with some of those entities to toll the relevant statutes of limitations.

Monoline insurer disputes

CSS LLC and certain of its affiliates are defendants in three pending actions each commenced by a monoline insurer that guaranteed payments of principal and interest that in aggregate total approximately USD 1.5 billion of RMBS issued in eight different offerings sponsored by Credit Suisse. One theory of liability advanced by the monoline insurers is that an affiliate of CSS LLC must repurchase affected mortgage loans from the trusts at issue. To date, the monoline insurers have submitted repurchase demands for loans with an aggregate original principal balance of approximately USD 2.3 billion. These actions are pending in the SCNY. In each action, plaintiff claims that the underlying mortgage loans breach certain representations and warranties, and that CSS LLC and its affiliates have failed to repurchase the allegedly defective loans. In two of the actions, those brought by monoline insurers Ambac Assurance Corp. and MBIA Insurance Corp. (MBIA) against CSS LLC and its affiliates, plaintiff claims that it was fraudulently induced into providing the insurance. In those actions, the court dismissed both of the monoline insurer plaintiffs' fraudulent inducement claims against CSS LLC and its affiliates, but plaintiffs requested reconsideration by the court. On October 7, 2011, the court reinstituted the monoline insurer plaintiffs' fraudulent inducement claims against CSS LLC and its affiliates but reinstated its earlier decisions to deny plaintiffs' demands for a jury trial. Discovery in these actions is ongoing. The third action by a monoline insurer was brought by Assured Guaranty Corp. on October 17, 2011. Separately, CSS LLC and other underwriters and individuals are defendants in an action pending in California state court brought by MBIA. The action relates to approximately USD 650 million in securities issued by IndyMac, including approximately USD 98 million of RMBS for which CSS LLC was an underwriter in one of the three offerings at issue, and as to which MBIA provided financial guaranty insurance. MBIA purports to be subrogated to the rights of the RMBS holders and seeks recovery of sums it has paid and will pay pursuant to those policies. Discovery in the action is ongoing.

Bank loan litigation

On January 3, 2010, the Bank and other affiliates were named as defendants in a lawsuit filed in the US District Court for the District of Idaho by homeowners in four real estate developments, Tamarack Resort, Yellowstone Club, Lake Las Vegas and Ginn Sur Mer. The Bank arranged, and was the agent bank for, syndicated loans provided for all four developments, which have been or are now in bankruptcy or foreclosure. Plaintiffs generally allege that the Bank and other affiliates committed fraud by using an unaccepted appraisal method to overvalue the properties with the intention to have the borrowers take out loans they could not repay because it would allow the Bank and other affiliates to later push the borrowers into bankruptcy and take ownership of the properties. 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 are seeking class action status and 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

February 17, 2012, the magistrate judge issued a report and recommendation to deny the motion to intervene and to dismiss certain of the claims while allowing others to proceed. The Bank and its affiliates filed objections to the recommendations on March 5, 2012 and are awaiting the district court's decision to adopt or deny the recommendation.

Auction Rate Securities

CSS LLC is responding to a number of customer demands and defending against litigation and Financial Industry Regulatory Authority (FINRA) arbitrations relating to the sale of certain auction rate securities (ARS).

In February 2008, ST Microelectronics (ST) brought a FINRA arbitration against CSS LLC concerning the purchase and sale of USD 415 million notional amount of ARS. The brokers of record for ST, who are no longer employed by CSS LLC, have since been criminally convicted. In February 2009, the FINRA arbitration panel awarded ST USD 406 million in damages in exchange for CSS LLC taking possession of the ARS. ST subsequently filed an action in the SDNY to confirm this award. Judgment was entered in favor of ST on March 23, 2010, and an amended judgment was entered on August 30, 2010. CSS LLC appealed to the Second Circuit, and the judgment is stayed pending appeal. Separately, in 2008, ST filed an action in the US District Court for the Eastern District of New York (EDNY) against the Group, alleging violations of the federal securities laws and various common law causes of action relating to the ARS portfolio. The Group moved to dismiss that action. On March 16, 2010, while the Group's motion to dismiss the original complaint was still pending, ST moved for permission to file an amended complaint. The Group opposed the motion. The court heard oral argument on ST's motion to amend on April 19, 2010. On March 31, 2011, the EDNY denied in part, and granted in part, the Group's motion to dismiss the original complaint of ST, alleging violations of the federal securities laws and various common law causes of action relating to the ARS portfolio, and granted ST's motion to file an amended complaint in the action. On June 2, 2011, the Second Circuit affirmed the SDNY's confirmation of ST's FINRA arbitration award against CSS LLC (except to the extent that the SDNY failed to credit against the amount of the award USD 75 million received by ST from the sale of certain of the ARS and to reduce the amount of interest owed by CSS LLC accordingly). On June 8, 2011, CSS LLC, the Group and ST settled these cases. Pursuant to the settlement, CSS LLC and the Group paid ST USD 357 million and received the ARS positions and interest in ST's CSS LLC account as of the settlement date. Substantially all of the settlement amount was covered by existing provisions.

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 ARS. 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. The SDNY has not ruled on the portion of the Group's motion to dismiss the complaint for failure to state a claim.

In April 2010, Golden Minerals (formerly known as Apex Silver) commenced a FINRA arbitration against CSS LLC seeking approximately USD 33 million in alleged damages. Golden Minerals alleged that CSS LLC misled the company about the nature and risks of its investments in ARS. Golden Minerals further alleged that CSS LLC and the brokers of record for the company made unsuitable recommendations and breached fiduciary duties allegedly owed to the company, and that CSS LLC failed to supervise its brokers. Golden Minerals' claims relied in part on the criminal conviction of the brokers of record on its account and on CSS LLC's regulatory settlement relating to the sale of ARS. In August 2011, CSS LLC and Golden Minerals agreed to a settlement. The settlement amount was covered by existing provisions.

In September 2008, CSS LLC, along with many other Wall Street firms, agreed to a settlement in principle with the New York Attorney General and the North American Securities Administrators Association Task Force whereby CSS LLC agreed to repurchase up to USD 550 million par value of ARS from individual customers.

ADR litigation

A putative class action was filed on April 21, 2008 in the SDNY against the Group and certain executives by certain purchasers of American Depositary Receipts (ADRs) and common shares alleging violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder. Plaintiffs in this action alleged that the Group's stock price was artificially inflated as a result of allegedly misleading disclosures relating to the company's business and financial results. A second putative class action complaint making similar allegations was filed in May 2008. These actions were consolidated in June 2008, and an amended complaint against the Group and certain executives was filed in October 2008. In December 2008, the Group and defendant executives filed a motion to dismiss the amended complaint. In October 2009, the SDNY issued a decision dismissing the case for lack of subject matter jurisdiction. In November 2009, plaintiffs filed a motion for leave to file a second amended complaint, and the Group and defendant executives opposed that motion. On February 11, 2010, the SDNY denied in part and granted in part plaintiffs' motion. The SDNY found that plaintiff purchasers of ADRs and US plaintiff purchasers of Group common shares on foreign exchanges could proceed with their proposed amended claims but that foreign purchasers of Group common shares on foreign exchanges could not. In March 2010, the remaining plaintiffs filed their second amended complaint. In July 2010, the SDNY (based on the US Supreme Court's July 2010 decision in Morrison v. National Australia Bank) additionally dismissed the claims of all US purchasers of Group common shares on foreign exchanges. On January 6, 2011, following mediation, the parties agreed in principle to settle this matter. On March 7, 2011, the parties executed formal settlement documentation. On July 18, 2011, the SDNY granted final approval of the settlement and dismissed with prejudice the entire action.

US economic sanctions matter

In December 2009, the Bank announced that it had reached a settlement with the New York County District Attorney's Office, the United States Department of Justice (DOJ), the Board of Governors of the Federal Reserve System (Fed), the Federal Reserve Bank of New York and the Office of Foreign Assets Control (OFAC) of their investigation into US dollar payments during the period April 2002 to 2007 involving certain countries (Cuba, Iran, Libya, Burma and Sudan) that were subject to US economic sanctions. As part of the settlement, the Bank entered into two-year deferred prosecution agreements (DPAs), a Cease and Desist Order (CDO) with the Fed, and an agreement with OFAC and agreed to pay a total of USD 536 million, for which reserves were recorded in 2009. The DPAs were terminated in December 2011 and the CDO was terminated in March 2012. Credit Suisse has completed all of its settlement obligations and all sanctions censures have been formally terminated, now having no further force or effect.

Tax matters

In early 2010, the Public Prosecutor's Office in Dusseldorf, Germany initiated an investigation that dealt with possible tax evasion by Credit Suisse clients and alleged assistance in such tax evasion by Credit Suisse employees. Credit Suisse and the Dusseldorf Public Prosecutor's Office reached an agreement regarding the proceedings against Credit Suisse employees. The relevant applications were submitted to and approved by the Dusseldorf District Court. Credit Suisse paid EUR 150 million. The entire proceedings by the Dusseldorf Public Prosecutor's office were thereby resolved.

Credit Suisse has been responding to subpoenas and other requests for information from the 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 arrested for alleged conduct while employed at Credit Suisse or other financial institutions. Credit Suisse has 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

On February 3, 2012, following related investigations in the US and in the UK by the respective authorities, the Swiss Competition Commission commenced an investigation involving twelve banks and certain other financial intermediaries, including the Group, concerning alleged collusive behavior among traders to affect the bid ask spread for derivatives tied to the LIBOR and TIBOR reference rates fixed with respect to certain currencies. The investigation also relates to alleged collusive agreements to influence these reference rates. Credit Suisse is not a panel bank for Yen LIBOR, Yen TIBOR or Euroyen TIBOR. Credit Suisse is cooperating fully with these investigations.

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 is required to conduct a review of sales of such products in the relevant period to determine suitability.

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