BASE LISTING DOCUMENT DATED 15 APRIL 2013

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 Non-collateralised Structured Products to be issued by

Credit Suisse AG

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

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

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

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

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

Sponsor and Manager

Credit Suisse (Hong Kong) Limited

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IMPORTANT INFORMATION

What is this document about?

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

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

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

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

Is there any guarantee or collateral for the structured products?

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

What are the Issuer's credit ratings?

The Issuer's long term credit ratings are:

Rating agency	*Ratings as of 12 April 2013*
Moody's Investors Service, Inc., New York	A1
Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc.	A+
Fitch Ratings	A

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

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

(b) ratings of companies may involve difficult-to-quantify factors such as market competition, the success or failure of new products and markets and managerial competence; 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. Any downgrading of our ratings could result in a reduction in the value of the structured products.

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

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

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

Is the Issuer subject to any litigation?

Except as disclosed in the section headed "Legal Proceedings Information extracted from Credit Suisse annual report 2012" set out in appendix 6 of this document, we and our affiliates are not involved in any litigation, claims or arbitration proceedings which are material in the context of the issue of the structured products. Also, we are not aware of any proceedings or claims which are threatened or pending against us or out affiliates.

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

Except as disclosed in the section headed "Our financial statements extracted from Credit Suisse annual report 2012" set out in appendix 5 of this document, there has been no material adverse change in our financial position since 31 December 2012. 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 2012 of Credit Suisse Group AG & Credit Suisse AG (**Credit Suisse annual report 2012**);

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

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

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

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

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

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

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

Our auditors have given and have not withdrawn their written consent dated 15 April 2013 regarding the inclusion of their two reports and/or the references to their name in this document, in the form and context in which they are included. Their two reports were not prepared for incorporation in this document. Our auditors do not have any shareholding in us, nor do they have the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for our securities.

Placing and sale and grey market dealings

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

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

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

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

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

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

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

Governing law of the structured products

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

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

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

Undefined terms

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

OVERVIEW OF WARRANTS

What is a derivative warrant?

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

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

How and when can you get back your investment?

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

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

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

How do our warrants work?

Ordinary warrants

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

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

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

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

Call warrants

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

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

Put warrants

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

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

Other types of warrants

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

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

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

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

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

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

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

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

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

(c) the liquidity of the underlying asset;

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

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

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

(g) the supply and demand for that warrant;

(h) our related transaction costs; and/or

(i) our creditworthiness.

What is your maximum loss?

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

How can you get information about the warrants after issue?

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

OVERVIEW OF CBBCS

What are CBBCs?

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

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

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

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

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

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

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

There are 2 categories of CBBCs, namely:

(a) category R CBBCs; and

(b) category N CBBCs.

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

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

What are the mandatory call features of CBBCs?

Mandatory call event

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

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

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

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

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

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

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

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

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

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

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

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

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

Category R CBBCs vs. category N CBBCs

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

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

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

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

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

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

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

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

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

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

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

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

How is the funding cost calculated?

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

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

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

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

Do you own the underlying asset?

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

What are the factors determining the price of a CBBC?

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

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

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

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

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

(d) probable range of cash settlement amount;

(e) the time remaining to expiry;

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

(g) the supply and demand for the CBBCs;

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

(i) our related transaction costs; and/or

(j) our creditworthiness.

What is your maximum loss?

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

How can you get information about the CBBCs after issue?

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

TAXATION

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

Taxation in Switzerland

Gain on sale or redemption

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

Stamp tax

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

Taxation in Hong Kong

Profits tax

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

(a) dividends of any company;

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

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

Stamp duty

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

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

Taxation in United States of America

United States Tax Consideration for Investors

Substitute Dividend and Dividend Equivalent Payments

The United States Hiring Incentives to Restore Employment Act (the "**Act**") and certain 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, 2013.

Proposed regulations address whether a payment or a deemed 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 Entities

Under the "Hiring Incentives to Restore Employment Act" (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 recently finalized 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 (excluding payments made before January 1, 2015, with respect to a preexisting obligation to a payee that is not a prima facie foreign financial institution and for which a withholding agent does not have documentation indicating the payee's status as a passive non-financial foreign entity with one or more substantial U.S. owners) and (ii) payments of gross proceeds of the type described above with respect to a sale or disposition occurring after December 31, 2017, and (iii) foreign passthru payments made after the later of December 31, 2016, or six months after the date that final regulations defining the term "foreign passthru payment" are published. Additionally, the provisions of the Act discussed above generally will not apply to (a) any obligation (other than an instrument that is treated as equity for U.S. tax purposes or that lacks a stated expiration or term) that is outstanding on January 1, 2014 or (b) any obligation that produces withholdable payments solely because the obligation is treated as giving rise to a dividend equivalent pursuant to section 871(m) and the regulations thereunder that is outstanding at any point prior to six months after the date on which obligations of its type are first treated as giving rise to dividend equivalents; and (c) any agreement requiring a secured party to make payments with respect to collateral securing one or more grandfathered obligations (even if the collateral is not itself a grandfathered obligation). Thus, if you hold your 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 does not or where applicable 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

We are not the ultimate holding company of the group

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

Non-collateralised structured products

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

Repurchase of our structured products

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

Our creditworthiness

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

(a) any company which issues the underlying shares;

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

(c) the index compiler of the underlying index.

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

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

No deposit liability or debt obligation

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

Conflicts of interest

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

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

General risks relating to structured products

You may lose all your investment in the structured product

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

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

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

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

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

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

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

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

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

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

Possible illiquidity of secondary market

It is not possible to predict:

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

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

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

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

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

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

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

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

Interest rates

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

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

Exchange rate risk

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

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

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

Taxes

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

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

Modification to the conditions

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

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

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

(c) made to correct a manifest error; or

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

Possible early termination for illegality or impracticability

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

Risks relating to the underlying asset

You have no right to the underlying asset

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

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

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

Valuation risk

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

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

Adjustment related risk

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

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

Suspension of trading

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

Delay in settlement

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

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

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

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

Risks relating to structured products over trusts

General risks

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

(a) neither we nor any of our affiliates have the ability to control or predict the actions of the trustee or the manager of the relevant trust. Neither the trustee nor the manager of the relevant trust (i) is involved in the offer of any structured product in any way, or (ii) has any obligation to consider the interest of 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 he performance of the underlying asset pool or index or market that the ETF is designed to track as a result of, for example, failure of the tracking strategy, currency differences, fees and expenses; and

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

Synthetic exchange traded funds

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

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

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

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

Risks relating to our warrants

Time decay

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

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

RISKS RELATING TO OUR CBBCS

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

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

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

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

Mandatory call event is irrevocable

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

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

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

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

Delay in announcements of a mandatory call event

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

Non-recognition of post MCE trades

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

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

Residual value will not include residual funding cost

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

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

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

Unwinding of hedging arrangements

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

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

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

Possible early termination for hedging disruption

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

Risks relating to the legal form of the structured products

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

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

You should be aware of the following risks:

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

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

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

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

Fee arrangements with brokers and conflicts of interest of brokers

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

Effect of the combination of risk factors unpredictable

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

GENERAL INFORMATION ABOUT US

Incorporation, registered office and objective

We were established on 5 July 1856 and registered in the Commercial Register of the Canton of Zurich on 27 April 1883 for an unlimited duration under the name of Schweizerische Kreditanstalt. Our name was changed to Credit Suisse First Boston on 11 December 1996 (by entry in the Commercial Register), effective as of 1 January 1997. Our name was then changed to Credit Suisse, effective as of 13 May 2005. Our name was further changed to Credit Suisse AG, effective as of 9 November 2009. We are a joint stock corporation established under Swiss law. Our share capital amounts to CHF 4,399,665,200, 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 2013*

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

Name	Office held	Office address
Anton van Rossum	Director	Credit Suisse Group AG Paradeplatz 8 8070 Zurich Switzerland
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
Iris Bohnet Zürcher	Director	Credit Suisse Group AG Paradeplatz 8 8070 Zurich Switzerland
Jean-Daniel Gerber	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 15 April 2013 and issued by the Issuer (including any addenda to such base listing document issued by the Issuer from time to time);

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

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

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

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

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

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

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

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

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

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

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

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

“**Issuer**” means Credit Suisse AG;

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

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

“**Register Maintenance Agreement**” means:

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

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

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

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

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

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

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

2. Form, Status and Transfer

2.1 ***Form***

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

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

2.2 ***Status***

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

2.3 ***Transfer***

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

3. Register and Transfer Office

3.1 ***Maintenance of Register***

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

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

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

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

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

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

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

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

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

4. Purchases

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

5. Global Certificate

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

6. Meetings of Holders and Modifications to Conditions

6.1 *Meetings of Holders*

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

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

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

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

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

6.2 *Modification*

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

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

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

(c) made to correct a manifest error; or

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

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

7. Notices

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

8. Illegality or Impracticability

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

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

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

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

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

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

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

9. Further Issues

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

10. Good Faith and Commercially Reasonable Manner

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

11. Governing Law

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

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

12. Language

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

APPENDIX 2 — PRODUCT CONDITIONS OF THE WARRANTS

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

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

1. Definitions

For the purposes of these Product Conditions:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"**Market Disruption Event**" means:

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

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

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

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

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

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

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

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

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

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

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

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

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

2. Warrant Rights and Exercise Expenses

2.1 ***Warrant Rights***

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

2.2 ***Exercise Expenses***

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

3. Exercise of Warrants

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

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

3.2 ***Automatic Exercise***

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

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

3.3 ***Cancellation***

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

3.4 ***Cash Settlement***

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

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

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

4. Adjustments

4.1 *Rights Issues*

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

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

Where:

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

E: Existing Entitlement immediately prior to the Rights Offer

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

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

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

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

For the purposes of these Product Conditions:

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

4.2 ***Bonus Issues***

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

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

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 Business Day preceding the consummation of such merger, consolidation, sale or transfer (each a "**Restructuring Event**") (as determined by the Issuer in its absolute discretion).

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

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

4.5 ***Cash Distribution***

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

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

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

Where:

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

E: The existing Entitlement immediately prior to the Cash Distribution

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

CD: The amount of Cash Distribution per Share

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

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

4.6 ***Other Adjustments***

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

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

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

4.7 ***Notice of Determinations***

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

5. Liquidation

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

6. Delisting

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

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

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

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

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

1. Definitions

For the purposes of these Product Conditions:

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

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

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

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

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:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"**Market Disruption Event**" means:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2. Warrant Rights and Exercise Expenses

2.1 ***Warrant Rights***

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

2.2 ***Exercise Expenses***

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

3. Exercise of Warrants

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

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

3.2 ***Automatic Exercise***

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

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

3.3 ***Cancellation***

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

3.4 ***Cash Settlement***

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

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

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

4. Adjustments to the Index

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

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

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

If:

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

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

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

4.3 ***Other Adjustments***

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

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

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

4.4 ***Notice of Determinations***

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

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

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

1. Definitions

For the purposes of these Product Conditions:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"**Market Disruption Event**" means:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2. Warrant Rights and Exercise Expenses

2.1 ***Warrant Rights***

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

2.2 ***Exercise Expenses***

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

3. Exercise of Warrants

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

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

3.2 ***Automatic Exercise***

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

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

3.3 ***Cancellation***

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

3.4 ***Cash Settlement***

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

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

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

4. Adjustments

4.1 *Rights Issues*

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

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

Where:

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

E: Existing Entitlement immediately prior to the Rights Offer

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

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

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

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

For the purposes of these Product Conditions:

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

4.2 ***Bonus Issues***

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

Adjusted Entitlement = Adjustment Factor x E

Where:

Adjustment Factor = 1 + N

E: Existing Entitlement immediately prior to the Bonus Issue

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

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

4.3 ***Subdivisions or Consolidations***

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

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

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

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

4.4 ***Merger or Consolidation***

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

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

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

4.5 ***Cash Distribution***

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

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

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

Where:

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

E: The existing Entitlement immediately prior to the Cash Distribution

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

CD: The amount of Cash Distribution per Unit

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

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

4.6 ***Other Adjustments***

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

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

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

4.7 ***Notice of Determinations***

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

5. Termination or Liquidation

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

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

6. Delisting

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

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

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

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

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

1. Definitions

For the purposes of these Product Conditions:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"**Market Disruption Event**" means:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2. Warrant Rights and Exercise Expenses

2.1 *Warrant Rights*

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

2.2 *Exercise Expenses*

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

3. Exercise of Warrants

3.1 *Exercise of Warrants in Board Lots*

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

3.2 *Automatic Exercise*

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

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

3.3 *Cancellation*

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

3.4 *Cash Settlement*

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

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

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

4. Adjustments

4.1 *Rights Issues*

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

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

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 by the reciprocal of the Adjustment Factor, where the reciprocal of the Adjustment Factor means one divided by the relevant Adjustment Factor. This adjustment shall take effect on the Rights Issue Adjustment Date.

For the purposes of these Product Conditions:

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

4.2 ***Bonus Issues***

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

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

Where:

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

E: Existing Entitlement immediately prior to the Bonus Issue

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

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

4.3 ***Subdivisions or Consolidations***

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

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

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

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

4.4 ***Merger or Consolidation***

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

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

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

4.5 ***Cash Distribution***

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

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

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

Where:

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

E: The existing Entitlement immediately prior to the Cash Distribution

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

CD: The amount of Cash Distribution per Share

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

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

4.6 ***Other Adjustments***

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

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

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

4.7 ***Notice of Determinations***

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

5. Liquidation

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

6. Delisting

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

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

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

APPENDIX 3 — PRODUCT CONDITIONS OF THE CBBCs

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

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

1. Definitions

For the purposes of these Product Conditions:

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

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

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

(a) following a Mandatory Call Event:

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

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

(b) at expiry:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

“**Market Disruption Event**” means:

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

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

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

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

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

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

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

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

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

“**MCE Valuation Period**” means:

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

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

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

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

For the purposes of this definition,

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

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

shall each be considered as one session only; and

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"**Spot Level**" means:

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

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

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

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

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

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

2. Hedging Disruption

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

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

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

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

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

(d) the general unavailability of:

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

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

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

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

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

3. CBBC Rights and Exercise Expenses

3.1 *CBBC Rights*

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

3.2 *Exercise Expenses*

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

4. EXERCISE OF CBBCs

4.1 *Exercise of CBBCs in Board Lots*

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

4.2 *Automatic exercise*

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

4.3 *Mandatory Call Event*

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

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

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

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

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

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

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

4.4 ***Entitlement***

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

4.5 ***Exercise Expenses***

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

4.6 ***Cancellation***

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

4.7 ***Cash Settlement***

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

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

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

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

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

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

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

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

4.10 ***Trading in the CBBCs***

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

5. Adjustments to the Index

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

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

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

If:

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

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

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

5.3 *Other Adjustments*

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

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

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

5.4 *Notice of Determinations*

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

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

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

1 Definitions

For the purposes of these Product Conditions:

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

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

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

(a) following a Mandatory Call Event:

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

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

(b) at expiry:

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

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

and

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"**Market Disruption Event**" means:

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

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

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

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

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

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

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

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

For the purposes of this definition,

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

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

shall each be considered as one session only;

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

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

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

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

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

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

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

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

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

and

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

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

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

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

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

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

"**Spot Price**" means:

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

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

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

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

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

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

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

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

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

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

2. Hedging Disruption

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

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

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

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

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

(d) the general unavailability of:

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

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

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

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

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

3. CBBC Rights and Exercise Expenses

3.1 ***CBBC Rights***

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

3.2 ***Exercise Expenses***

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

4. EXERCISE OF CBBCs

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

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

4.2 ***Automatic exercise***

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

4.3 ***Mandatory Call Event***

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

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

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

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

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

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

4.4 ***Entitlement***

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

4.5 ***Exercise Expenses***

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

4.6 ***Cancellation***

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

4.7 ***Cash Settlement***

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

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

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

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

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

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

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

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

4.10 ***Trading in the CBBCs***

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

5. Adjustments

5.1 ***Rights Issues***

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

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

Where:

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

E: Existing Entitlement immediately prior to the Rights Offer

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

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

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

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

For the purposes of these Product Conditions:

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

5.2 ***Bonus Issues***

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

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

Where:

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

E: Existing Entitlement immediately prior to the Bonus Issue

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

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

5.3 ***Subdivisions or Consolidations***

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

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

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

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

5.4 ***Merger or Consolidation***

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

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

For the avoidance of doubt, any remaining Shares shall not be affected by this Product Condition 5.4 and, where cash is offered in substitution for Shares or is deemed to replace Substituted Securities as described above, references in these Product Conditions to the Shares shall include any such cash.

5.5 ***Cash Distribution***

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

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

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

Where:

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

E: The existing Entitlement immediately prior to the Cash Distribution

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

CD: The amount of Cash Distribution per Share

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

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

5.6 ***Other Adjustments***

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

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

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

5.7 ***Notice of Determinations***

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

6. Liquidation

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

7. Delisting

7.1 *Adjustments following delisting*

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

7.2 *Listing on another exchange*

Without prejudice to the generality of Product Condition 7.1, where the Shares are, or, upon the delisting, become, listed on any other stock exchange, the General Conditions and these Product Conditions may, in the absolute discretion of the Issuer, be amended to the extent necessary to allow for the substitution of that other stock exchange in place of the Stock Exchange and the Issuer may, without the consent of the Holders, make such adjustments to the entitlements of Holders on exercise (including, if appropriate, by converting foreign currency amounts at prevailing market rates into the relevant currency) as may be appropriate in the circumstances.

7.3 *Adjustments binding*

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

PART C — PRODUCT CONDITIONS OF CALLABLE BULL/BEAR CONTRACTS OVER SINGLE UNIT TRUSTS (CASH SETTLED)

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

1. Definitions

For the purposes of these Product Conditions:

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

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

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

(a) following a Mandatory Call Event:

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

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

(b) at expiry:

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

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

and

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"**Market Disruption Event**" means:

(a) the occurrence or existence on any Trading Day during the one-half hour period that ends at the close of trading of any suspension of or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the Stock Exchange or otherwise) on the Stock Exchange in: (i) the Units; or (ii) any options or futures contracts relating to the Units if, in any such case, such suspension or limitation is, in the determination of the Issuer, material;

(b) the issuance of the tropical cyclone warning signal number 8 or above or the issuance of a "BLACK" rainstorm signal on any day which either (i) results in the Stock Exchange being closed for trading for the entire day; or (ii) results in the Stock Exchange being closed prior to its regular time for close of trading for the relevant day (for the avoidance of doubt, in the case when the Stock Exchange is scheduled to open for the morning trading session only, closed prior to its regular time for close of trading for the morning session), PROVIDED THAT there shall be no Market Disruption Event solely by reason of the Stock Exchange opening for trading later than its regular time for opening of trading on any day as a result of the tropical cyclone warning signal number 8 or above or the "BLACK" rainstorm signal having been issued; or

(c) a limitation or closure of the Stock Exchange due to any other unforeseen circumstances;

"**Maximum Trade Price**" means, in respect of Category R CBBCs, the highest Spot Price of the Units during the MCE Valuation Period;

"**MCE Valuation Period**" means the period commencing from and including the moment upon which the Mandatory Call Event occurs (the trading session on the Stock Exchange during which the Mandatory Call Event occurs is the "**1st Session**") and up to the end of the trading session on the Stock Exchange immediately following the 1st Session ("**2nd**

Session") unless, in the determination of the Issuer in its good faith, the 2nd Session for any reason (including, without limitation, a Market Disruption Event occurring and subsisting for the 2nd Session) does not contain any continuous period of 1 hour or more than 1 hour during which Spot Prices are available, the MCE Valuation Period shall be extended to the end of the subsequent trading session on the Stock Exchange following the 2nd Session during which Spot Prices are available for a continuous period of at least 1 hour notwithstanding the existence or continuance of a Market Disruption Event in such postponed trading session, unless the Issuer determines in its good faith that each trading session on each of the four Trading Days immediately following the day on which the Mandatory Call Event occurs does not contain any continuous period of 1 hour or more than 1 hour during which Spot Prices are available. In that case:

(a) the period commencing from the 1st Session up to, and including, the last trading session of the fourth Trading Day on the Stock Exchange immediately following the date on which the Mandatory Call Event occurs shall be deemed to be the MCE Valuation Period; and

(b) the Issuer shall determine the Maximum Trade Price or the Minimum Trade Price (as the case may be) having regard to the then prevailing market conditions, the last reported Spot Price and such other factors as the Issuer may determine to be relevant in its good faith.

For the avoidance of doubt, all Spot Prices available throughout the extended MCE Valuation Period shall be taken into account to determine the Maximum Trade Price or the Minimum Trade Price (as the case may be) for the calculation of the Residual Value.

For the purposes of this definition,

(A) the pre-opening session, the morning session and, in the case of half day trading, the closing auction session (if applicable) of the same day; and

(B) the afternoon session and the closing auction session (if applicable) of the same day,

shall each be considered as one session only;

"**Minimum Trade Price**" means, in respect of Category R CBBCs, the lowest Spot Price of the Units during the MCE Valuation Period;

"**Number of CBBC(s) per Entitlement**" means the amount specified as such in the relevant Supplemental Listing Document;

"**Observation Commencement Date**" has the meaning given to it in the relevant Supplemental Listing Document;

"**Observation Period**" means the period commencing from and including the Observation Commencement Date up to and including the close of trading (Hong Kong time) on the Trading Day immediately preceding the Expiry Date;

"**Post MCE Trades**" has the meaning given to it in the relevant Supplemental Listing Document, subject to such modification and amendment prescribed by the Stock Exchange from time to time;

"**Product Conditions**" means these product terms and conditions. These Product Conditions apply to each series of cash settled callable bull/bear contracts over single unit trusts;

"**Residual Value**" means, in respect of every Board Lot:

(a) in respect of a series of bull CBBCs, an amount calculated by the Issuer equal to:

$$\frac{\text{Entitlement x (Minimum Trade Price - Strike Price) x one Board Lot}}{\text{Number of CBBC(s) per Entitlement}}$$

and

(b) in respect of a series of bear CBBCs, an amount calculated by the Issuer equal to:

$$\frac{\text{Entitlement x (Strike Price - Maximum Trade Price) x one Board Lot}}{\text{Number of CBBC(s) per Entitlement}}$$

"**Settlement Currency**" means the currency specified as such in the relevant Supplemental Listing Document;

"**Settlement Date**" means the third CCASS Settlement Day after (i) the end of the MCE Valuation Period or (ii) the later of: (a) the Expiry Date; and (b) the day on which the Closing Price is determined in accordance with the Conditions (as the case may be);

"**Settlement Disruption Event**" means an event beyond the control of the Issuer as a result of which the Issuer is unable to procure payment of the Cash Settlement Amount electronically through CCASS to the Designated Bank Account;

"**Spot Price**" means:

(a) in respect of a continuous trading session of the Stock Exchange, the price per Unit concluded by means of automatic order matching on the Stock Exchange as reported in the official real-time dissemination mechanism for the Stock Exchange during such continuous trading session of the Stock Exchange in accordance with the Trading Rules, excluding direct business (as defined in the Trading Rules); and

(b) in respect of a pre-opening session or a closing auction session (if applicable) of the Stock Exchange (as the case may be), the final Indicative Equilibrium Price (IEP) (as defined in the Trading Rules) of the Unit (if any) calculated at the end of the pre-order matching period of such pre-opening session or closing auction session (if applicable) (as the case may be) in accordance with the Trading Rules, excluding direct business (as defined in the Trading Rules),

subject to such modification and amendment prescribed by the Stock Exchange from time to time;

"**Stock Exchange**" means The Stock Exchange of Hong Kong Limited;

"**Strike Price**" means the price specified as such in the relevant Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 5;

"**Trading Day**" means a day on which the Stock Exchange is scheduled to open for trading for its regular trading sessions;

"**Trading Rules**" means the Rules and Regulations of the Exchange prescribed by the Stock Exchange from time to time;

"**Trust**" means the trust specified as such in the relevant Supplemental Listing Document;

"**Unit**" means the unit specified as such in the relevant Supplemental Listing Document; and

"**Valuation Date**" means the Trading Day immediately preceding the Expiry Date unless the Issuer determines, in its sole and absolute discretion, that a Market Disruption Event has occurred, then that day shall be postponed until the first succeeding Trading Day on which the Issuer determines that there is no Market Disruption Event, unless the Issuer determines that there is a Market Disruption Event occurring on each of the four Trading Days immediately following the original date which (but for the Market Disruption Event) would have been the Valuation Date. In that case:

(a) the fourth Trading Day immediately following the original date shall be deemed to be the Valuation Date (regardless of the Market Disruption Event); and

(b) the Issuer shall determine the Closing Price on the basis of its good faith estimate of the price that would have prevailed on that day but for the occurrence of the Market Disruption Event.

2. Hedging Disruption

2.1 ***Notification***: The Issuer shall as soon as reasonably practicable give notice to the Holders in accordance with General Condition 7 if it determines that a Hedging Disruption Event has occurred. The notice shall specify the consequence of such Hedging Disruption Event as determined by the Issuer pursuant to Product Condition 2.3.

2.2 ***Hedging Disruption Event***: A "**Hedging Disruption Event**" occurs if the Issuer determines that it is or has become not reasonably practicable or it has otherwise become undesirable, for any reason, for the Issuer wholly or partially (X) to establish, re-establish, substitute or maintain a relevant hedging transaction (a "**Relevant Hedging Transaction**") it deems necessary or desirable to hedge the Issuer 's obligations in respect of the CBBCs or (Y) to freely realize, recover, receive, repatriate, remit or transfer the proceeds of the Relevant Hedging Transactions between accounts within the jurisdiction of the Relevant Hedging Transactions (the "**Affected Jurisdiction**") or from accounts within the Affected Jurisdiction to accounts outside of the Affected Jurisdiction. The reasons for such determination by the Issuer may include, but are not limited to, the following:

(a) any material illiquidity in the market for the Units;

(b) a change in any applicable law (including, without limitation, any tax law) or the promulgation of, or change in, the interpretation of any court, tribunal or regulatory authority with competent jurisdiction of any applicable law (including any action taken by a taxing authority);

(c) a material decline in the creditworthiness of a party with whom the Issuer has entered into any such Relevant Hedging Transaction; or

(d) the general unavailability of:

(i) market participants who will agree to enter into a Relevant Hedging Transaction; or

(ii) market participants who will so enter into a Relevant Hedging Transaction on commercially reasonable terms.

2.3 ***Consequences***: The Issuer, in the event of a Hedging Disruption Event, may determine to:

(a) terminate the CBBCs. In such circumstances the Issuer will, however, if and to the extent permitted by the Applicable Law pay to each Holder in respect of each CBBC held by such Holder an amount calculated by it as the fair market value of the CBBC immediately prior to such termination less the cost to the Issuer of unwinding any related hedging arrangements. Payment will be made to the Holder in such manner as shall be notified to the Holder in accordance with General Condition 7; or

(b) make any other adjustment to the Product Conditions as it considers appropriate in order to maintain the theoretical value of the CBBCs after adjusting for the relevant Hedging Disruption Event.

3. CBBC Rights and Exercise Expenses

3.1 *CBBC Rights*

Every Board Lot gives each Holder, upon due exercise and compliance with Product Condition 4, the right to receive the payment of the Cash Settlement Amount (net of any Exercise Expenses), if any.

3.2 *Exercise Expenses*

On exercise of the CBBCs, Holders will be obliged to give an irrevocable authorisation to the Issuer to deduct all Exercise Expenses in accordance with Product Condition 4.

4. EXERCISE OF CBBCs

4.1 *Exercise of CBBCs in Board Lots*

CBBCs may only be exercised in Board Lots or integral multiples thereof.

4.2 *Automatic exercise*

If no Mandatory Call Event has occurred during the Observation Period, the CBBCs will be deemed to be automatically exercised on the Expiry Date if the Cash Settlement Amount is greater than zero (without notice being given to the Holders).

4.3 *Mandatory Call Event*

(a) Subject to Product Condition 4.3(b) below, following a Mandatory Call Event, the CBBCs will be terminated automatically and the Issuer shall have no further obligation under the CBBCs except for the payment of the Cash Settlement Amount (net of any Exercise Expenses) (if any) on the Settlement Date. The Issuer will notify the Holders of the occurrence of the Mandatory Call Event in accordance with General Condition 7. Trading in the CBBCs will be suspended immediately upon the occurrence of a Mandatory Call Event and any Post MCE Trades will be cancelled and will not be recognised by the Stock Exchange or the Issuer.

(b) A Mandatory Call Event is irrevocable unless it is triggered as a result of any of the following events:

(i) system malfunction or other technical errors of the Stock Exchange and such event is reported by the Stock Exchange to the Issuer and the Issuer and the Stock Exchange mutually agree that such Mandatory Call Event is to be revoked; or

(ii) manifest errors caused by the relevant third party where applicable and such event is reported by the Issuer to the Stock Exchange, and the Issuer and the Stock Exchange mutually agree that such Mandatory Call Event is to be revoked;

in each case, such mutual agreement must be reached no later than the time specified in the relevant Supplemental Listing Document or such other time as prescribed by the Stock Exchange from time to time.

In both cases, the Mandatory Call Event so triggered will be reversed; and all cancelled trades (if any) will be reinstated and trading of the CBBCs will resume as soon as practicable in accordance with the rules and/or requirements prescribed by the Stock Exchange from time to time.

4.4 ***Entitlement***

Every Board Lot of CBBCs entitles the Holder to receive from the Issuer on the Settlement Date the Cash Settlement Amount (if any).

4.5 ***Exercise Expenses***

Any Exercise Expenses which are not determined by the Issuer by the end of the MCE Valuation Period or the Expiry Date (as the case may be) and deducted from the Cash Settlement Amount prior to delivery to the Holders in accordance with this Product Condition 4, shall be notified by the Issuer to the Holders as soon as practicable after determination thereof and shall be paid by the Holders to the Issuer immediately upon demand.

4.6 ***Cancellation***

The Issuer will procure that the Registrar will, with effect from the first Business Day following the MCE Valuation Period or the Expiry Date (as the case may be), remove from the Register the name of the person in respect of the CBBCs which (a) are the subject of an exercise in accordance with these Product Conditions; or (b) have expired worthless, and thereby cancel the relevant CBBCs.

4.7 ***Cash Settlement***

Upon early termination of the CBBCs following the occurrence of a Mandatory Call Event or an automatic exercise of the CBBCs on the Expiry Date (as the case may be) in accordance with these Product Conditions, the Issuer will make a payment in respect of every Board Lot to the relevant Holder equal to the Cash Settlement Amount (net of any Exercise Expenses). If the Cash Settlement Amount is equal to or less than the Exercise Expense, no amount is payable by the Issuer.

The Cash Settlement Amount shall be despatched not later than the Settlement Date by crediting that amount in accordance with the CCASS Rules to the Designated Bank Account.

If, as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder on the original Settlement Date, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Holder for any interest in respect of the amount due or any loss or damage that such Holder may suffer as a result of the existence of the Settlement Disruption Event.

4.8 ***Responsibility of Issuer and Registrar***

None of the Issuer, the Registrar or their respective agents shall have any responsibility for (i) any errors or omissions in the calculation and dissemination of any variables published by a third party; and (ii) any errors or omissions in any calculation made by the Issuer pursuant to the Conditions (including the calculation of the Cash Settlement Amount) if such error or omission in calculation arises from the use of errors or omissions in any variables calculated, disseminated or published by a third party.

The purchase of CBBCs does not confer on any Holder of such CBBCs any rights (whether in respect of voting, distributions or otherwise) in relation to the Units.

4.9 ***Liability of Issuer and Registrar***

Exercise and settlement of the CBBCs is subject to all applicable laws, rules, regulations and guidelines in force at the relevant time and neither the Issuer nor the Registrar shall incur any liability whatsoever if it is unable to effect the transactions contemplated, after using all reasonable efforts, as a result of any such laws, rules, regulations or guidelines. Neither the Issuer nor the Registrar shall under any circumstances be liable for any acts or defaults of the CCASS in relation to the performance of its duties in relation to the CBBCs.

4.10 ***Trading in the CBBCs***

Subject to Product Condition 4.3(b), trading in CBBCs on the Stock Exchange shall cease (a) immediately upon the occurrence of a Mandatory Call Event or (b) at the close of trading for the Trading Day immediately preceding the Expiry Date (for the avoidance of doubt, in the case when the Stock Exchange is scheduled to open for the morning session only, at the close of trading for the morning session), whichever is the earlier.

5. Adjustments

5.1 ***Rights Issues***

If and whenever the Trust shall, by way of Rights (as defined below), offer new Units for subscription at a fixed subscription price to the holders of existing Units pro rata to existing holdings (a "**Rights Offer**"), the Entitlement shall be adjusted to take effect on the Business Day on which trading in the Units becomes ex-entitlement ("**Rights Issue Adjustment Date**") in accordance with the following formula:

$$\text{Adjusted Entitlement} = \text{Adjustment Factor} \times E$$

Where:

$$\text{Adjustment Factor} = \frac{1 + M}{1 + (R/S) \times M}$$

E: The existing Entitlement immediately prior to the Rights Offer

S: Cum-Rights Unit price being the closing price of an existing Unit as derived from the daily quotation sheet of the Stock Exchange on the last Business Day on which the Units are traded on a Cum-Rights basis

R: Subscription price per new Unit as specified in the Rights Offer plus an amount equal to any distributions or other benefits foregone to exercise the Rights

M: Number of new Unit(s) (whether a whole or a fraction) per existing Unit each holder thereof is entitled to subscribe

Provided that if the adjustment to be made would result in the Entitlement being changed by one per cent. or less, then no adjustment shall be made to the Entitlement. In addition, if adjustment is to be made to the Entitlement, the Issuer shall adjust the Strike Price and the Call Price (each of which shall be rounded to the nearest 0.001) by the reciprocal of the Adjustment Factor, where the reciprocal of the Adjustment Factor means one divided by the relevant Adjustment Factor. This adjustment to the Strike Price and the Call Price shall take effect on the Rights Issue Adjustment Date.

For the purposes of these Product Conditions:

"**Rights**" means the right(s) attached to each existing Unit or needed to acquire one new Unit (as the case may be) which are given to the holders of existing Units to subscribe at a fixed subscription price for new Units pursuant to the Rights Offer (whether by the exercise of one Right, a part of a Right or an aggregate number of Rights).

5.2 ***Bonus Issues***

If and whenever the Trust shall make an issue of Units credited as fully paid to the holders of Units generally (other than pursuant to a scrip distribution or similar scheme for the time being operated by the Trust or otherwise in lieu of a cash distribution and without any payment or other consideration being made or given by such holders) (a "**Bonus Issue**") the Entitlement shall be adjusted on the Business Day on which trading in the Units becomes ex-entitlement ("**Bonus Issues Adjustment Date**") in accordance with the following formula:

$$\text{Adjusted Entitlement} = \text{Adjustment Factor} \times E$$

Where:

$$\text{Adjustment Factor} = 1 + N$$

E: The existing Entitlement immediately prior to the Bonus Issue

N: Number of additional Units (whether a whole or a fraction) received by a holder of existing Units for each Unit held prior to the Bonus Issue

Provided that if the adjustment to be made would result in the Entitlement being changed by one per cent. or less, then no adjustment shall be made to the Entitlement. In addition, if adjustment is to be made to the Entitlement, the Issuer shall adjust the Strike Price and the Call Price (each of which shall be rounded to the nearest 0.001) by the reciprocal of the Adjustment Factor, where the reciprocal of the Adjustment Factor means one divided by the relevant Adjustment Factor. This adjustment to the Strike Price and the Call Price shall take effect on the Bonus Issue Adjustment Date.

5.3 ***Subdivisions or Consolidations***

If and whenever the Trust shall subdivide its Units or any class of its outstanding Units into a greater number of units (a "**Subdivision**") or consolidate the Units or any class of its outstanding Units into a smaller number of units (a "**Consolidation**"), then:

(a) in the case of a Subdivision, the Entitlement in effect immediately prior thereto shall be increased whereas the Strike Price and the Call Price (which shall be rounded to the nearest 0.001) shall be decreased in the same ratio as the Subdivision; and

(b) in the case of a Consolidation, the Entitlement in effect immediately prior thereto shall be decreased whereas the Strike Price and the Call Price (which shall be rounded to the nearest 0.001) shall be increased in the same ratio as the Consolidation, in each case on the day on which the Subdivision or Consolidation (as the case may be) shall have taken effect.

5.4 ***Merger or Consolidation***

If it is announced that the Trust is to or may merge or consolidate with or into any other trust or consolidate with or into any other trust or corporation (including becoming, by agreement or otherwise, controlled by any person or corporation) (except where the Trust is the surviving trust in a merger) or that it is to or may sell or transfer all or substantially all of its assets, the rights attaching to the CBBCs may in the absolute discretion of the Issuer be amended no later than the Business Day preceding the consummation of such merger, consolidation, sale or transfer (each a "**Restructuring Event**") (as determined by the Issuer in its absolute discretion).

The rights attaching to the CBBCs after the adjustment shall, after such Restructuring Event, relate to the number of units of the trust(s) resulting from or surviving such Restructuring Event or other securities ("**Substituted Securities**") and/or cash offered in substitution for the affected Units, as the case may be, to which the holder of such number of Units to which the CBBCs related immediately before such Restructuring Event would have been entitled upon such Restructuring Event. Thereafter the provisions hereof shall apply to such Substituted Securities, provided that any Substituted Securities may, in the absolute discretion of the Issuer, be deemed to be replaced by an amount in the relevant currency equal to the market value or, if no market value is available, fair value, of such Substituted Securities in each case as determined by the Issuer as soon as practicable after such Restructuring Event is effected.

For the avoidance of doubt, any remaining Units shall not be affected by this Product Condition 5.4 and, where cash is offered in substitution for Units or is deemed to replace Substituted Securities as described above, references in these Product Conditions to the Units shall include any such cash.

5.5 ***Cash Distributions***

No adjustment shall be made for an ordinary cash distribution (whether or not it is offered with a scrip alternative) ("**Ordinary Distribution**"). For any other forms of cash distribution ("**Cash Distribution**") announced by the Trust, such as a cash bonus, special distribution or extraordinary distribution, no adjustment shall be made unless the value of the Cash Distribution accounts for 2 per cent. or more of the Unit's closing price on the day of announcement by the Trust.

If and whenever the Trust shall make a Cash Distribution credited as fully paid to the holders of Units generally, the Call Price and the Strike Price shall be adjusted to take effect on the Business Day on which trading in the Units becomes ex-entitlement ("**Cash Distribution Adjustment Date**") in accordance with the following formula:

$$\text{Adjusted Entitlement} = \text{Adjustment Factor} \times E$$

Where:

$$\text{Adjustment Factor} = \frac{S - OD}{S - OD - CD}$$

E: The existing Entitlement immediately prior to the Cash Distribution

S: The closing price of the existing Unit as derived from the daily quotation sheet of the Stock Exchange on the Business Day immediately preceding the Cash Distribution Adjustment Date

CD: The amount of Cash Distribution per Unit

OD: The amount of Ordinary Distribution per Unit, provided that the Ordinary Distribution and the Cash Distribution shall have the same ex-entitlement date. For the avoidance of doubt, the OD shall be deemed to be zero if the ex-entitlement dates of the relevant Ordinary Distribution and Cash Distribution are different

In addition, the Issuer shall adjust the Strike Price and the Call Price (each of which shall be rounded to the nearest 0.001) by the reciprocal of the Adjustment Factor, where the reciprocal of the Adjustment Factor means one divided by the relevant Adjustment Factor. The adjustment to the Strike Price and the Call Price shall take effect on the Cash Distribution Adjustment Date.

5.6 ***Other Adjustments***

Without prejudice to and notwithstanding any prior adjustment(s) made pursuant to the applicable Conditions, the Issuer may (but shall not be obliged to) make such other adjustments to the terms and conditions of the CBBCs as appropriate where any event (including the events as contemplated in the applicable Conditions) occurs and irrespective of, in substitution for, or in addition to the provisions contemplated in the applicable Conditions, provided that such adjustment is:

(a) not materially prejudicial to the interests of the Holders generally (without considering the circumstances of any individual Holder or the tax or other consequences of such adjustment in any particular jurisdiction); or

(b) determined by the Issuer in good faith to be appropriate and commercially reasonable.

5.7 ***Notice of Determinations***

All determinations made by the Issuer pursuant hereto shall be conclusive and binding on the Holders. The Issuer will give, or procure that there is given, notice as soon as practicable of any adjustment or amendment and of the date from which such adjustment or amendment is effective by publication in accordance with General Condition 7.

6. Termination or Liquidation

6.1 In the event of a Termination or the liquidation or dissolution of the trustee of the Trust (including any successor trustee appointed from time to time) ("**Trustee**") (in its capacity as trustee of the Trust) or the appointment of a liquidator, receiver or administrator or analogous person under any applicable law in respect of the whole or substantially the whole of the Trustee's undertaking, property or assets, all unexercised CBBCs will lapse and shall cease to be valid for any purpose. In the case of a Termination, the unexercised CBBCs will lapse and shall cease to be valid on the effective date of the Termination, in the case of voluntary liquidation, on the effective date of the relevant resolution and, in the case of an involuntary liquidation or dissolution, on the date of the relevant court order or, in the case of the appointment of a liquidator or receiver or administrator or analogous person under any applicable law in respect of the whole or substantially the whole of its undertaking, property or assets, on the date when such appointment is effective but subject (in any such case) to any contrary mandatory requirement of law.

6.2 For the purpose of this Product Condition 6, "**Termination**" means (a) the Trust is terminated, or the Trustee or the manager of the Trust (including any successor manager appointed from time to time) ("**Manager**") is required to terminate the Trust under the trust deed ("**Trust Deed**") constituting the Trust or applicable law, or the termination of the Trust commences; (b) the Trust is held or is conceded by the

Trustee or the Manager not to have been constituted or to have been imperfectly constituted; (c) the Trustee ceases to be authorised under the Trust to hold the property of the Trust in its name and perform its obligations under the Trust Deed; or (d) the Trust ceases to be authorised as an authorised collective investment scheme under the Securities and Futures Ordinance (Cap 571, The Laws of Hong Kong).

7. Delisting

7.1 *Adjustments following delisting*

If at any time the Units cease to be listed on the Stock Exchange, the Issuer shall give effect to the General Conditions and these Product Conditions in such manner and make such adjustments to the rights attaching to the CBBCs as it shall, in its absolute discretion, consider appropriate to ensure, so far as it is reasonably able to do so, that the interests of the Holders generally are not materially prejudiced as a consequence of such delisting (without considering the individual circumstances of any Holder or the tax or other consequences that may result in any particular jurisdiction).

7.2 *Listing on another exchange*

Without prejudice to the generality of Product Condition 7.1, where the Units are, or, upon the delisting, become, listed on any other stock exchange, the General Conditions and these Product Conditions may, in the absolute discretion of the Issuer, be amended to the extent necessary to allow for the substitution of that other stock exchange in place of the Stock Exchange and the Issuer may, without the consent of the Holders, make such adjustments to the entitlements of Holders on exercise (including, if appropriate, by converting foreign currency amounts at prevailing market rates into the relevant currency) as may be appropriate in the circumstances.

7.3 *Adjustments binding*

The Issuer shall determine, in its absolute discretion, any adjustment or amendment and its determination shall be conclusive and binding on the Holders save in the case of manifest error. Notice of any adjustments or amendments shall be given to the Holders in accordance with General Condition 7, as soon as practicable after they are determined.

APPENDIX 4 — OUR GENERAL INFORMATION EXTRACTED FROM CREDIT SUISSE ANNUAL REPORT 2012

We are a wholly owned subsidiary of Credit Suisse Group AG. We have extracted the following sections from the Credit Suisse annual report 2012 in this appendix 4. References to the following page numbers in this appendix 4 are to the pages in the Credit Suisse annual report 2012 and not to the pages in this document.

1 Risk management (pages 121 - 148);

2 Board of Directors (pages 161 - 177);

3 Executive Board (pages 178 - 183);

4 Additional information (pages 183 - 185); and

5 Compensation (pages 186 - 220).

Risk management

The prudent taking of risk in line with our strategic priorities is fundamental to our business as a leading global bank and remained a critical focus throughout 2012. Over the course of 2012, we took significant steps to adapt our businesses and our organization to the new regulatory requirements, which predominantly impacted the risk profile of Investment Banking. In 2012, overall position risk decreased 1%, utilized economic capital decreased 8%, average risk management VaR in US dollars for our trading books decreased 31% and our impaired loans were stable at CHF 1.7 billion.

Key risk developments in 2012

2012 was a year marked by uncertainty amid continued concerns from the European sovereign debt crisis, global economic slowdown, the threat of the US "fiscal cliff" in late 2012 and new and proposed regulatory requirements affecting the financial services industry.

During 2012, we reduced our Group risk profile and shifted our portfolio toward less capital intense businesses. We continued to invest significantly in our IT infrastructure and further refined our risk appetite framework to ensure an appropriate balance of return and assumed risk, stability of earnings and capital levels we seek to maintain.

▸ Refer to "Regulation and supervision" in I – Information on the company for information on other regulatory developments and proposals.
▸ Refer to "New capital framework in 2013" in Capital management for further information on our current regulatory framework on capital, leverage and liquidity, including certain expected changes to this framework.

In Investment Banking, we reduced our risk profile during 2012, consistent with our announced strategy. Investment Banking achieved this through a combination of exiting businesses, asset sales and repositioning its portfolio into more capital-efficient inventory in support of client franchises. Investment Banking's shift of capital resources included exiting the commercial mortgage-backed securities (CMBS) origination and collateralized debt obligations (CDOs) businesses. As we continue to execute on our Investment Banking strategy in 2013, efficiency in the use of capital remains a focus.

Private Banking & Wealth Management's risk profile increased slightly in 2012, with key contributing factors continuing to be largely related to stricter rules on investor protection as well as increased transparency for cross-border activities that continued to affect risk. The integration of the Private Banking and Asset Management businesses to form Private Banking & Wealth Management is not expected to result in changes to the combined division's risk profile.

For the Group, we expect our ongoing adaptation to the changed regulatory environment will result in increased costs and resource requirements related to the risk management function.

Reputational risk continued as a major focus during 2012. We have continued to develop our procedures and awareness of staff as well as to adapt our business approach with respect to certain countries and industries with higher reputational risk and transactions with politically exposed persons.

▸ Refer to "Reputational risk" for further information on reputational risk issues.

Risk management oversight

Risk governance

Fundamental to our business is the prudent taking of risk in line with our strategic priorities. The primary objectives of risk management are to protect our financial strength and reputation, while ensuring that capital is well deployed to support business activities and grow shareholder value. Our risk management framework is based on transparency, management accountability and independent oversight. Risk management is an integral part of our business planning process with strong involvement of senior management and the Board of Directors (Board).

To meet the challenges of a volatile market environment and changing regulatory frameworks, we work to continuously strengthen our risk function, which is independent of, but closely interacts with the front office functions to ensure the appropriate flow of information and strong controls. In 2012, we continued to invest significantly in our risk infrastructure and processes with regard to the implementation of Basel III. We have comprehensive risk management processes and sophisticated control systems, and we work to limit the impact of negative developments by carefully managing concentrations of risks.

Risk organization

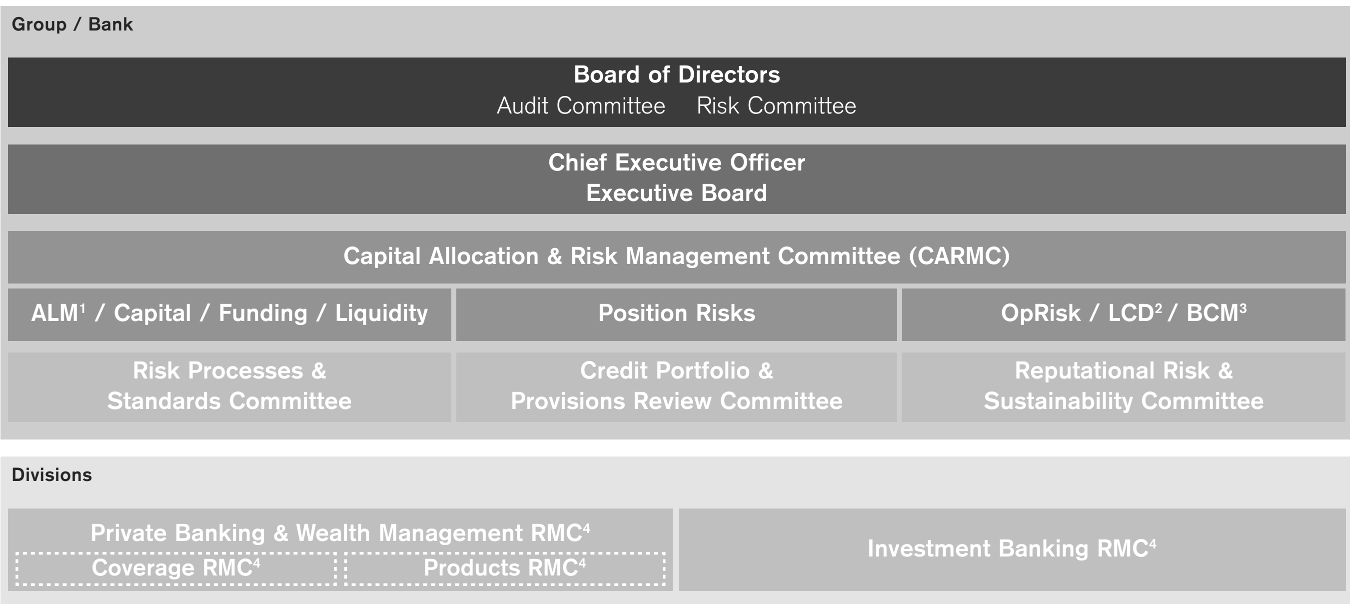
We manage risk in our internal control environment, however, risks arise in all of our business activities and cannot be eliminated completely. Our risk management organization reflects the specific nature of the various risks to ensure that risks are managed within limits set in a transparent and timely manner. At the level of the Board, including through its committees, this includes the following responsibilities:

- Board: responsible to shareholders for the strategic direction, supervision and control of the Group and for defining our overall tolerance for risk in the form of a risk appetite statement and overall risk limits;
- Risk Committee: responsible for assisting the Board in fulfilling its oversight responsibilities by providing guidance regarding risk governance and the development of the risk profile and capital adequacy, including the regular review of major risk exposures and overall risk limits; and
- Audit Committee: responsible for assisting the Board in fulfilling its oversight responsibilities by monitoring management's approach with respect to financial reporting, internal controls, accounting and legal and regulatory compliance. Additionally, the Audit Committee is responsible for monitoring the independence and the performance of the internal and external auditors.

Overall risk limits are set by the Board in consultation with its Risk Committee. On a monthly basis, senior management through CARMC reviews risk exposures, concentration risks and risk-related activities. CARMC is responsible for supervising and directing our risk profile on a consolidated basis, recommending risk limits to the Risk Committee of the Board and the Board, and for establishing and allocating risk limits among the various businesses. CARMC meetings focus on the following three areas on a rotating basis: asset and liability management/liquidity, market and credit risk and operational risk/legal and compliance.

Committees have been established at a senior management level to further support the risk management function. The Risk Processes & Standards Committee is responsible for establishing and approving standards regarding risk management and risk measurement, including methodology and parameters. The Credit Portfolio & Provisions Review Committee reviews the quality of the credit portfolio with a focus on the development of impaired assets and the assessment of related provisions and valuation allowances. The Reputational Risk & Sustainability Committee sets policies, and reviews processes and significant cases relating to reputational risks and sustainability issues. There are also divisional risk management committees.

Key management bodies and committees



[1] Asset and Liability Management [2] Legal and Compliance Department [3] Business Continuity Management [4] Risk Management Committee

The risk committees are further supported by Treasury, which is responsible for the management of our balance sheet, capital management, liquidity and related hedging policies.

The risk management function reports to the CRO, who is independent of the business and is a member of the Executive Board. In 2012, the function covered:
- Strategic Risk Management (SRM);
- Risk Analytics and Reporting (RAR);
- Credit Risk Management (CRM);
- Bank Operational Risk Oversight (BORO);
- Business Continuity Management (BCM);
- Technology Risk Management (TRM); and
- Reputational Risk Management.

The risk management function is responsible for providing risk management oversight and establishing an organizational basis to manage all risk management matters through four primary risk functions: SRM assesses the Group's overall risk profile on a strategic basis, recommending corrective action where necessary, and is also responsible for market risk management including measurement and limits; RAR is responsible for risk analytics, reporting, systems implementation and policies; CRM is responsible for approving credit limits, monitoring and managing individual exposures, and assessing and managing the quality of credit portfolios and allowances; BORO acts as the central hub for the divisional operational risk functions; BCM assesses and manages potential impacts that threaten the organization in case of operational disruption, crisis or disaster; and TRM oversees the information technology-related risk aspects.

Risk types

Within our risk framework, we have defined the following types of risk:

Management risks:
- Strategy risk: outcome of strategic decisions or developments; and
- Reputational risk: damage to our standing in the market.

Chosen risks:
- Market risk: changes in market factors such as prices, volatilities and correlations;
- Credit risk: changes in the creditworthiness of other entities; and
- Expense risk: difference between expenses and revenues in a severe market event.

Consequential risks:
- Operational risk: inadequate or failed internal processes, people and systems (including cyber risk), or external events; and
- Liquidity risk: inability to fund assets or meet obligations at a reasonable price.

Management risks are difficult to quantify. While management of strategy risk is addressed at the Board and Executive Board level, a process has been implemented to globally capture and manage reputational risk. Chosen risks are, in general, highly quantifiable, but are challenging in complexity and scale, especially when aggregated across all positions and types of financial instruments. For operational risk management, we have primarily set up processes on Group, divisional and regional levels. Liquidity management is centralized with Treasury.

Information required under Pillar 3 of the Basel framework related to risk is available on our website at *www.credit-suisse.com/pillar3*.

Risk appetite and risk limits

We have a risk appetite framework that establishes key principles for managing our risks to ensure an appropriate balance of return and assumed risk, stability of earnings and capital levels we seek to maintain. The key aspect of our risk appetite framework is a sound system of integrated risk limits to control overall risk taking capacity and serve as an essential decision making tool for senior management. Our risk appetite framework is guided by the following general principles:
- Managing the business to a target credit rating;
- Meeting regulatory requirements and expectations;
- Ensuring capital adequacy;
- Maintaining low exposure to stress events;
- Maintaining stability of earnings; and
- Ensuring sound management of liquidity and funding risk.

Risk appetite is annually reviewed and determined by the Board, taking into account strategic and business planning, and enforced by a detailed framework of portfolio and position limits at both Group and business division levels. In 2012, group-wide limits for Basel III risk-weighted assets and balance sheet size, and divisional operational risk tolerance levels were added to the risk appetite framework. These enhancements to the framework were effective beginning 2013. The following chart gives an overview of the Group's risk appetite framework reflecting selected Group-wide and division-specific quantitative limits and qualitative restrictions.

Risk appetite framework

	Group-wide		Division-specific	
			Private Banking & Wealth Management	Investment Banking
Selected quantitative limits	– Economic capital limits – Liquidity ratios – Leverage ratios	– Scenario loss limits – Risk-weighted assets – Balance sheet size	– Economic capital limits – Market risk limits – Credit risk limits – Operational risk tolerance levels	
Selected qualitative restrictions	– Compliance with international and local laws – Reputational risk		– Avoidance of concentration risks – Adherence to suitability & appropriateness requirements – Compliance with industry guidelines and internal policies	

A sound system of risk limits is fundamental to effective risk management. The limits define our maximum balance sheet and off-balance sheet exposure given the market environment, business strategy and financial resources available to absorb losses.

We use an economic capital limit structure to manage overall risk taking. The overall risk limits for the Group are set by the Board in consultation with its Risk Committee and are binding. Any excess of these limits will result in immediate notification to the Chairman of the Board's Risk Committee and the CEO of the Group, and written notification to the full Board at its next meeting. Following notification, the CRO can approve positions that exceed the Board limits by no more than an approved percentage with any such approval being reported to the full Board. Positions that exceed the Board limits by more than such approved percentage can only be approved by the CRO and the full Board acting jointly. In 2012 and 2011, no Board limits were exceeded.

In the context of the overall risk appetite of the Group, as defined by the limits set by the Board, CARMC is responsible for setting divisional risk limits and more specific limits deemed necessary to control the concentration of risk within individual lines of business. For this purpose, CARMC uses a detailed framework of more than 100 individual risk limits designed to control risk taking at a granular level by individual businesses and in the aggregate. Limit measures used include VaR, economic capital, risk exposure, risk sensitivity and scenario analysis. The framework encompasses specific limits on a large number of different product and risk type concentrations. For example, there are consolidated controls over trading exposures, the mismatch of interest-earning assets and interest-bearing liabilities, private equity and seed money and emerging market country exposures. Risk limits allocated to lower organizational levels within the businesses also include a system of individual counterparty credit limits. CARMC limits are binding and generally set at a tight level to ensure that any meaningful increase in risk exposures is promptly escalated. The head of SRM for the relevant division or certain other members of senior management have the authority to temporarily increase the CARMC limits by an approved percentage for a period not to exceed 90 days. Any CARMC limit excess is subject to a formal escalation procedure and must be remediated or expressly approved by senior management. Senior management approval is valid for a standard period of ten days (or fewer than ten days for certain limit types) and approval has to be renewed for additional standard periods if an excess is not remediated within the initial standard period. The majority of these limits are monitored on a daily basis. Limits for which the inherent calculation time is longer are monitored on a weekly basis. A smaller sub-set of limits relating to exposures for which the risk profile changes more infrequently (for example, those relating to illiquid investments) is monitored on a monthly basis. In 2012, all CARMC limit excesses were resolved within the approved standard period.

Economic capital and position risk

Overview

Economic capital is used as a consistent and comprehensive tool for risk management, capital management and performance measurement. It is our core Group-wide risk management tool for measuring and reporting all quantifiable risks. Economic capital measures risks in terms of economic realities rather than regulatory or accounting rules and is the estimated capital needed to remain solvent and in business, even under extreme market, business and operational conditions, given our target financial strength (our long-term credit rating). It also provides a common terminology for risk across the Group, which increases risk transparency and improves knowledge sharing. The development and use of economic capital methodologies and models have evolved over time without a standardized approach within the industry, therefore comparisons across firms may not be meaningful.

Under Pillar 2 of the Basel framework (also referred to as the Supervisory Review Process), banks are required to implement a robust and comprehensive framework for assessing capital adequacy, defining internal capital targets and ensuring that these capital targets are consistent with their overall risk profile and the current operating environment. Our economic capital framework has an important role under Pillar 2, as it represents our internal view of the amount of capital required to support our business activities.

Economic capital is calculated separately for position risk, operational risk and other risks. These three risks are used to determine our utilized economic capital and are defined as follows:

- Position risk: the level of unexpected loss in economic value on our portfolio of positions over a one-year horizon which is exceeded with a given small probability (1% for risk management purposes; 0.03% for capital management purposes). Position risk is used to assess, monitor and report risk exposures throughout the Group;
- Operational risk: the level of loss resulting from inadequate or failed internal processes, people and systems or from external events over a one-year horizon which is exceeded with a given small probability (0.03%). Estimating this type of economic capital is inherently more subjective and reflects quantitative tools and senior management judgment; and
- Other risks: the risks not captured by the above, which primarily includes expense risk, pension risk, foreign exchange risk between economic capital resources and utilized economic capital and risk on real estate held for own use. Expense risk is defined as the difference between expenses and revenues in a severe market event, exclusive of the elements captured by position risk and operational risk. Pension risk is defined as the potential under-funding of our pension obligations in an extreme event.

We regularly review our economic capital methodology in order to ensure that the model remains relevant as markets and business strategies evolve. In 2012, we made a number of enhancements to the position risk methodology for risk management purposes, including:

- For international lending & counterparty exposures, we enhanced the manner in which we capture ratings for high yield senior secured loans and aligned certain credit risk parameters with an updated FINMA-approved regulatory capital model;
- For equity trading & investments, we recalibrated the modeling of private equity exposures, including refinements to shock calculation and market data;
- For real estate & structured assets, we refined model shocks used for asset finance products;
- For fixed income trading, we removed the impact of the seasonal effects from the historical data used for energy products; and
- For emerging markets country event risk, we refined the allocation methodology to the divisions.

Prior-period balances have been restated for methodology changes in order to show meaningful trends. The total impact of 2012 methodology changes on position risk for the Group as of December 31, 2011 was a decrease of CHF 653 million, or 6%.

For utilized economic capital used for capital management purposes, in addition to adopting the above position risk methodology changes, operational risk capital has been increased to reflect anticipated changes to our model. In 2012, following discussions with FINMA, we initiated a project to enhance our economic capital/AMA methodology to reflect recent developments regarding operational risk measurement methodology and associated regulatory guidance. For the duration of this project, which is scheduled to conclude in 2013, operational risk capital required for regulatory and economic capital purposes has been increased by 20% to reflect anticipated changes to our models. Prior period balances have been restated for 2012 methodology changes in order to show meaningful trends. The total impact of methodology changes on utilized economic capital for the Group as of December 31, 2011 was a decrease of CHF 793 million, or 2%.

In response to the 2008 financial crisis, regulators have introduced changes to the regulatory capital framework through the implementation of Basel II.5 and Basel III.

Often, in response to economic realities, we modify our economic capital model in advance of regulatory changes. For example, requirements such as capital charges equivalent to an incremental risk charge (IRC) and credit valuation adjustments have been an integral part of our economic capital model for several years. We continually review our model so that it reflects risks measured in terms of potential loss of economic value.

Group position risk

			end of		% change
	2012	2011	2010	12 / 11	11 / 10
Position risk (CHF million)					
Fixed income trading [1]	2,749	2,881	2,656	(5)	8
Equity trading & investments	1,819	2,137	2,248	(15)	(5)
Private banking corporate & retail lending	2,382	2,182	2,072	9	5
International lending & counterparty exposures	4,281	4,009	3,857	7	4
Emerging markets country event risk	1,041	860	632	21	36
Real estate & structured assets [2]	1,985	2,157	2,647	(8)	(19)
Simple sum across risk categories	**14,257**	**14,226**	**14,112**	0	1
Diversification benefit [3]	(2,880)	(2,689)	(2,597)	7	4
Position risk (99% confidence level for risk management purposes)	**11,377**	**11,537**	**11,515**	(1)	0

Prior-period balances have been restated for methodology changes in order to show meaningful trends.
[1] This category comprises fixed income trading, foreign exchange and commodity exposures. [2] This category comprises commercial and residential real estate (including RMBS and CMBS), ABS exposure, real estate acquired at auction and real estate fund investments. [3] Reflects the net difference between the sum of the position risk categories and the position risk on the total portfolio.

Key position risk trends

Compared to the end of 2011, position risk for risk management purposes decreased 1%. Excluding the US dollar translation impact, position risk increased 1%, mainly due to reduced hedges and new loans in Investment Banking in international lending & counterparty exposures, higher emerging markets country event risk primarily due to increased exposures in Asia and Eastern Europe and increased risk in loans collateralized by securities and commercial loans in private banking corporate & retail lending. These increases were partially offset by sales of private equity and illiquid hedge fund exposures in equity trading & investments and lower CMBS and RMBS exposures in real estate & structured assets.

As part of our overall risk management, we hold a portfolio of hedges. Hedges are impacted by market movements, similar to other trading securities, and may result in gains or losses which offset losses or gains on the portfolios they were designated to hedge. Due to the varying nature and structure of hedges, these gains or losses may not wholly offset the losses or gains on the portfolios.

Economic capital

	Group			Bank [1]		
end of	**2012**	2011	% change	**2012**	2011	% change
Economic capital resources (CHF million)						
Tier 1 capital	43,547	36,844	18	39,660	35,098	13
Economic adjustments [2]	2,117	2,417	(12)	2,888	2,179	33
Economic capital resources	**45,664**	**39,261**	16	**42,548**	**37,277**	14
Utilized economic capital (CHF million)						
Position risk (99.97% confidence level)	20,088	20,591	(2)	19,532	19,830	(2)
Operational risk	3,924	3,754	5	3,924	3,754	5
Other risks [3]	6,184	8,302	(26)	3,965	5,835	(32)
Utilized economic capital	**30,196**	**32,647**	(8)	**27,421**	**29,419**	(7)

Prior-period balances have been restated for methodology changes in order to show meaningful trends.
[1] The major difference between economic capital of the Group and the Bank relates to the risks within Neue Aargauer Bank AG, BANK-now AG and Corporate Center. These risks include position and other risks. [2] Includes primarily securitization adjustments, unrealized gains on owned real estate and anticipated cash dividends. Economic adjustments are made to tier 1 capital to enable comparison between capital utilization and resources under the Basel framework. [3] Includes owned real estate risk, expense risk, pension risk, foreign exchange risk between economic capital resources and utilized economic capital, interest rate risk on treasury positions, diversification benefits and an estimate for the impacts of certain methodology changes planned for 2013.

Economic capital by segment

in / end of	**2012**	2011	% change
Utilized economic capital by segment (CHF million)			
Private Banking & Wealth Management	9,818	10,254	(4)
Investment Banking	17,998	19,789	(9)
Corporate Center [1]	2,397	2,625	(9)
Utilized economic capital – Group [2]	**30,196**	**32,647**	(8)
Utilized economic capital – Bank [3]	**27,421**	**29,419**	(7)
Average utilized economic capital by segment (CHF million)			
Private Banking & Wealth Management	9,981	10,115	(1)
Investment Banking	18,729	18,882	(1)
Corporate Center [1]	2,530	1,798	41
Average utilized economic capital – Group [4]	**31,218**	**30,782**	1
Average utilized economic capital – Bank [3]	**28,214**	**28,417**	(1)

Prior-period balances have been restated for methodology changes in order to show meaningful trends.
[1] Includes primarily expense risk, diversification benefits from the divisions and foreign exchange risk between economic capital resources and utilized economic capital. [2] Includes a diversification benefit of CHF 17 million and CHF 21 million as of December 31, 2012 and 2011, respectively. [3] The major difference between economic capital of the Group and the Bank relates to the risks within Neue Aargauer Bank AG, BANK-now AG and Corporate Center. These risks include position and other risks. [4] Includes a diversification benefit of CHF 22 million and CHF 13 million as of December 31, 2012 and 2011, respectively.

Utilized economic capital trends

Over the course of 2012, our utilized economic capital decreased 8%. Excluding the US dollar translation impact, utilized economic capital decreased 6%, mainly due to decreased expense risk within other risks and lower position risk primarily in equity trading & investments and fixed income trading, partially offset by increased position risk in international lending & counterparty exposure and emerging markets country event risks.

For Private Banking & Wealth Management, utilized economic capital decreased 4%, mainly due to lower position risk in equity trading & investments and decreased deferred shared-based compensation awards in other risks, partially offset by higher position risk in private banking corporate & retail lending.

For Investment Banking, utilized economic capital decreased 9%. Excluding the US dollar translation impact, utilized economic capital decreased 6%, largely due to decreased expense risk within other risks and lower position risk in fixed income trading. The decreases were partially offset by higher position risk in international lending & counterparty exposures and emerging markets country event risk.

Corporate Center utilized economic capital decreased 9% due to lower expense risk within other risks.

Market risk

Market risk is the risk of loss arising from adverse changes in interest rates, foreign exchange rates, equity prices, commodity prices and other relevant parameters, such as market volatility. We define our market risk as potential changes in the fair value of financial instruments in response to market movements. A typical transaction may be exposed to a number of different market risks.

We devote considerable resources to ensure that market risk is comprehensively captured, accurately modeled and reported, and effectively managed. Trading and non-trading portfolios are managed at various organizational levels, from the overall risk positions at the Group level down to specific portfolios. We use market risk measurement and management methods designed to meet or exceed industry standards. These include general tools capable of calculating comparable exposures across our many activities and focused tools that can specifically model unique characteristics of certain instruments or portfolios. The tools are used for internal market risk management, internal market risk reporting and external disclosure purposes. Our principal market risk measurement methodologies are VaR and scenario analysis. Additionally, our market risk exposures are reflected in our economic capital calculations. The risk management techniques and policies are regularly reviewed to ensure they remain appropriate.

To meet the requirements of the Basel II.5 market risk framework for FINMA regulatory capital purposes, effective January 1, 2011 we implemented additional risk measurement models, including IRC and stressed VaR. IRC is a regulatory capital charge for default and migration risk on positions in the trading books and intended to complement additional standards being applied to the VaR modeling framework, including stressed VaR. Stressed VaR replicates a VaR calculation on the Group's current portfolio taking into account a one-year observation period relating to significant financial stress and helps reduce the pro-cyclicality of the minimum capital requirements for market risk.

VaR

VaR measures the potential loss in fair value of financial instruments due to adverse market movements over a defined time horizon at a specified confidence level. VaR as a concept is applicable for all financial risk types with valid regular price histories. Positions are aggregated by risk type rather than by product. For example, interest rate risk includes risk arising from interest rate, foreign exchange, equity and commodity options, money market and swap transactions and bonds. The use of VaR allows the comparison of risk in different businesses, such as fixed income and equity, and also provides a means of aggregating and netting a variety of positions within a portfolio to reflect actual correlations and offsets between different assets.

Historical financial market rates, prices and volatilities serve as the basis for the statistical VaR model underlying the potential loss estimation. We use a one-day holding period and a confidence level of 98% to model the risk in our trading portfolios for internal risk management purposes and a ten-day holding period and a confidence level of 99% for regulatory capital purposes. These assumptions are compliant with the standards published by the BCBS and other related international standards for market risk management. For some purposes, such as backtesting, disclosure and benchmarking with competitors, the resulting VaR figures are calculated based on a one-day holding period level or scaled down from a longer holding period.

We use a historical simulation model for the majority of risk types and businesses within our trading portfolios. The model is based on the profit and loss distribution resulting from historical changes in market rates, prices and volatilities applied to evaluate the portfolio.

We use the same VaR model for risk management and regulatory capital purposes, except for the confidence level and holding period used. We regularly review our VaR model to ensure that it remains appropriate given evolving market conditions and the composition of our trading portfolio. As part of the ongoing review to improve risk management approaches and methodologies, we implemented a significantly revised VaR methodology for both risk management VaR and regulatory VaR in the second quarter of 2011. We believe these changes made VaR a more useful risk management tool and improved the responsiveness of the model to market volatility. We received approval from FINMA to use this revised VaR methodology for both risk management and regulatory capital purposes. We have restated risk management VaR for periods prior to implementation to show meaningful trends. The methodology changes were implemented in June 2011 and fully reflected in risk management VaR. For regulatory VaR, these methodology changes have been reflected from implementation only.

▸ Refer to "VaR" in III – Treasury, Risk, Balance sheet and Off-balance sheet – Risk management – Market risk in the Credit Suisse Annual Report 2011 for information on VaR methodology changes implemented in June 2011.

In the second quarter of 2012 we made asset-class methodology changes to better capture complex risks for exotic rate products.

We have approval from FINMA, as well as from certain other regulators of our subsidiaries, to use our regulatory VaR model in the calculation of trading book market risk capital requirements. We continue to receive regulatory approval for ongoing enhancements to the methodology, and the model is subject to regular reviews by regulators.

For risk management VaR, we use a one-day holding period and a 98% confidence level. This means there is a 1-in-50 chance of incurring a daily mark-to-market trading loss at least as large as the reported VaR. For regulatory VaR, we present one-day, 99% VaR, which is a ten-day VaR adjusted to a one-day holding period. In order to show the aggregate market risk in our trading books, the chart entitled "Daily risk management VaR" shows the trading-related market risk on a consolidated basis.

The VaR model uses assumptions and estimates that we believe are reasonable, but VaR only quantifies the potential loss on a portfolio under normal market conditions. Other risk measures, such as scenario analysis, are used to estimate losses associated with unusually severe market movements. The main assumptions and limitations of VaR as a risk measure are:

- VaR relies on historical data to estimate future changes in market conditions, which may not capture all potential future outcomes, particularly where there are significant changes in market conditions, such as increases in volatilities;
- Although VaR captures the relationships between risk factors, these relationships may be affected by stressed market conditions;
- VaR provides an estimate of losses at a 98% confidence level for internal risk management and 99% confidence level for regulatory capital purposes, which means that it does not provide any information on the size of losses that could occur beyond that confidence level;
- VaR is based on either a one-day (for internal risk management, backtesting and disclosure purposes) or a ten-day (for regulatory capital purposes) holding period. This assumes that risks can be either sold or hedged over the holding period, which may not be possible for all types of exposure, particularly during periods of market illiquidity or turbulence; and
- VaR is calculated using positions held at the end of each business day and does not include intra-day exposures.

Scenario analysis

Stress testing complements other risk measures by capturing the Group's exposure to unlikely but plausible events, which can be expressed through a range of significant moves across multiple financial markets. Key scenarios include significant movements in credit spreads, interest rates, equity and commodity prices and foreign exchange rates, as well as adverse changes in counterparty default and recovery rates. The majority of scenario analysis calculations performed are specifically tailored toward the risk profile within particular businesses, and limits are established if they are considered the most appropriate control. In addition, to identify areas of risk concentration and potential vulnerability to stress events at Group level, we use a set of scenarios, which are consistently applied across all businesses and assess the impact of significant, simultaneous movements across a broad range of markets and asset classes.

Stress testing is a fundamental element of the Group risk control framework. Stress testing results are monitored against limits, used in risk appetite discussions and strategic business planning, and support our internal capital adequacy assessment. Stress test scenarios are conducted on a regular basis and the results, trend information and supporting analysis are reported on to the Board, senior management and the business divisions.

The Group's stress testing framework is comprehensive and governed through a dedicated steering committee. Scenarios can be defined with reference to historic events or based on forward looking, hypothetical events that could impact the Group's positions, capital, or profitability. The scenarios are reviewed and updated regularly as markets and business strategies evolve, and new scenarios are designed by the risk management function in collaboration with our business divisions.

Trading portfolios

Risk measurement and management

We assume market risk in our trading portfolios primarily through the trading activities of the Investment Banking division. Our other divisions also engage in trading activities, but to a much lesser extent.

For the purposes of this disclosure, VaR is used to quantify market risk in the trading portfolio, which includes those financial instruments treated as part of the trading book for regulatory capital purposes. This classification of assets as trading is done for purposes of analyzing our market risk exposure, not for financial statement purposes.

We are active in most of the principal trading markets of the world, using the majority of common trading and hedging products, including derivatives such as swaps, futures, options and structured products (some of which are customized transactions using combinations of derivatives and executed to meet specific client or proprietary needs). As a result of our broad participation in products and markets, our trading strategies are correspondingly diverse and exposures are generally spread across a range of risks and locations.

Risks associated with the embedded derivative elements of our structured products are actively monitored and managed on a portfolio basis as part of our overall trading portfolio and are reflected in our VaR measures.

One-day, 98% risk management VaR and one-day, 99% regulatory VaR (CHF)

						Risk management VaR (98%)	Regulatory VaR (99%)
in / end of	Interest rate & credit spread	Foreign exchange	Commodity	Equity	Diversification benefit	**Total**	**Total**
2012 (CHF million)							
Average	57	13	3	22	(28)	67	57
Minimum	36	3	1	14	– [1]	34	34
Maximum	82	34	7	35	– [1]	104	89
End of period	44	12	2	17	(35)	40	52
2011 (CHF million)							
Average	73	13	10	23	(44)	75	94
Minimum	54	5	2	14	– [1]	54	49
Maximum	99	25	26	47	– [1]	107	161
End of period	73	12	4	25	(40)	74	79
2010 (CHF million)							
Average	102	18	22	27	(67)	102	142
Minimum	78	6	10	15	– [1]	68	103
Maximum	127	43	32	50	– [1]	142	205
End of period	90	21	18	25	(63)	91	124

Excludes risks associated with counterparty and own credit exposures. In June 2011, we made significant changes to our VaR methodology. Risk management VaR for periods prior to implementation has been restated in order to show meaningful trends. For regulatory VaR, these methodology changes have been reflected from implementation only.
[1] As the maximum and minimum occur on different days for different risk types, it is not meaningful to calculate a portfolio diversification benefit.

One-day, 98% risk management VaR and one-day, 99% regulatory VaR (USD)

						Risk management VaR (98%)	Regulatory VaR (99%)
in / end of	Interest rate & credit spread	Foreign exchange	Commodity	Equity	Diversi-fication benefit	**Total**	**Total**
2012 (USD million)							
Average	61	14	3	23	(42)	59	61
Minimum	38	3	1	15	– [1]	36	37
Maximum	90	38	38	37	– [1]	88	97
End of period	49	13	2	18	(38)	44	57
2011 (USD million)							
Average	82	14	11	26	(48)	85	105
Minimum	64	6	2	15	– [1]	65	55
Maximum	107	29	29	51	– [1]	117	177
End of period	77	13	4	27	(42)	79	84
2010 (USD million)							
Average	91	16	20	24	(60)	91	136
Minimum	68	6	9	14	– [1]	64	95
Maximum	111	38	28	44	– [1]	124	210
End of period	78	18	16	22	(54)	80	132

Excludes risks associated with counterparty and own credit exposures. In June 2011, we made significant changes to our VaR methodology. Risk management VaR for periods prior to implementation has been restated in order to show meaningful trends. For regulatory VaR, these methodology changes have been reflected from implementation only.
[1] As the maximum and minimum occur on different days for different risk types, it is not meaningful to calculate a portfolio diversification benefit.

Development of trading portfolio risks

The tables entitled "One-day, 98% risk management VaR and one-day, 99% regulatory VaR" show our trading-related market risk exposure, as measured by one-day, 98% risk management VaR and 99% regulatory VaR. VaR has been calculated using a two-year historical dataset. As we measure trading book VaR for internal risk management purposes using the US dollar as the base currency, the VaR figures were translated into Swiss francs using daily foreign exchange translation rates. VaR estimates are computed separately for each risk type and for the whole portfolio using the historical simulation methodology. The diversification benefit reflects the net difference between the sum of the 98th percentile loss for risk management VaR and the 99th percentile loss for regulatory VaR, respectively, for each individual risk type and for the total portfolio.

We manage VaR in US dollars, as substantially all market risk relates to Investment Banking.

Average risk management VaR in 2012 decreased 31% from 2011 to USD 59 million. The decrease reflected risk reductions across fixed income, particularly from sales of client inventory across global credit and securitized products, reduced interest rate exposures, mainly in US and European rates products, and lower market volatility.

Period-end risk management VaR as of December 31, 2012 decreased 44% to USD 44 million compared to December 31, 2011. The decrease mainly reflected lower market volatility and reduced interest rate, credit spread and equity exposures.

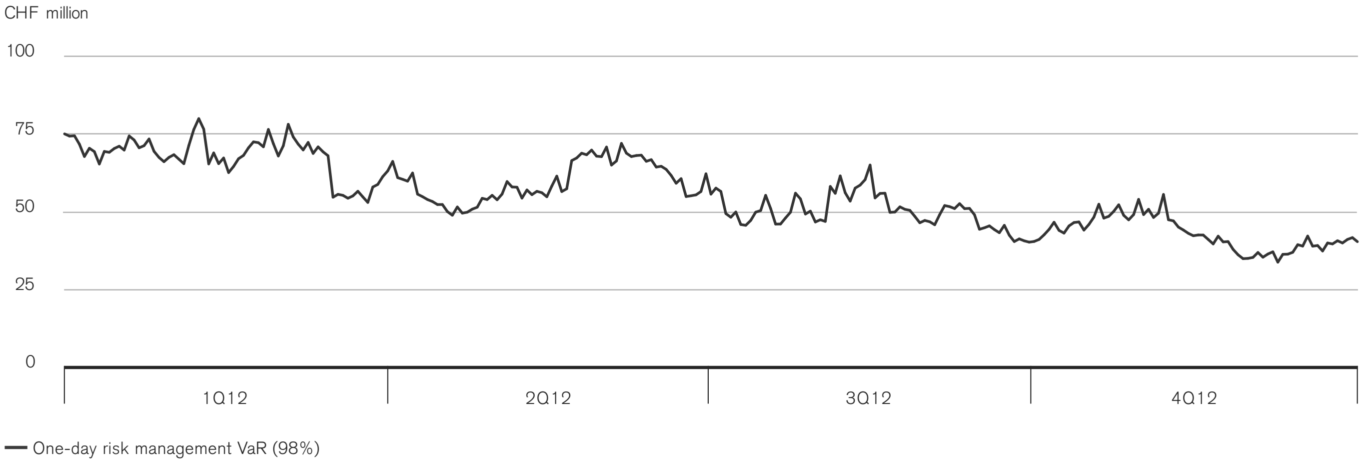
Various techniques are used to assess the accuracy of the regulatory VaR model used for trading portfolios, including backtesting. We conduct such backtesting using actual daily trading revenues. Actual daily trading revenues are compared with a regulatory 99% VaR calculated using a one-day holding period. A backtesting exception occurs when a trading loss exceeds the daily VaR estimate. We had no such backtesting exceptions in the 12-month periods ending December 31, 2012, 2011 and 2010. Since there were fewer than five backtesting exceptions in the rolling 12-month periods ending December 31, 2012, 2011 and 2010, in line with BIS industry guidelines, the VaR model is deemed to be statistically valid.

For capital purposes, FINMA, in line with BIS requirements, uses a multiplier to impose an increase in market risk capital for every regulatory VaR exception over four in the prior rolling 12-month period calculated using a subset of actual daily trading revenues.

- Refer to "Regulatory capital framework" in Capital management for further information on the use of our regulatory VaR model in the calculation of trading book market risk capital requirements.

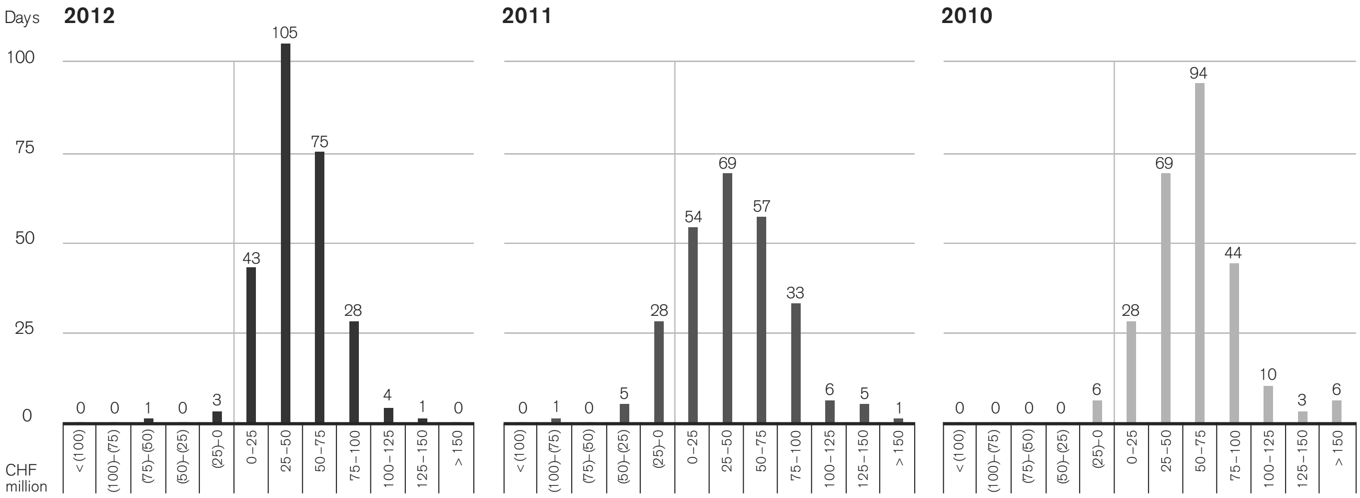
The histogram entitled "Actual daily trading revenues" compares the actual daily trading revenues for 2012 with those for 2011 and 2010. The dispersion of trading revenues indicates the day-to-day volatility in our trading activities. In 2012, we had four days of trading losses with one trading loss exceeding CHF 25 million, compared to 34 days of trading losses in 2011 with six trading losses exceeding CHF 25 million.

Daily risk management VaR



Excludes risks associated with counterparty and own credit exposures

Actual daily trading revenues



Excludes Neue Aargauer Bank. Periods prior to the integration of Clariden Leu in the second quarter of 2012 also exclude Clariden Leu.

Trading revenues do not include valuation adjustments associated with counterparty and own credit exposures.

Banking portfolios

Risk measurement and management

The market risks associated with our non-trading portfolios primarily relate to asset and liability mismatch exposures, equity instrument participations and investments in bonds and money market instruments. All of our businesses and the Corporate Center have non-trading portfolios that carry some market risks.

The market risks associated with the non-trading portfolios are measured, monitored and limited using several tools, including economic capital, scenario analysis, sensitivity analysis and VaR. For the purpose of this disclosure, the aggregated market risks associated with our non-trading portfolios are measured using sensitivity analysis. The sensitivity analysis for the non-trading activities measures the amount of potential change in economic value resulting from specified hypothetical shocks to market factors. It is not a measure for the potential impact on reported earnings in the current period, since the non-trading activities generally are not marked to market through earnings.

Development of non-trading portfolio risks

We assume non-trading interest rate risks through interest rate-sensitive positions originated by Private Banking & Wealth Management and risk-transferred to Treasury, money market and funding activities by Treasury, and the deployment of our consolidated equity as well as other activities, including market making and trading activities involving banking book positions at the divisions, primarily Investment Banking. Savings accounts and many other retail banking products have no contractual maturity date or direct market-linked interest rate and are risk-transferred from Private Banking & Wealth Management to Treasury on a pooled basis using replicating portfolios (approximating the re-pricing behavior of the underlying product). Treasury and certain other areas of the Group running interest rate risk positions actively manage the positions within approved limits. This risk is monitored on a daily basis.

The impact of a one basis point parallel increase in yield curves on the fair value of interest rate-sensitive non-trading book positions would have been an increase of CHF 9.4 million as of December 31, 2012, compared to an increase of CHF 6.6 million as of December 31, 2011. The increase from 2011 was mainly due to the issuance of new tier 2 buffer capital notes in the first quarter of 2012, market movements in the value of capital instruments and an increase in shareholders' equity. Additional increases were related to the banking books of Treasury and Private Banking & Wealth Management.

One basis point parallel increase in yield curves by currency – non-trading positions

end of	CHF	USD	EUR	GBP	Other	**Total**
2012 (CHF million)						
Fair value impact of a one basis point parallel increase in yield curves	(1.9)	9.0	1.8	0.0	0.5	9.4
2011 (CHF million)						
Fair value impact of a one basis point parallel increase in yield curves	0.4	4.8	1.1	0.1	0.2	6.6

Non-trading interest rate risk is also assessed using other measures including the potential value change resulting from a significant change in yield curves. The following table shows the impact of immediate 100 basis point and 200 basis point moves in the yield curves (as interest rates are currently very low, the downward changes are capped to ensure that the resulting interest rates remain non-negative).

Interest rate sensitivity – non-trading positions

end of	CHF	USD	EUR	GBP	Other	**Total**
2012 (CHF million)						
Increase(+)/decrease(–) in interest rates						
+200 basis points	(308)	1,718	591	(119)	78	1,960
+100 basis points	(172)	884	238	(29)	38	959
–100 basis points	285	(854)	(78)	(24)	(33)	(704)
–200 basis points	347	(1,013)	1	(111)	(61)	(837)
2011 (CHF million)						
Increase(+)/decrease(–) in interest rates						
+200 basis points	98	948	194	15	47	1,302
+100 basis points	44	477	101	7	25	654
–100 basis points	(1)	(487)	(110)	(6)	(23)	(627)
–200 basis points	31	(813)	(137)	(3)	(45)	(967)

As of December 31, 2012, the fair value impact of an adverse 200 basis point move in yield curves was a loss of CHF 0.8 billion compared to a loss of CHF 1.0 billion as of December 31, 2011. The monthly analysis of the potential impact resulting from a significant change in yield curves indicated that as of the end of 2012 and 2011, the fair value impact of an adverse 200 basis point move in yield curves and adverse interest rate moves, calibrated to a one-year holding period with a 99% confidence level in relation to the total eligible regulatory capital, was significantly below the 20% threshold used by regulators to identify banks that potentially run excessive levels of non-trading interest rate risk.

Our non-trading equity portfolio includes positions in private equity, hedge funds, strategic investments and other instruments managed by Investment Banking. These positions may not be strongly correlated with general equity markets. Equity risk on non-trading positions is measured using sensitivity analysis that estimates the potential change in value resulting from a 10% decline in the equity markets of developed nations and a 20% decline in the equity markets of emerging market nations. The estimated impact of this scenario would be a decrease of CHF 681 million in the value of the non-trading portfolio as of December 31, 2012, compared to a decrease of CHF 626 million in the value of the non-trading portfolio as of December 31, 2011.

Commodity risk on non-trading positions is measured using sensitivity analysis that estimates the potential change in value resulting from a 20% weakening in commodity prices. The estimated impact of this scenario would be a decrease of CHF 1 million in the value of the non-trading portfolio as of December 31, 2012, compared to a decrease of CHF 4 million as of December 31, 2011.

Credit and debit valuation adjustments

VaR excludes the impact of changes in both counterparty and our own credit spreads on derivative products. As of December 31, 2012, the estimated sensitivity implies that a one basis point increase in credit spreads, both counterparty and our own, would result in a CHF 3.7 million gain on the overall derivatives position (including hedges) in Investment Banking. In addition, a one basis point increase in our own credit spread on our fair valued structured notes portfolio (including the impact of hedges) would result in a CHF 8.1 million gain as of December 31, 2012.

Credit risk

Credit risk is the possibility of a loss being incurred by us as the result of a borrower or counterparty failing to meet its financial obligations or as a result of deterioration in the credit quality of the borrower or counterparty. In the event of a customer default, a bank generally incurs a loss equal to the amount owed by the debtor, less any recoveries from foreclosure, liquidation of collateral, or the restructuring of the debtor company. A change in the credit quality of a counterparty has an impact on the valuation of assets eligible for fair value measurement, with valuation changes recorded in the consolidated statements of operations.

Selected European credit risk exposures

The scope of our disclosure of European credit risk exposure includes all countries of the EU which are rated below AA or its equivalent by at least one of the three major rating agencies and where our gross exposure exceeds our quantitative threshold of EUR 0.5 billion. We believe this external rating is a useful measure in determining the financial ability of countries to meet their financial obligations, including giving an indication of vulnerability to adverse business, financial and economic conditions.

Monitoring of selected European credit risk exposures

Our credit risk exposure to these European countries is managed as part of our risk management process. The Group makes use of country limits and performs scenario analyses on a regular basis, which include analyses on our indirect sovereign credit risk exposures from our exposures to selected European financial institutions. This assessment of indirect sovereign credit risk exposures includes analysis of publicly available disclosures of counterparties' exposures to the European countries within the defined scope of our disclosure. We monitor the concentration of collateral underpinning our ▷OTC derivative and ▷reverse repurchase agreement exposures through monthly reporting. We also monitor the impact of sovereign rating downgrades on collateral eligibility. Strict limits on sovereign collateral from ▷G-7 and non-G-7 countries are monitored monthly. Similar disclosure is part of our regular risk reporting to regulators.

As part of our global scenario framework, the counterparty credit risk stress testing framework measures counterparty exposure under scenarios calibrated to the 99th percentile for the worst one month and one year moves observed in the available history. The scenario results are aggregated at the counterparty level for all our counterparties, including all European countries to which we have exposure. Furthermore, counterparty default scenarios are run where specific entities are set to default. In one of these scenarios, a European sovereign default is investigated. This scenario determines the maximum exposure we have against this country in case of its default and serves to identify those counterparties where exposure will rise substantially as a result of the modeled country defaulting.

The scenario framework also considers a range of other severe scenarios, including a specific eurozone crisis scenario which assumes the default of selected European countries, currently modeled to include Greece, Ireland, Italy, Portugal and Spain. It is assumed that the sovereigns, financial institutions and corporates within these countries default, with a 100% loss of sovereign and financial institutions exposures and a 0% to 100% loss of corporates depending on their credit ratings. As part of this scenario, we additionally assume a severe market sell-off involving an equity market crash, widening credit spreads, a rally in the price of gold and a devaluation of the euro as a currency. In addition, the eurozone crisis scenario assumes the default of a small number of our market counterparties that we believe would be severely affected by a default across the selected European countries. These counterparties are assumed to default as we believe that they would be the most affected institutions because of their direct presence in the relevant countries and their direct exposures. Through these processes, revaluation and redenomination risks on our exposures are considered on a regular basis by our risk management function.

Presentation of selected European credit risk exposures

The basis for the presentation of the country exposure is our internal risk domicile view. The risk domicile view is based on the domicile of the legal counterparty, i.e., it may include exposure to a legal entity domiciled in the reported country where its parent is located outside of the country.

The credit risk exposure in the table is presented on a risk-based view. We present our credit risk exposure and related risk mitigation for the following distinct categories:

- *Gross credit risk exposure* includes the principal amount of loans drawn, letters of credit issued and undrawn portions of committed facilities, the positive replacement value (PRV) of derivative instruments after consideration of legally enforceable netting agreements, the notional value of investments in money market funds and the market values of securities financing transactions and the debt cash trading portfolio (short-term securities) netted at issuer level.
- *Risk mitigation* includes credit default swaps (CDS) and other hedges, at their net notional amount, guarantees, insurance and collateral (primarily cash, securities and, to a lesser extent, real estate, mainly for Private Banking & Wealth Management exposure to corporates & other). Collateral values applied for the calculation of the net exposure are determined in accordance with our risk management policies and reflect applicable margining considerations.
- *Net credit risk exposure* represents gross credit risk exposure net of risk mitigation.
- *Inventory* represents the long inventory positions in trading and non-trading physical debt and synthetic positions, each at market value, all netted at issuer level. Physical debt is non-derivative debt positions (e.g., bonds), and synthetic positions are created through OTC contracts (e.g., CDS purchased and/or sold and total return swaps).

CDS presented in the risk mitigation column are purchased as a direct hedge to our OTC exposure and the risk mitigation impact is considered to be the notional amount of the contract for risk purposes, with the mark-to-market fair value of CDS risk-managed against the protection provider. Net notional amounts of CDS reflect the notional amount of CDS protection purchased less the notional amount of CDS protection sold and are based on the origin of the CDS reference credit, rather than that of the CDS counterparty. CDS included in the inventory column represent contracts recorded in our trading books that are hedging the credit risk of the instruments included in the inventory column and are disclosed on the same basis as the value of the fixed income instrument they are hedging.

We do not have any tranched CDS positions on these European countries and only an insignificant amount of indexed credit derivatives is included in inventory.

The credit risk of CDS contracts themselves, i.e., the risk that the CDS counterparty will not perform in the event of a default, is managed separately from the credit risk of the reference credit. To mitigate such credit risk, all CDS contracts are collateralized and executed with counterparties with whom we have an enforceable ISDA master agreement that provides for daily margining.

Selected European credit risk exposures

December 31, 2012	Gross credit risk exposure	Risk mitigation		Net credit risk exposure	Inventory [2]		Total credit risk exposure	
		CDS	Other [1]			Net synthetic inventory [3]	Gross	Net
Greece (EUR billion)								
Sovereigns	0.2	0.0	0.2	0.0	0.0	0.0	0.2	0.0
Financial institutions	0.1	0.0	0.1	0.0	0.0	0.0	0.1	0.0
Corporates & other	0.5	0.0	0.5	0.0	0.0	0.0	0.5	0.0
Total	**0.8**	**0.0**	**0.8**	**0.0**	**0.0**	**0.0**	**0.8**	**0.0**
Ireland (EUR billion)								
Sovereigns	0.1	0.1	0.0	0.0	0.0	0.0	0.1	0.0
Financial institutions	0.7	0.0	0.6	0.1	0.0	0.0	0.7	0.1
Corporates & other	1.5	0.0	0.5	1.0	0.1	0.0	1.6	1.1
Total	**2.3**	**0.1**	**1.1**	**1.1**	**0.1**	**0.0**	**2.4**	**1.2**
Italy (EUR billion)								
Sovereigns	3.9	2.9	0.4	0.6	0.0	0.0	3.9	0.6
Financial institutions	2.2	0.0	1.5	0.7	0.4	0.3	2.6	1.1
Corporates & other	2.3	0.2	1.3	0.8	0.3	0.1	2.6	1.1
Total	**8.4**	**3.1**	**3.2**	**2.1**	**0.7**	**0.4**	**9.1**	**2.8**
Portugal (EUR billion)								
Sovereigns	0.1	0.1	0.0	0.0	0.0	(0.1)	0.1	0.0
Financial institutions	0.2	0.0	0.2	0.0	0.1	(0.2)	0.3	0.1
Corporates & other	0.1	0.0	0.1	0.0	0.1	0.0	0.2	0.1
Total	**0.4**	**0.1**	**0.3**	**0.0**	**0.2**	**(0.3)**	**0.6**	**0.2**
Spain (EUR billion)								
Sovereigns	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial institutions	1.4	0.0	1.2	0.2	0.5	0.1	1.9	0.7
Corporates & other	1.9	0.2	0.8	0.9	0.2	(0.1)	2.1	1.1
Total	**3.3**	**0.2**	**2.0**	**1.1**	**0.7**	**0.0**	**4.0**	**1.8**
Total (EUR billion)								
Sovereigns	4.3	3.1	0.6	0.6	0.0	(0.1)	4.3	0.6
Financial institutions	4.6	0.0	3.6	1.0	1.0	0.2	5.6	2.0
Corporates & other	6.3	0.4	3.2	2.7	0.7	0.0	7.0	3.4
Total	**15.2**	**3.5**	**7.4**	**4.3**	**1.7**	**0.1**	**16.9**	**6.0**

[1] Includes other hedges (derivative instruments), guarantees, insurance and collateral. [2] Represents long inventory positions netted at issuer level. [3] Substantially all of which results from CDS; represents long positions net of short positions.

On a gross basis, before taking into account risk mitigation, our risk-based sovereign credit risk exposure to Greece, Ireland, Italy, Portugal and Spain as of December 31, 2012 was EUR 4.3 billion, up from EUR 3.8 billion as of December 31, 2011. Our net exposure to these sovereigns was stable at EUR 0.6 billion, compared to December 31, 2011. Our non-sovereign risk-based credit risk exposure in these countries as of December 31, 2012 included net exposure to financial institutions of EUR 2.0 billion and to corporates and other counterparties of EUR 3.4 billion, compared to EUR 2.3 billion and EUR 2.5 billion, respectively, as of December 31, 2011. A significant majority of the purchased credit protection is transacted with banks outside of the disclosed countries. For credit protection purchased from banks in the disclosed countries, such credit risk is reflected in the gross and net exposure to each relevant country.

Sovereign debt rating developments

During 2012 and the first two months of 2013, the sovereign debt rating of the countries listed in the table were affected as follows: Standard & Poor's lowered the long-term rating for Italy to BBB+ from A, for Portugal to BB from BBB– and for Spain to BBB– from AA–, and increased Greece's rating to B– from C in February 2012 after several changes, including downgrades to RD (restricted default) in March 2012 and SD (selective default) at the beginning of December 2012. Fitch lowered Italy's rating to A– from A+, Spain's rating to BBB from AA–, and Greece's rating to CCC from B–. Moody's downgraded Italy to Baa2 from A2, Portugal to Ba3 from Ba2, Spain to Baa3 from A1 and Greece to C from Ca. The rating changes did not have a significant impact on the Group's financial position, result of operations, liquidity or capital resources.

Sources of credit risk

The majority of our credit risk is concentrated in the Wealth Management Clients and Corporate & Institutional Clients businesses within the Private Banking & Wealth Management division and in the Investment Banking division. Credit risk exists within lending products, commitments and letters of credit, and results from counterparty exposure arising from derivatives, foreign exchange and other transactions.

Credit risk management approach

Effective credit risk management is a structured process to assess, quantify, measure, monitor and manage risk on a consistent basis. This requires careful consideration of proposed extensions of credit, the setting of specific limits, monitoring during the life of the exposure, active use of credit mitigation tools and a disciplined approach to recognizing credit impairment.

Our credit risk management framework covers virtually all of the Group's credit exposure and includes the following core components:

- individual counterparty rating systems;
- transaction rating systems;
- a counterparty credit limit system;
- country concentration limits;
- risk-based pricing methodologies;
- active credit portfolio management; and
- a credit risk provisioning methodology.

We employ a set of credit ratings for the purpose of internally rating counterparties to whom we are exposed to credit risk as the contractual party, including with respect to loans, loan commitments, securities financings or OTC derivative contracts. Credit ratings are intended to reflect the risk of default of each counterparty. Ratings are assigned based on internally developed rating models and processes, which are subject to governance and internally independent validation procedures.

Our internal ratings may differ from a counterparty's external ratings, if one is available. Internal ratings are reviewed at least annually. For the calculation of internal risk estimates and risk-weighted assets, a PD is assigned to each facility. For corporate & institutional counterparties excluding corporates managed on the Swiss platform, the PD is determined by the internal credit rating. For these client segments, internal ratings are based on the analysis and evaluation of both quantitative and qualitative factors. The specific factors analyzed are dependent on the type of counterparty. The analysis emphasizes a forward-looking approach, concentrating on economic trends and financial fundamentals. Credit officers make use of peer analysis, industry comparisons, external ratings and research, and the judgment of credit experts. The PD for each rating is calibrated based on historic default experience, using external data from Standard & Poor's, and backtested to ensure consistency with internal experience. For corporates managed on the Swiss platform and consumer loans, the PD is calculated directly by proprietary statistical rating models, which are based on internally compiled data comprising both quantitative factors (primarily loan-to-value (LTV) ratio and the borrower's income level for mortgage lending and balance sheet information for corporates) and qualitative factors (e.g., credit histories from credit reporting bureaus). In this case, an equivalent rating is assigned for reporting purposes, based on the PD band associated with each rating.

We assign an estimate of expected loss in the event of a counterparty default based on the structure of each transaction. The counterparty credit rating is used in combination with credit (or credit equivalent) exposure and the LGD assumption to estimate the potential credit loss. LGD represents the expected loss on a transaction should default occur and takes into account structure, collateral, seniority of the claim and, in certain areas, the type of counterparty. We use credit risk estimates consistently for the purposes of approval, establishment and monitoring of credit limits and credit portfolio management, credit policy, management reporting, risk-adjusted performance measurement, economic capital measurement and allocation and financial accounting. This approach also allows us to price transactions involving credit risk more accurately, based on risk/return estimates. The overall internal credit rating system has been approved by FINMA for application of the A-IRB approach under the Basel framework.

Credit limits are used to manage individual counterparty credit risk. A system of limits is also established to address concentration risk in the portfolio, including a comprehensive set of country limits and limits for certain products. In addition, credit risk concentration is regularly supervised by credit and risk management committees, taking current market conditions and trend analysis into consideration. A rigorous credit quality review process provides an early identification of possible changes in the creditworthiness of clients and includes regular asset and collateral quality reviews, business and financial statement analysis, and relevant economic and industry studies. Regularly updated watch lists and review meetings are used for the identification of counterparties that could be subject to adverse changes in creditworthiness.

Our regular review of the credit quality of clients and counterparties does not depend on the accounting treatment of the asset or commitment. We regularly review the appropriateness of allowances for credit losses. Changes in the credit quality of counterparties of loans held at fair value are reflected in valuation changes recorded directly in revenues, and therefore are not part of the impaired loans balance. Impaired transactions are further classified as potential problem exposure, non-performing exposure or non-interest-earning exposure, and the exposures are generally managed within credit recovery units. The Credit Portfolio and Provisions Review Committee regularly determines the adequacy of allowances.

Risk mitigation

We actively manage our credit exposure utilizing credit hedges, collateral and guarantees. Collateral is security in the form of an asset, such as cash and marketable securities, which serves to mitigate the inherent risk of credit loss and to improve recoveries in the event of a default.

The policies and processes for collateral valuation and management are driven by:

- legal documentation that is agreed with our counterparties; and
- an internally independent collateral management function.

For our trading portfolio, the valuation of the collateral portfolio is performed as per the availability of independent market data, generally daily for traded products. Exceptions are governed by the calculation frequency described in the legal documentation. The management of collateral is standardized and centralized to ensure complete coverage of traded products.

Credit risk overview

All transactions that are exposed to potential losses due to a counterparty failing to meet an obligation are subject to credit risk exposure measurement and management. The following table represents credit risk from loans, loan commitments and certain other contingent liabilities, loans held-for-sale, traded loans and derivative instruments before consideration of risk mitigation such as cash collateral and marketable securities or credit hedges.

Credit risk

end of	**2012**	2011	% change
Credit risk (CHF million)			
Balance sheet			
Gross loans	243,204	234,357	4
of which reported at fair value	20,000	20,694	(3)
Loans held-for-sale	19,894	20,457	(3)
Traded loans	4,282	3,581	20
Derivative instruments [1]	37,138	56,254	(34)
Total balance sheet	**304,518**	**314,649**	(3)
Off-balance sheet			
Loan commitments [2]	237,110	220,560	8
Credit guarantees and similar instruments	12,833	7,348	75
Irrevocable commitments under documentary credits	6,258	5,687	10
Total off-balance sheet	**256,201**	**233,595**	10
Total credit risk	**560,719**	**548,244**	2

Before risk mitigation, for example, collateral, credit hedges.
[1] Positive replacement value after netting agreements. [2] Includes CHF 139,709 million and CHF 138,051 million of unused credit limits as of December 31, 2012 and 2011, respectively, which were revocable at our sole discretion upon notice to the client.

As of December 31, 2012 and 2011, loans held-for-sale included CHF 554 million and CHF 830 million, respectively, of US subprime residential mortgages from consolidated variable interest entities. Traded loans included US subprime residential mortgages of CHF 383 million and CHF 330 million as of December 31, 2012 and 2011, respectively.

Loans and loan commitments
Loans which we have the intention and ability to hold to maturity are valued at amortized cost less any allowance for loan losses. Loan commitments include irrevocable credit facilities for both divisions and, in Private Banking & Wealth Management, unused credit limits that can be revoked at our sole discretion upon notice to the client. Loans and loan commitments for which the fair value option is elected are reported at fair value with changes in fair value reported in trading revenues.

Loans and loan commitments

end of	**2012**	2011	% change
Loans and loan commitments (CHF million)			
Gross loans	243,204	234,357	4
of which Private Banking & Wealth Management	208,526	197,017	6
of which Investment Banking	34,658	37,329	(7)
Loan commitments	237,110	220,560	8
Total loans and loan commitments	**480,314**	**454,917**	6
of which Private Banking & Wealth Management	354,595	343,721	3
of which Investment Banking	125,701	111,069	13

The Private Banking & Wealth Management portfolio consists primarily of mortgages and loans collateralized by marketable securities that can be readily liquidated. In Investment Banking, we manage credit exposures primarily with credit hedges and monetizable collateral. Credit hedges represent the notional exposure that has been transferred to other market counterparties, generally through the use of CDS and credit insurance contracts.

The following tables illustrate the effects of risk mitigation through cash collateral, marketable securities and credit hedges on a combined exposure of loans and loan commitments.

Loans and loan commitments – Private Banking & Wealth Management

end of			**2012**			2011
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	2,324	(60)	2,264	2,515	(79)	2,436
AA	7,538	(1,014)	6,524	7,465	(521)	6,944
A	24,987	(2,923)	22,064	21,279	(1,022)	20,257
BBB	240,855	(129,900)	110,955	234,578	(133,475)	101,103
BB	71,776	(9,179)	62,597	71,345	(7,716)	63,629
B	5,241	(567)	4,674	4,833	(460)	4,373
CCC	319	(6)	313	429	(2)	427
CC	48	(1)	47	0	0	0
D	1,507	(170)	1,337	1,277	(162)	1,115
Total loans and loan commitments	**354,595**	**(143,820)**	**210,775** [1]	**343,721**	**(143,437)**	**200,284** [1]

Includes irrevocable credit facilities and unused credit limits which can be revoked at our sole discretion upon notice to the client.
[1] In addition, we have a synthetic collateralized loan portfolio, the Clock Finance transaction, which effectively transfers the first loss credit risk on a portfolio of originated loans of CHF 4.8 billion at closing within Corporate & Institutional Clients to capital market investors.

Loans and loan commitments – Investment Banking

end of				**2012**				2011
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	6,529	0	(72)	6,457	8,758	(90)	(869)	7,799
AA	16,774	(1,649)	(23)	15,102	12,331	(3,228)	(4)	9,099
A	29,348	(5,085)	(24)	24,239	22,560	(6,773)	(779)	15,008
BBB	31,092	(8,980)	(1,702)	20,410	31,289	(9,586)	(673)	21,030
BB	18,044	(2,103)	(213)	15,728	15,156	(2,452)	(474)	12,230
B	21,682	(2,663)	(458)	18,561	17,289	(1,738)	(890)	14,661
CCC	1,100	(184)	(65)	851	1,869	(359)	(1)	1,509
CC	18	0	(18)	0	64	0	(21)	43
C	188	(19)	0	169	241	(113)	(62)	66
D	926	(320)	(70)	536	1,512	(190)	(19)	1,303
Total loans and loan commitments	**125,701**	**(21,003)**	**(2,645)**	**102,053**	**111,069**	**(24,529)**	**(3,792)**	**82,748**

Includes undrawn irrevocable credit facilities.

Loss given default

The Private Banking & Wealth Management LGD measurement takes into account collateral pledged against the exposure and guarantees received, with the exposure adjusted for risk mitigation. The concentration in BBB and BB rated counterparties with low LGD exposure largely reflects the Private Banking & Wealth Management residential mortgage business, which is highly collateralized. In Investment Banking, the LGD measurement is primarily determined by the seniority ranking of the exposure, with the exposure adjusted for risk mitigation and guarantees received. The LGD measurement system is validated by an internally independent function on a regular basis and has been approved by the regulatory authorities for application in the A-IRB approach under the Basel framework. The tables below present our loans, net of risk mitigation, across LGD buckets for Private Banking & Wealth Management and Investment Banking.

Loans – Private Banking & Wealth Management

end of 2012								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	1,107	1,103	117	492	335	157	2	0
AA	2,184	2,144	113	747	1,119	132	8	25
A	18,539	17,746	2,525	10,056	4,497	506	110	52
BBB	124,290	87,688	9,949	48,034	24,115	4,293	885	412
BB	56,200	51,076	5,452	18,306	20,230	4,375	1,102	1,611
B	4,585	4,117	771	871	1,869	496	105	5
CCC	224	217	32	9	176	0	0	0
CC	48	48	1	9	0	38	0	0
D	1,349	1,231	75	246	465	267	118	60
Total loans	**208,526**	**165,370**	**19,035**	**78,770**	**52,806**	**10,264**	**2,330**	**2,165**

As of December 31, 2012, 96% of the aggregate Swiss residential mortgage loan portfolio of CHF 93.2 billion had an LTV ratio below 80%. As of December 31, 2011, 95% of the corresponding loan portfolio of CHF 89.1 billion had an LTV ratio below 80%. For the Swiss residential mortgage loans originated in 2012 and 2011, the average LTV ratio was below 80% at origination. Our LTV ratios are based on the most recent appraised value of the collateral.

Loans – Investment Banking

end of 2012			Loss given default buckets					
Internal ratings	**Funded gross exposure**	**Funded net exposure**	0–10%	11–20%	21–40%	41–60%	61–80%	81–100%
Loss given default (CHF million)								
AAA	2,284	2,211	79	0	1,910	222	0	0
AA	1,820	1,810	269	0	1,444	97	0	0
A	4,425	3,965	605	0	2,282	1,078	0	0
BBB	8,192	3,930	492	0	1,987	1,167	257	27
BB	9,340	7,875	4,064	15	3,078	708	0	10
B	7,136	5,030	2,569	76	1,778	466	141	0
CCC	462	306	47	0	244	15	0	0
CC	18	0	0	0	0	0	0	0
C	160	141	1	0	129	11	0	0
D	821	455	267	11	177	0	0	0
Total loans	**34,658**	**25,723**	**8,393**	**102**	**13,029**	**3,764**	**398**	**37**

Loans

Compared to the end of 2011, gross loans increased 4% to CHF 243.2 billion. In Private Banking & Wealth Management, gross loans increased 6% to CHF 208.5 billion, primarily due to higher commercial and industrial loans, an increase in residential mortgages and higher loans to the real estate sector, partially offset by the US dollar translation impact. In Investment Banking, gross loans decreased 7% to CHF 34.7 billion, primarily due to lower commercial and industrial loans, decreased loans to financial institutions and the US dollar translation impact.

▸ Refer to "Note 18 – Loans, allowance for loan losses and credit quality" in V – Consolidated financial statements – Credit Suisse Group.

Impaired loans

Gross impaired loans were stable at CHF 1.7 billion in 2012, as increases in non-performing loans in Investment Banking of CHF 99 million and higher non-interest-earning loans in Private Banking & Wealth Management of CHF 79 million were substantially offset by a decrease of CHF 153 million in potential problem loans across the Group.

▸ Refer to "Impaired loans" in V – Consolidated financial statements – Credit Suisse Group – Note 18 – Loans, allowance for loan losses and credit quality for information on categories of impaired loans.

Allowance for loan losses

We maintain valuation allowances on loans valued at amortized cost, which we consider a reasonable estimate of losses inherent in the existing credit portfolio. We provide for loan losses based on a regular and detailed analysis of all counterparties, taking collateral value into consideration. If uncertainty exists as to the repayment of either principal or interest, a valuation allowance is either created or adjusted accordingly. The allowance for loan losses is revalued by Group credit risk management at least annually or more frequently depending on the risk profile of the borrower or credit relevant events.

Loans

	Private Banking & Wealth Management		Investment Banking		Credit Suisse [1]	
end of	**2012**	2011	**2012**	2011	**2012**	2011
Loans (CHF million)						
Mortgages	91,872	88,255	0	0	91,872	88,255
Loans collateralized by securities	27,363	26,461	0	0	27,363	26,461
Consumer finance	6,290	6,031	611	664	6,901	6,695
Consumer	125,525	120,747	611	664	126,136	121,411
Real estate	25,253	23,287	1,472	1,898	26,725	25,185
Commercial and industrial loans	48,860	44,620	13,829	15,367	62,709	59,998
Financial institutions	7,616	7,085	17,289	18,288	24,905	25,373
Governments and public institutions	1,272	1,278	1,457	1,112	2,729	2,390
Corporate & institutional	83,001 [2]	76,270 [2]	34,047	36,665	117,068	112,946
Gross loans	**208,526**	**197,017**	**34,658**	**37,329**	**243,204**	**234,357**
of which reported at fair value	257	402	19,743	20,292	20,000	20,694
Net (unearned income) / deferred expenses	(39)	(6)	(20)	(28)	(59)	(34)
Allowance for loan losses [3]	(785)	(743)	(137)	(167)	(922)	(910)
Net loans	**207,702**	**196,268**	**34,501**	**37,134**	**242,223**	**233,413**
Impaired loans (CHF million)						
Non-performing loans	604	602	255	156	859	758
Non-interest-earning loans	309	230	4	32	313	262
Total non-performing and non-interest-earning loans	913	832	259	188	1,172	1,020
Restructured loans	0	5	30	13	30	18
Potential problem loans	513	603	14	77	527	680
Total other impaired loans	513	608	44	90	557	698
Gross impaired loans [3]	**1,426**	**1,440**	**303**	**278**	**1,729**	**1,718**
of which loans with a specific allowance	1,307	1,286	204	261	1,511	1,547
of which loans without a specific allowance	119	154	99	17	218	171
Allowance for loan losses (CHF million)						
Balance at beginning of period [3]	**743**	**782**	**167**	**235**	**910**	**1,017**
Change in scope of consolidation	0	0	(18)	0	(18)	0
Net movements recognized in statements of operations	171	113	(12)	28	159	141
Gross write-offs	(180)	(194)	(21)	(105)	(201)	(299)
Recoveries	34	36	10	5	44	41
Net write-offs	(146)	(158)	(11)	(100)	(157)	(258)
Provisions for interest	13	5	16	9	29	14
Foreign currency translation impact and other adjustments, net	4	1	(5)	(5)	(1)	(4)
Balance at end of period [3]	**785**	**743**	**137**	**167**	**922**	**910**
of which individually evaluated for impairment	598	544	98	106	696	650
of which collectively evaluated for impairment	187	199	39	61	226	260
Loan metrics (%)						
Total non-performing and non-interest-earning loans / Gross loans [4]	0.4	0.4	1.7	1.1	0.5	0.5
Gross impaired loans / Gross loans [4]	0.7	0.7	2.0	1.6	0.8	0.8
Allowance for loan losses / Total non-performing and non-interest-earning loans [3]	86.0	89.3	52.9	88.8	78.7	89.2
Allowance for loan losses / Gross impaired loans [3]	55.0	51.6	45.2	60.1	53.3	53.0

[1] Includes Corporate Center, in addition to Private Banking & Wealth Management and Investment Banking. [2] Includes loans secured by financial collateral and mortgages. The value of financial collateral and mortgages, considered up to the amount of the related loans, was CHF 64,536 million and CHF 62,036 million as of December 31, 2012 and 2011, respectively. [3] Impaired loans and allowance for loan losses are only based on loans which are not carried at fair value. [4] Excludes loans carried at fair value.

Allowance for inherent loan losses

In accordance with accounting principles generally accepted in the US (US GAAP), an inherent loss allowance is estimated for all loans not specifically identified as impaired and that, on a portfolio basis, are considered to contain inherent losses. Inherent losses in the Private Banking & Wealth Management lending portfolio are determined based on current internal risk ratings, collateral and exposure structure, applying historical default and loss experience in the ratings and loss parameters. In Investment Banking, loans are segregated by risk, industry or country rating in order to estimate inherent losses. Inherent losses on loans are estimated based on historical loss and recovery experience and recorded in allowance for loan losses. A provision for inherent losses on off-balance sheet lending-related exposure, such as contingent liabilities and irrevocable commitments, is also determined, using a methodology similar to that used for the loan portfolio.

Provision for credit losses

Net provision for credit losses charged to the consolidated statements of operations in 2012 was CHF 170 million, compared to a net provision of CHF 187 million in 2011. In Private Banking & Wealth Management, the net provision for credit losses in 2012 was CHF 182 million, compared to CHF 111 million in 2011, reflecting higher new provisions and lower releases of provisions. In Investment Banking, the net release of provision for credit losses in 2012 was CHF 12 million, compared to a net new provision of CHF 76 million in 2011. In Investment Banking the change reflected significantly higher provisions in 2011 from a guarantee provided to a third-party bank, and higher releases and recoveries in 2012.

Derivative instruments

We enter into derivative contracts in the normal course of business for market making, positioning and arbitrage purposes, as well as for our own risk management needs, including mitigation of interest rate, foreign exchange and credit risk.

Derivatives are either privately negotiated OTC contracts or standard contracts transacted through regulated exchanges. The most frequently used derivative products include interest rate, cross-currency swaps and CDS, interest rate and foreign exchange options, foreign exchange forward contracts, and foreign exchange and interest rate futures.

The replacement values of derivative instruments correspond to their fair values at the dates of the consolidated balance sheets and arise from transactions for the account of customers and for our own account. PRV constitute an asset, while negative replacement values (NRV) constitute a liability. Fair value does not indicate future gains or losses, but rather premiums paid or received for a derivative instrument at inception, if applicable, and unrealized gains and losses from marking to market all derivatives at a particular point in time. The fair values of derivatives are determined using various methodologies, primarily observable market prices where available and, in their absence, observable market parameters for instruments with similar characteristics and maturities, net present value analysis or other pricing models as appropriate.

Forwards and futures

We enter into forward purchase and sale contracts for mortgage-backed securities, foreign currencies and commitments to buy or sell commercial and residential mortgages. In addition, we enter into futures contracts on equity-based indices and other financial instruments, as well as options on futures contracts. These contracts are typically entered into to meet the needs of customers, for trading and for hedging purposes.

On forward contracts, we are exposed to counterparty credit risk. To mitigate this credit risk, we limit transactions by counterparty, regularly review credit limits and adhere to internally established credit extension policies.

For futures contracts and options on futures contracts, the change in the market value is settled with a clearing broker in cash each day. As a result, our credit risk with the clearing broker is limited to the net positive change in the market value for a single day.

Swaps

Our swap agreements consist primarily of interest rate swaps, CDS, currency and equity swaps. We enter into swap agreements for trading and risk management purposes. Interest rate swaps are contractual agreements to exchange interest rate payments based on agreed upon notional amounts and maturities. CDS are contractual agreements in which the buyer of the swap pays a periodic fee in return for a contingent payment by the seller of the swap following a credit event of a reference entity. A credit event is commonly defined as bankruptcy, insolvency, receivership, material adverse restructuring of debt, or failure to meet payment obligations when due. Currency swaps are contractual agreements to exchange payments in different currencies based on agreed notional amounts and currency pairs. Equity swaps are contractual agreements to receive the appreciation or depreciation in value based on a specific strike price on an equity instrument in exchange for paying another rate, which is usually based on an index or interest rate movements.

Options

We write options specifically designed to meet the needs of customers and for trading purposes. These written options do not expose us to the credit risk of the customer because, if exercised, we and not our counterparty are obligated to perform. At the beginning of the contract period, we receive a cash premium. During the contract period, we bear the risk of unfavorable changes in the value of the financial instruments underlying the options. To manage this market risk, we purchase or sell cash or derivative financial instruments. Such purchases and sales may include debt and equity securities, forward and futures contracts, swaps and options.

We also purchase options to meet customer needs, for trading purposes and for hedging purposes. For purchased options, we obtain the right to buy or sell the underlying instrument at a fixed price on or before a specified date. During the contract period, our risk is limited to the premium paid. The underlying instruments for these options typically include fixed income and equity securities, foreign currencies and interest rate instruments or indices. Counterparties to these option contracts are regularly reviewed in order to assess creditworthiness.

The table below illustrates how credit risk on derivatives receivables is reduced by the use of legally enforceable netting agreements and collateral agreements. Netting agreements allow us to net balances from derivative assets and liabilities transacted with the same counterparty when the netting agreements are legally enforceable. Replacement values are disclosed net of such agreements in the consolidated balance sheets. Collateral agreements are entered into with certain counterparties based upon the nature of the counterparty and/or the transaction and require the placement of cash or securities with us.

Derivative instruments by maturity

				2012				2011
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	41.4	226.5	436.6	704.5	40.6	208.6	483.0	732.2
Foreign exchange products	32.1	17.8	13.8	63.7	40.6	20.7	14.9	76.2
Precious metals products	0.9	0.6	0.0	1.5	1.5	0.8	0.0	2.3
Equity/index-related products	5.8	7.4	3.4	16.6	9.2	7.2	4.8	21.2
Credit derivatives	2.5	20.0	8.1	30.6	4.5	34.9	23.9	63.3
Other products	1.6	1.8	1.4	4.8	4.9	3.9	2.6	11.4
OTC derivative instruments	**84.3**	**274.1**	**463.3**	**821.7**	**101.3**	**276.1**	**529.2**	**906.6**
Exchange-traded derivative instruments				15.6				22.5
Netting agreements [1]				(800.2)				(872.9)
Total derivative instruments				**37.1**				**56.2**
of which recorded in trading assets				33.2				52.5
of which recorded in other assets				3.9				3.7

[1] Taking into account legally enforceable netting agreements.

Derivative transactions exposed to credit risk are subject to a credit request and approval process, ongoing credit and counterparty monitoring and a credit quality review process. The following table represents the rating split of our credit exposure from derivative instruments.

Derivative instruments by counterparty credit rating

end of	**2012**	2011
Derivative instruments (CHF billion)		
AAA	1.9	6.0
AA	9.6	9.6
A	10.9	18.3
BBB	8.1	11.8
BB or lower	5.3	8.0
OTC derivative instruments	**35.8**	**53.7**
Exchange-traded derivative instruments [1]	1.3	2.5
Total derivative instruments [1]	**37.1**	**56.2**

[1] Taking into account legally enforceable netting agreements.

Derivative instruments by maturity and by counterparty credit rating for the Bank are not materially different, neither in absolute amounts nor in terms of movements, from the information for the Group presented above.

Derivative instruments are categorized as exposures from trading activities (trading) and those qualifying for hedge accounting (hedging). Trading includes activities relating to market making, positioning and arbitrage. It also includes economic hedges where the Group enters into derivative contracts for its own risk management purposes, but where the contracts do not qualify for hedge accounting under US GAAP. Hedging includes contracts that qualify for hedge accounting under US GAAP, such as fair value hedges, cash flow hedges and net investment hedges.

▸ Refer to “Note 30 – Derivatives and hedging activities” in V – Consolidated financial statements – Credit Suisse Group for further information on derivatives, including an overview of derivatives by products categorized for trading and hedging purposes.

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people or systems or from external events. Our primary aim is the early identification, recording, assessment, monitoring, prevention and mitigation of operational risks, as well as timely and meaningful management reporting. Where appropriate, we transfer operational risks to third-party insurance companies.

Operational risk is inherent in most aspects of our activities and is comprised of a large number of disparate risks. While market and credit risk are often chosen for the prospect of gain, operational risk is normally accepted as a necessary consequence of doing business. In comparison to market or credit risk, the sources of operational risk are difficult to identify comprehensively and the amount of risk is also inherently difficult to measure. We believe that effective management of operational risk requires a common firm-wide framework with ownership of these risks residing with the management responsible for the relevant business process.

Operational risk management

The central BORO team within the risk management function is responsible for the overall operational risk management framework design and methodology. It ensures cohesiveness of policies, tools and practices throughout the firm for operational risk management, specifically with regard to identification, evaluation, mitigation, monitoring and reporting of relevant operational risks.

Each individual business area takes responsibility for its operational risks and the provision of adequate resources and procedures for the management of those risks. Businesses are supported by designated operational risk teams at the divisional and Group levels who are responsible for the implementation of the operational risk management framework, methodologies, tools and reporting within their areas as well as working with management on any operational risk issues that arise.

Operational risk issues, metrics and exposures are discussed at the quarterly CARMC meetings covering operational risk and at divisional risk management committees, which have senior staff representatives from all the relevant functions. We utilize a number of firm-wide tools for the management and reporting of operational risk. These include risk and control self-assessments, scenario analysis, key risk indicator reporting and the collection, reporting and analysis of internal and external loss data. Knowledge and experience are shared throughout the Group to maintain a coordinated approach.

We are continuously enhancing our operational risk management practices. In 2012, qualitative and quantitative operational risk tolerance levels were added in all divisions as a new element of the operational risk framework. These tolerance levels are monitored and reported to the divisional risk management committees and CARMC which in turn monitor management adherence and oversee remediation and resolution of breaches. Effective in 2013, operational risk tolerance levels were added to the overall risk appetite framework.

Operational risk measurement

The RAR operational risk modeling team is responsible for the operational risk measurement methodology and associated capital calculations. We have approval from FINMA to use an internal model for the calculation of operational risk capital, which is aligned with the requirements of the AMA methodology under the Basel framework. We use a similar methodology to measure operational risk for economic capital purposes. The economic capital/AMA methodology is based upon the identification of a number of key risk scenarios that describe the major operational risks that we face. Groups of senior staff review each scenario and discuss the likelihood of occurrence and the potential severity of loss. Internal and external loss data, along with certain business environment and internal control factors, such as self-assessment results and key risk indicators, are considered as part of this process. Based on the output from these meetings, we enter the scenario parameters into an operational risk model that generates a loss distribution from which the level of capital required to cover operational risk is determined. Insurance mitigation is included in the capital assessment where appropriate, by considering the level of insurance coverage for each scenario and incorporating haircuts as appropriate.

In 2012, following discussions with FINMA, we initiated a project to enhance our economic capital/AMA methodology to reflect recent developments regarding operational risk measurement methodology and associated regulatory guidance. For the duration of this project, which is scheduled to conclude in 2013, operational risk capital for regulatory and economic capital purposes has been increased to reflect anticipated changes to our models. The increase has been agreed with FINMA for capital purposes and represents a 20% regulatory uplift on operational risk risk-weighted assets.

Reputational risk

Our policy is to avoid any transaction or service that brings with it the risk of a potentially unacceptable level of damage to our reputation.

Reputational risk may arise from a variety of sources, including the nature or purpose of a proposed transaction or service, the identity or activity of a controversial potential client, the regulatory or political climate in which the business will be transacted, and the potentially controversial environmental or social impacts of a transaction or significant public attention surrounding the transaction itself. Where the presence of these or other factors gives rise to potential reputational risk, the relevant business proposal or service is required to be submitted through the globally standardized reputational risk review process. This involves a submission by an originator (any employee), endorsement by a business area head or designee, and its subsequent referral to one of the regional reputational risk approvers, each of whom is an experienced and high-ranked senior manager, independent of the business segments, who has authority to approve, reject, or impose conditions on our participation on the transaction or service. In order to inform our stakeholders about how we manage some of the environmental and social risks inherent to the banking business, we publish our Corporate Responsibility Report, in which we also describe our efforts to conduct our operations in a manner that is environmentally and socially responsible and broadly contributes to society. The governing bodies responsible for the oversight and active discussion of reputational risk and sustainability issues are the Reputational Risk & Sustainability Committee of the Executive Board on a global level and the regional reputational risk councils on a regional level.

Disclosure pursuant to Section 13(r) of the Securities Exchange Act of 1934

In 2005 and earlier, Credit Suisse AG, through a business line operating in Switzerland, entered into export finance credit facilities involving Iranian parties, through bilateral contracts and as a member of lending syndicates. Credit Suisse AG loaned funds under these facilities for project finance activities in Iran that did not support or facilitate Iran's nuclear weapons proliferation efforts, its acquisition of other military items, or its support of terrorism. Our participation in these credit facilities was legal under applicable law. The Iranian parties involved in certain credit facilities entered into between 2001 and 2005 subsequently were designated Specially Designated Nationals or Blocked Persons pursuant to an Executive Order of the President of the United States, or fall within the US government's definition of the government of Iran (which includes government-controlled entities). Default on these facilities is subject to export financing insurance provided by European governmental export credit agencies. Credit Suisse AG does not generally calculate gross revenues or net profits from individual export finance credit facilities of this type; however, Credit Suisse AG estimates that it recognized approximately CHF 1.3 million in interest income in 2012 on these facilities, and believes that it has not earned any related net profit in 2012 and over the life of these facilities. While Credit Suisse AG ceased providing funds to any Iranian parties pursuant to any of these credit facilities several years ago, it has continued, where possible, to receive repayment of funds owed to it by such parties, including during the reporting period. As of December 31, 2012, approximately CHF 5.4 million was owed to Credit Suisse AG under these credit facilities which is not covered by the European governmental export credit agency guarantees, out of a total amount of approximately CHF 117.2 million outstanding. Credit Suisse AG will continue to seek repayment of funds it is owed under these facilities pursuant to its contractual rights and applicable law, and is cooperating with the European governmental export credit agencies.

During 2012, Credit Suisse AG processed a small number of de minimis payments related to the operation of Iranian diplomatic missions in Switzerland and to fees for ministerial government functions such as issuing passports and visas. Processing these payments is permitted under Swiss law and is performed with the consent of Swiss authorities, and Credit Suisse AG intends to continue processing such payments. Revenues and profits from these activities are not calculated but would be negligible.

Credit Suisse AG also holds funds from two wire transfers to non-Iranian customers which were blocked pursuant to Swiss sanctions because Iranian government-owned entities have an interest in such transfers. Such funds are maintained in blocked accounts opened in accordance with Swiss sanctions requirements. Credit Suisse AG derives no revenues or profits from maintenance of these blocked accounts.

Notices

Notices to shareholders are made by publication in the Swiss Official Commercial Gazette. The Board may designate further means of communication for publishing notices to shareholders. Notices required under the listing rules of the SIX will either be published in two Swiss newspapers in German and French and sent to the SIX or otherwise communicated to the SIX in accordance with applicable listing rules. The SIX may disseminate the relevant information.

Board of Directors

Membership and qualifications

The AoA provide that the Board shall consist of a minimum of seven members. The Board currently consists of 15 members. We believe that the size of the Board must be such that the committees can be staffed with qualified members. At the same time, the Board must be small enough to ensure an effective and rapid decision-making process. The members are elected individually for a period of three years and are eligible for re-election. There is no requirement in the AoA for a staggered board. One year of office is understood to be the period of time from one AGM to the close of the next AGM. Our OGR specify that the members of the Board shall generally retire at the ordinary AGM in the year in which they reach the age of 70 or after having served on the Board for 15 years. The Board may in certain circumstances propose to the shareholders to elect a particular Board member for a further term of a maximum of three years despite the respective Board member having reached the age or term limitation.

The Board has four committees: the Chairman's and Governance Committee, the Audit Committee, the Compensation Committee and the Risk Committee. The committee members are appointed by the Board for a term of one year. An overview of the Board and committee membership is shown in the following table. The composition of the Boards of the Group and the Bank is identical.

Members of Board and Board committees

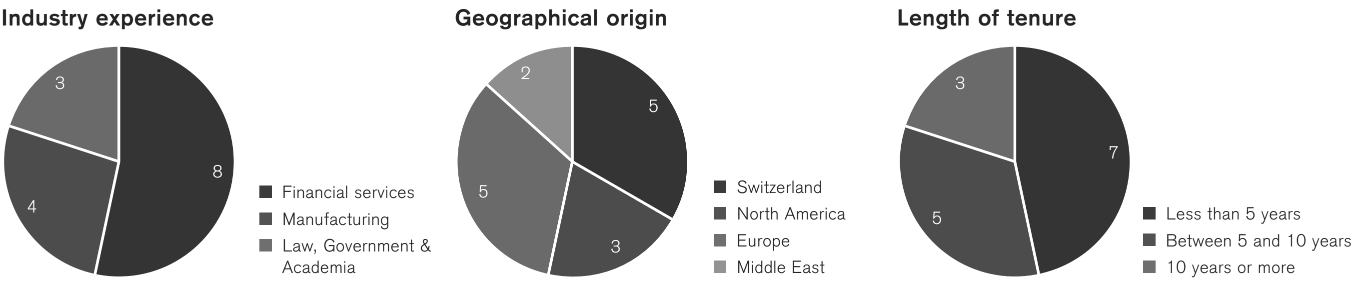
	Board member since	Current term end	Independence	Chairman's and Governance Committee	Audit Committee	Compensation Committee	Risk Committee
December 31, 2012							
Urs Rohner, Chairman	2009	2015	Independent	Chairman	–	–	–
Peter Brabeck-Letmathe, Vice-Chairman	1997	2014	Independent	Member	–	–	–
Jassim Bin Hamad J.J. Al Thani	2010	2013	Not independent	–	–	–	–
Robert H. Benmosche	2010	2013	Independent	–	–	Member	–
Iris Bohnet	2012	2015	Independent	–	–	Member	–
Noreen Doyle	2004	2013	Independent	–	–	–	Member
Jean-Daniel Gerber	2012	2015	Independent	–	Member	–	–
Walter B. Kielholz	1999	2014	Independent	Member	–	Member	–
Andreas N. Koopmann	2009	2015	Independent	–	–	–	Member
Jean Lanier	2005	2014	Independent	–	Member	Member	–
Anton van Rossum	2005	2014	Independent	–	–	–	Member
Aziz R.D. Syriani	1998	2013	Independent	Member	–	Chairman	–
David W. Syz	2004	2013	Independent	–	Member	–	–
Richard E. Thornburgh	2006	2015	Independent	Member	Member	–	Chairman
John Tiner	2009	2015	Independent	Member	Chairman	–	Member

The Board proposes the following candidate to be elected to the Board at the AGM on April 26, 2013: Kai S. Nargolwala, the Lead Independent Director of Singapore Telecommunications Ltd. and a former Credit Suisse Executive Board member and CEO of the Asia Pacific Region. The Board also proposes the re-election of Jassim Bin Hamad J.J. Al Thani and Noreen Doyle to the Board. In view of the age limit under our OGR, Robert H. Benmosche, Aziz R.D. Syriani and David W. Syz will retire from the Board at the AGM in April 2013.

Board composition

The Chairman's and Governance Committee regularly considers the composition of the Board as a whole and in light of staffing requirements for the committees. The Chairman's and Governance Committee recruits and evaluates candidates for Board membership based on criteria it establishes. The Chairman's and Governance Committee may also retain outside consultants with respect to the identification and recruitment of potential new Board members. In assessing candidates, the Chairman's and Governance Committee considers the requisite skills and characteristics of Board members as well as the composition of the Board as a whole. Among other considerations, the Chairman's and Governance Committee takes into account independence, diversity, age, skills and management experience in the context of the needs of the Board to fulfill its responsibilities. The Chairman's and Governance Committee also considers other activities and commitments of an individual in order to be satisfied that a proposed member of the Board can devote enough time to a Board position at the Group. The background, skills and experience of our Board members are diverse and broad and include holding top management positions at financial services and industrial companies in Switzerland and abroad or having held leading positions in government, academia and international organizations. The Board is composed of individuals with diverse experience, geographical origin and tenure.

Board composition



To maintain a high degree of diversity and independence in the future, we have a succession planning process in place to identify potential candidates for the Board at an early stage. With this, we are well prepared when Board members rotate off the Board. Besides more formal criteria consistent with legal and regulatory requirements, we believe that other aspects including team dynamics and personal reputation of Board members play a critical role in ensuring the effective functioning of the Board. This is why we place utmost importance on the right mix of personalities who are also fully committed to making their blend of specific skills and experience available to the Board.

New members

Any newly appointed member participates in an orientation program to become familiar with our organizational structure, strategic plans, significant financial, accounting and risk issues and other important matters. The orientation program is designed to take into account the new Board member's individual background and level of experience in each specific area. Moreover, the program's focus is aligned with any committee memberships of the person concerned. Board members are encouraged to engage in continuing training. The Board and the committees of the Board regularly ask a specialist within the Group to speak about a specific topic to enhance the Board members' understanding of issues that already are or may become of particular importance to our business.

Meetings

In 2012, the Board held six full-day meetings in person and seven additional meetings. In addition, the Board held a two-day strategy session. From time to time, the Board may also take certain decisions via circular resolution, unless a member asks that the matter be discussed in a meeting and not decided upon by way of written consent.

All members of the Board are expected to spend the necessary time outside these meetings needed to discharge their responsibilities appropriately. The Chairman calls the meeting with sufficient notice and prepares an agenda for each meeting. However, any other Board member has the right to call an extraordinary meeting, if deemed necessary. The Chairman has the discretion to invite members of management or others to attend the meetings. Generally, the members of the Executive Board attend part of the meetings to ensure effective interaction with the Board. The Board also holds separate private sessions without management being present. Minutes are kept of the proceedings and resolutions of the Board.

Meeting attendance

	Board of Directors	Chairman's and Governance Committee	Audit Committee	Compensation Committee	Risk Committee
in 2012					
Total number of meetings held	11	12	11	10	6
Number of members who missed no meetings	11	2	6	4	3
Number of members who missed one meeting	3	2	0	1	1
Number of members who missed two or more meetings	2	2	0	0	1
Meeting attendance, in %	95	92	100	98	90

Meeting attendance

The members of the Board are encouraged to attend all meetings of the Board and the committees on which they serve. The Chairman and the Vice-Chairman may attend committee meetings as guests without voting power. The meeting attendance statistics for the Board and committee meetings are shown in the "Meeting attendance" table.

Independence

The Board consists solely of directors who have no executive functions within the Group. As of December 31, 2012, 14 members of the Board were determined by the Board to be independent, and one member, Jassim bin Hamad J.J. Al Thani, was determined not to be independent. In its independence determination, the Board takes into account the factors set forth in the Corporate Governance Guidelines, the OGR, the committee charters and applicable laws and listing standards. Our independence standards are also periodically measured against other emerging best practice standards.

The Chairman's and Governance Committee performs an annual assessment of the independence of each Board member and reports its findings to the Board for the final determination of independence of each individual member. Our definition of independence is in line with the Swiss Code of Best Practice for Corporate Governance and the NYSE and Nasdaq definitions. In general, a director is considered independent if the director:

- is not, and has not been for the prior three years, employed as an executive officer of the Group or any of its subsidiaries;
- is not, and has not been for the prior three years, an employee or affiliate of our external auditor; and
- does not maintain a material direct or indirect business relationship with the Group or any of its subsidiaries.

Whether or not a relationship between the Group or any of its subsidiaries and a member of the Board is considered material depends in particular on the following factors:

- the volume and size of any transactions concluded in relation to the financial status and credit standing of the Board member concerned or the organization in which he or she is a partner, significant shareholder or executive officer;
- the terms and conditions applied to such transactions in comparison to those applied to transactions with counterparties of a similar credit standing;
- whether the transactions are subject to the same internal approval processes and procedures as transactions that are concluded with other counterparties;
- whether the transactions are performed in the ordinary course of business; and
- whether the transactions are structured in such a way and on such terms and conditions that the transaction could be concluded with a third party on comparable terms and conditions.

Moreover, a Board member is not considered independent if the Board member is, or has been at any time during the prior three years, part of an interlocking directorate in which a member of the Executive Board serves on the compensation committee of another company that employs the Board member. The length of tenure a Board member has served is not a criterion for independence. Significant shareholder status is also not considered a criterion for independence unless the shareholding exceeds 10% of the Group's share capital. Board members with immediate family members who would not qualify as independent are also not considered independent. In addition to measuring Board members against the independence criteria, the Chairman's and Governance Committee also considers whether other commitments of an individual Board member prevent the person from devoting enough time to his or her Board mandate.

Mr. Al Thani was determined not to be independent due to the scope of various business relationships between the Group and Qatar Investment Authority (QIA), a state-owned company that has close ties to the Al Thani family, and between the Group and the Al Thani family. The Group has determined these various business relationships could constitute a material business relationship. Effective as of the AGM in April 2012, Chairman Urs Rohner was determined to be an independent member of the Board. Urs Rohner, who was elected to the Board at the AGM in April 2009, was previously determined not to be independent due to his former role as a member of the Executive Board. As described above, our independence guidelines require that a Board member not have been employed as an executive officer of the Group or any of its subsidiaries for the prior three years.

Chairman of the Board

The Chairman executes his role on a full-time basis. The Chairman coordinates the work within the Board, works with the committee chairmen to coordinate the tasks of the committees and ensures that the Board members are provided with the information relevant for performing their duties. In particular, the Chairman drives the Board agenda and key Board topics, especially regarding the strategic development of the Group, succession planning, the structure and organization of the Group, as well as compensation and compensation structure, including the performance evaluation and compensation of the CEO and the Executive Board. He chairs the Board, the Chairman's and Governance Committee and the Shareholder Meetings, leads the Group's corporate governance and takes an active role in representing the Group to the key shareholders, investors, regulators and supervisors, industry associations and other stakeholders. The Chairman has no executive function within the Group. With the exception of the Chairman's and Governance Committee, the Chairman is not a member of any of the Board's standing committees. However, he may attend all or part of selected committee meetings as a guest without voting power.

Segregation of duties

In accordance with Swiss banking law, the Group operates under a dual board structure, which strictly segregates the duties of supervision, which are the responsibility of the Board, from the duties of management, which are the responsibility of the Executive Board. The roles of the Chairman and the CEO are separate and carried out by two different people.

Board responsibilities

In accordance with the OGR, the Board delegates certain tasks to Board committees and delegates the management of the company and the preparation and implementation of Board resolutions to certain management bodies or executive officers to the extent permitted by law, in particular Article 716a and 716b of the Swiss Code of Obligations, and the AoA.

With responsibility for the overall direction, supervision and control of the company, the Board regularly assesses our competitive position and approves our strategic and financial plans. At each ordinary meeting, the Board receives a status report on our financial results, capital, funding and liquidity situation. In addition, the Board receives, on a monthly basis, management information packages, which provide detailed information on our performance and financial status, as well as quarterly risk reports outlining recent developments and outlook scenarios. Management also provides the Board members with regular updates on key issues and significant events, as deemed appropriate or requested. In order to appropriately discharge its responsibilities, the members of the Board have access to all information concerning the Group.

The Board also reviews and approves significant changes in our structure and organization and is actively involved in significant projects including acquisitions, divestitures, investments and other major projects. The Board and its committees are entitled, without consulting with management and at the Group's expense, to engage independent legal, financial or other advisors, as they deem appropriate, with respect to any matters within their authority.

Board evaluation

The Board performs a self-assessment once a year, where it reviews its own performance against the responsibilities listed in its charter and the Board's objectives and determines future objectives, including any special focus objectives, and a work plan for the coming year. The Chairman does not participate in the discussion of his own performance. As part of the self-assessment, the Board evaluates its effectiveness with respect to a number of different aspects, including board structure and composition, communication and reporting, agenda setting and continuous improvement. From time to time, the Board may also mandate an external advisor to facilitate the evaluation process.

Board committees

At each Board meeting, the committee chairmen report to the Board about the activities of the respective committees. In addition, the minutes and documentation of the committee meetings are accessible to all Board members.

Chairman's and Governance Committee

The Chairman's and Governance Committee consists of the Chairman, the Vice-Chairman and the chairmen of the committees of the Board and other members appointed by the Board. It may include non-independent Board members. Our Chairman's and Governance Committee consists of six members, all of whom are independent.

The Chairman's and Governance Committee has its own charter, which has been approved by the Board. It generally meets on a monthly basis and the meetings are also attended by the CEO. It is at the Chairman's discretion to ask other members of management or specialists to attend a meeting.

The Chairman's and Governance Committee acts as an advisor to the Chairman and supports him in the preparation of the Board meetings. In addition, the Chairman's and Governance Committee is responsible for the development and review of corporate governance guidelines, which are then recommended to the Board for approval. At least once annually, the Chairman's and Governance Committee evaluates the independence of the Board members and reports its findings to the Board for final determination. The Chairman's and Governance Committee is also responsible for identifying, evaluating, recruiting and nominating new Board members in accordance with the Group's internal criteria, subject to applicable laws and regulations.

In addition, the Chairman's and Governance Committee guides the Board's annual performance assessment of the Chairman, the CEO and the members of the Executive Board. The Chairman's and Governance Committee proposes to the Board the appointment, promotion, dismissal or replacement of members of the Executive Board. The Chairman's and Governance Committee also reviews succession plans for senior executive positions in the Group with the Chairman and the CEO.

The Chairman's and Governance Committee performs a self-assessment once a year, where it reviews its own performance against the responsibilities listed in the charter and the committee's objectives and determines any special focus objectives for the coming year.

Audit Committee

The Audit Committee consists of not fewer than three members, all of whom must be independent. The chairman of the Risk Committee is generally appointed as one of the members of the Audit Committee. Our Audit Committee consists of five members, all of whom are independent.

The Audit Committee has its own charter, which has been approved by the Board. The members of the Audit Committee are subject to independence requirements in addition to those required of other Board members. None of the Audit Committee members may be an affiliated person of the Group or may, directly or indirectly, accept any consulting, advisory or other compensatory fees from us other than their regular compensation as members of the Board and its committees. The Audit Committee charter stipulates that all Audit Committee members must be financially literate. In addition, they may not serve on the Audit Committee of more than two other companies, unless the Board deems that such membership would not impair their ability to serve on our Audit Committee.

In addition, the US Securities and Exchange Commission requires disclosure about whether a member of the Audit Committee is an audit committee financial expert within the meaning of SOX. The Board has determined that John Tiner is an audit committee financial expert.

Pursuant to its charter, the Audit Committee holds meetings at least once each quarter, prior to the publication of our consolidated financial statements. Typically, the Audit Committee convenes for a number of additional meetings and workshops throughout the year. The meetings are attended by management representatives, as appropriate, the Head of Internal Audit and senior representatives of the external auditor. A private session with Internal Audit and the external auditors is regularly scheduled to provide them with an opportunity to discuss issues with the Audit Committee without management being present. The Head of Internal Audit reports directly to the Audit Committee chairman.

The primary function of the Audit Committee is to assist the Board in fulfilling its oversight role by:

- monitoring and assessing the integrity of the consolidated financial statements as well as disclosures of the financial condition, results of operations and cash flows;
- monitoring the adequacy of the financial accounting and reporting processes and the effectiveness of internal controls over financial reporting;
- monitoring processes designed to ensure compliance by the Group in all significant respects with legal and regulatory requirements, including disclosure controls and procedures;
- monitoring the adequacy of the management of operational risks, jointly with the Risk Committee, including

assessing the effectiveness of internal controls that go beyond the area of financial reporting;
- monitoring the adequacy of the management of reputational risks, jointly with the Risk Committee; and
- monitoring the qualifications, independence and performance of the external auditors and of Internal Audit.

The Audit Committee is regularly informed about significant projects aimed at further improving processes and receives regular updates on major litigation matters as well as significant regulatory and compliance matters. The Audit Committee also oversees the work of our external auditor and pre-approves the retention of, and fees paid to, the external auditor for all audit and non-audit services. For this purpose, it has developed and approved a policy that is designed to help ensure that the independence of the external auditor is maintained at all times. The policy limits the scope of services that the external auditor may provide to us or any of our subsidiaries in connection with its audit and stipulates certain permissible types of non-audit services, including audit-related services, tax services and other services that have been pre-approved by the Audit Committee. The Audit Committee pre-approves all other services on a case-by-case basis. The external auditor is required to report periodically to the Audit Committee about the scope of the services it has provided and the fees for the services it has performed to date. Furthermore, the Audit Committee has established procedures for the receipt, retention and treatment of complaints regarding accounting, internal controls or auditing matters, including a whistleblower hotline to provide the option to report complaints on a confidential, anonymous basis. The Audit Committee performs a self-assessment once a year where it critically reviews its own performance and determines objectives, including any special focus objectives, and a work plan for the coming year.

Compensation Committee

The Compensation Committee consists of not fewer than three members, all of whom must be independent. Our Compensation Committee consists of four members, all of whom are independent.

The Compensation Committee has its own charter, which has been approved by the Board. Pursuant to its charter, the Compensation Committee holds at least four meetings per year. Additional meetings may be scheduled at any time. The Compensation Committee's duties and responsibilities include reviewing the Group's compensation policy, newly established compensation plans or amendments to existing plans and recommending them to the Board for approval, as well as reviewing the performance of the businesses and the respective management teams and determining and/or recommending to the Board for approval the overall variable compensation pools and the compensation payable to the members of the Board, the Executive Board, the head of Internal Audit and certain other members of senior management. The meetings are attended by management representatives, as appropriate.

The Compensation Committee is assisted in its work by external legal counsel Nobel & Hug and an independent global compensation consulting firm, Johnson Associates, Inc. Johnson Associates does not provide other services to the Group other than assisting the Compensation Committee. In 2012, the Compensation Committee retained Fehr Advice & Partners AG, a Swiss-based consulting firm, to advise on the compensation approach for the Executive Board. The Compensation Committee performs a self-assessment once a year where it reviews its own performance against the responsibilities listed in the charter and the committee's objectives and determines any special focus objectives for the coming year.

▸ Refer to "Compensation governance" in Compensation for information on our compensation approach, principles and objectives.

Risk Committee

The Risk Committee consists of not fewer than three members. It may include non-independent members. The chairman of the Audit Committee is generally appointed as one of the members of the Risk Committee. Our Risk Committee consists of five members, all of whom are independent.

The Risk Committee has its own charter, which has been approved by the Board, and holds at least four meetings a year. In addition, the Risk Committee usually convenes for additional meetings throughout the year in order to appropriately discharge its responsibilities. The meetings are attended by management representatives, as appropriate.

The Risk Committee's main duties are to assist the Board in reviewing and assessing the integrity and adequacy of the Group's risk management function, in particular as it relates to market, credit, liquidity and funding risks, reviewing the adequacy of the Group's capital and its allocation to the Group's businesses reviewing certain risk limits and making recommendations to the Board, and reviewing and assessing the Group's risk appetite framework. The Risk Committee also reviews and assesses the adequacy of the management of reputational and operational risks, including the adequacy of the internal control system, jointly with the Audit Committee. The Risk Committee performs a self-assessment once a year where it reviews its own performance against the responsibilities listed in the charter and the committee's objectives and determines any special focus objectives for the coming year.

Banking relationships with members of the Board and Executive Board and related party transactions

Banking relationships

The Group is a global financial services provider. Many of the members of the Board and the Executive Board or companies associated with them maintain banking relationships with us. The Group or any of its banking subsidiaries may from time to time enter into financing and other banking agreements with companies in which current members of the Board or the Executive Board have a significant influence as defined by the US Securities and Exchange Commission, such as holding executive and/or board level roles in these companies. With the exception of the transactions described below, relationships with members of the Board or the Executive Board and such companies are in the ordinary course of business and are entered into on an arm's length basis. Also, unless otherwise noted, all loans to members of the Board, members of the Executive Board or companies associated with them were made in the ordinary course of business, were made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons, and did not involve more than the normal risk of collectability or present other unfavorable features. As of December 31, 2012, 2011 and 2010, there was no loan exposure to such related parties that was not made in the ordinary course of business and at prevailing market conditions.

▸ Refer to "Executive Board shareholdings and loans" and "Board shareholdings and loans" in Compensation for a listing of the outstanding loans to members of the Executive Board and the Board.

Related party transactions

Exchange of Tier 1 Capital Notes into Tier 1 Buffer Capital Notes

In February 2011, we entered into definitive agreements with entities affiliated with QIA and The Olayan Group (the Investors), each of which has significant holdings of Group shares and other Group financial products, to issue tier 1 buffer capital notes (Tier 1 BCN). Under the agreements, the Investors agreed to purchase USD 3.45 billion Tier 1 BCN and CHF 2.5 billion Tier 1 BCN in exchange for their holdings of USD 3.45 billion 11% tier 1 capital notes and CHF 2.5 billion 10% tier 1 capital notes issued in 2008 (Tier 1 Capital Notes) or, in the event that the Tier 1 Capital Notes have been redeemed in full, for cash. At that time, the purchase or exchange was expected to occur no earlier than October 23, 2013, the first call date of the Tier 1 Capital Notes. In July 2012, we entered into an amendment agreement with the entity affiliated with The Olayan Group for the immediate exchange of USD 1.725 billion of their existing Tier 1 Capital Notes into an equivalent principal amount of Tier 1 BCN, thereby accelerating the exchange initially scheduled for October 2013. The accelerated exchange of some of the outstanding Tier 1 Capital Notes was one of a number of capital strengthening measures that we announced in July 2012.

Under their terms, the Tier 1 BCN will be converted into our ordinary shares if our reported common equity tier 1 (CET1) ratio, as determined under ◎Basel Committee on Banking Supervision regulations as of the end of any calendar quarter, falls below 7% (or any lower applicable minimum threshold), unless the ◎Swiss Financial Market Supervisory Authority (FINMA), at our request, has agreed on or prior to the publication of our quarterly results that actions, circumstances or events have restored, or will imminently restore, the ratio to above the applicable threshold. The Tier 1 BCN will also be converted if FINMA determines that conversion is necessary, or that we require public sector capital support, to prevent us from becoming insolvent, bankrupt or unable to pay a material amount of our debts, or other similar circumstances. In addition, conversion of the Tier 1 BCN held by The Olayan Group will be triggered if, in the event of a request by FINMA for an interim report prior to the end of any calendar quarter, our reported CET1 ratio, as of the end of any such interim period, falls below 5%. The conversion price will be the higher of a given floor price per share (subject to customary adjustments) or the daily volume weighted average sales price of our ordinary shares over a five day period preceding the notice of conversion. In connection with the July 2012 exchange, the conversion floor price of the Tier 1 BCN delivered in the exchange as well as the remaining Tier 1 BCN scheduled to be delivered in October 2013 was adjusted to match the conversion price of the MACCS described below. The Tier 1 BCN are deeply subordinated, perpetual and callable by us no earlier than 2018 and in certain other circumstances with FINMA approval. Interest is payable on the USD 3.45 billion Tier 1 BCN and CHF 2.5 billion Tier 1 BCN at fixed rates of 9.5% and 9.0%, respectively, and will reset after the first call date. Interest payments will generally be discretionary (unless triggered), subject to suspension in certain circumstances and non-cumulative.

At the time of the original transaction, the Group determined that this was a material transaction and deemed the Investors to be related parties of our Board members Mr. Al Thani and Mr. Syriani, respectively, for purposes of evaluating the terms and corporate governance of the original transaction. At that time, the Board (except for Mr. Al Thani and Mr. Syriani, who abstained from participating in the determination process) determined that the terms of the original transaction, given its size, the nature of the contingent buffer capital, for which there was no established market, and the terms of the Tier 1 Capital Notes issued in 2008 and held by the Investors, were fair.

Issuance of mandatory and contingent convertible securities

In July 2012, we issued CHF 3.8 billion MACCS that are mandatorily convertible into 233.5 million shares at a conversion price of CHF 16.29 per share on March 29, 2013 (subject to early conversion upon certain contingency and viability events), with settlement and delivery of shares in early April 2013. Strategic and institutional investors purchased CHF 2.0 billion of MACCS and shareholders exercised preferential subscription rights for CHF 1.8 billion of MACCS. The conversion price of CHF 16.29 per share corresponded to 95% of the volume weighted average market price for the two trading days preceding the transaction. Investors in the MACCS included entities affiliated with the Investors, which also have been deemed by the Group to be related parties of our Board members, Mr. Al Thani and Mr. Syriani, respectively. The issuance of the MACCS was one of a number of capital strengthening measures executed by the Group in 2012. In addition to the Investors, a number of other investors of the Group purchased the MACCS, including Norges Bank and the Capital Group Companies, Inc., which like the Investors have significant holdings of Group shares. The terms and conditions for the conversion of the MACCS are equally applicable to all purchasers.

▸ Refer to “Capital issuances and redemptions” in III – Treasury, Risk, Balance sheet and Off-balance sheet – Capital management for further information about the Tier 1 BCN and the MACCS.

Plus Bonds

We provided members of the Executive Board who did not participate in the structuring of the instrument the opportunity to invest their own funds in Plus Bond instruments with substantially the same terms as the Plus Bond awards granted to certain employees as deferred variable compensation for 2012. As a result, certain Executive Board members acquired an aggregate of CHF 9 million in Plus Bond instruments in February 2013.

▸ Refer to “Plus Bond awards” in Compensation – Group compensation – Compensation design – Deferred variable compensation instruments for further information.

Loan to Arcapita Bank

In February 2012, the Group downgraded to impaired status a loan with an outstanding principal amount of USD 30 million to Arcapita Bank B.S.C. (Arcapita Bank), an international investment firm headquartered in Bahrain. The financing provided to Arcapita Bank was extended in 2007 on arm’s length terms and at the time, did not involve more than the normal risk of collectability or present other unfavorable features. Arcapita Bank may be deemed to be a related party entity of the Group because our Board member Mr. Al Thani is also a member of the board of directors of Arcapita Bank. Mr. Al Thani joined the Arcapita Bank board of directors in October 2008 and our Board in 2010, in both cases after the loan was extended. Arcapita Bank filed for Chapter 11 bankruptcy in the US in March 2012, and the Group subsequently sold its USD 30 million credit position to an unrelated third party. As of December 31, 2012, the Group had no credit exposure to Arcapita Bank.

▸ Refer to “Note 28 – Related parties” in V – Consolidated financial statements – Credit Suisse Group for further information on related party transactions.

Biographies of the Board members

Urs Rohner
Born 1959
Swiss Citizen

Peter Brabeck-Letmathe
Born 1944
Austrian Citizen

Urs Rohner has been the Chairman of the Board and the Chairman's and Governance Committee since the 2011 AGM. He was Vice-Chairman of the Board and a member of the Chairman's and Governance and Risk Committees (2009 to 2011). He was a member of the Executive Boards of Credit Suisse Group and Credit Suisse (2004 to 2009) and served as General Counsel of Credit Suisse Group (2004 to 2009) and as COO and General Counsel of Credit Suisse (2006 to 2009). His term as a Board member expires at the AGM in 2015. The Board has determined him to be independent under the Group's independence standards.

Mr. Rohner served as Chairman of the Executive Board and CEO of ProSieben and ProSiebenSat.1 Media AG (2000 to 2004) and CEO of ProSieben Media AG (2000). He was a partner at Lenz & Staehelin (1992 to 1999) and an attorney with the law firm Sullivan & Cromwell LLP in New York (1988 to 1989) and Lenz & Staehelin in Zurich (1990 to 1992, 1983 to 1988). Mr. Rohner graduated with a degree in law from the University of Zurich, Switzerland, in 1983. He was admitted to the bars of the canton of Zurich in 1986 and the state of New York in 1990.

Mr. Rohner is the chairman of the Board of Trustees of the Credit Suisse Foundation and the Credit Suisse Research Institute. He is a board member of the Institute of International Finance and the Institute International d'Etudes Bancaires, a member of the European Financial Services Round Table and the European Banking Group, the co-chair of the International Advisory Board of the Moscow International Finance Center and serves on the International Business Leaders Advisory Council of the Mayor of Beijing. Mr. Rohner is also a board member of Avenir Suisse, Economiesuisse and the International Institute for Management Development (IMD) Foundation, the chairman of the Advisory Board of the University of Zurich's Department of Economics and a board member of the Zurich Opera House and the Lucerne Festival.

Peter Brabeck-Letmathe has been Vice-Chairman of the Board since 2008, a function he also held from 2000 to 2005. He has been a member of the Board since 1997 and a member of the Chairman's and Governance Committee since 2008. He served on the Compensation Committee (2008 to 2011 and 2000 to 2005) and on the Chairman's and Governance Committee (2003 to 2005). His term as a member of the Board expires at the AGM in 2014. The Board has determined him to be independent under the Group's independence standards.

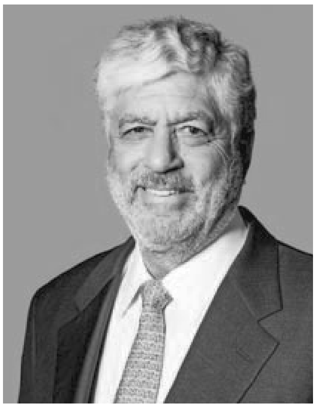
Mr. Braback-Letmathee has been the Chairman of the Board of Directors of Nestlé SA since 2005. He was also the CEO of Nestlé SA (1997 to 2008) and since 1987 has been based at Nestlé SA's headquarters in Vevey. He joined Nestlé SA's sales operations in Austria after graduating in 1968. His career at Nestlé SA has included a variety of assignments in several European countries and in Latin America. Mr. Brabeck-Letmathe studied economics at the University of World Trade, Vienna.

Mr. Brabeck-Letmathe has been Vice-Chairman of the Board of Directors of L'Oréal SA, Paris, since 1997, and has been a board member of Exxon Mobil Corporation and Delta Topco (Formula 1), both since 2010, and assumed the role of Chairman of Delta Topco (Formula 1) in 2012. He is also a member of the Foundation Board of the World Economic Forum and a member of the European Round Table of Industrialists.

Jassim Bin Hamad J.J. Al Thani
Born 1982
Qatari Citizen

Jassim Bin Hamad J.J. Al Thani has been a member of the Board since 2010. His term as a member of the Board expires at the AGM in 2013. The Board has determined him to be not independent under the Group's independence standards. For further information, refer to Independence.

Since April 2005, Mr. Al Thani has been Chairman of the Board of Directors of Qatar Islamic Bank. He is also the Chairman of: QInvest, the first Islamic investment bank founded in Qatar; QIB (UK), an Islamic investment bank founded by the Qatar Islamic Bank in London; Damaan Islamic Insurance Co. (BEEMA); and Q-RE LLC, an insurance and reinsurance company. He is the CEO of Al Mirqab Capital LLC, Qatar, a family enterprise, and a member of the Board of Directors of Qatar Navigation Company, Qatar Insurance Company and Arcapita Bank, Bahrain. Mr. Al Thani completed his studies in the State of Qatar and graduated as an Officer Cadet from the Royal Military Academy in England.



Robert H. Benmosche
Born 1944
US Citizen

Robert H. Benmosche has been a member of the Board since 2002 and a member of the Compensation Committee since 2003. In August 2009, Mr. Benmosche stepped down as a member of the Board as a result of his appointment as President and CEO of American International Group, Inc. (AIG). Changes in AIG's business made it possible for Mr. Benmosche to rejoin the Board in April 2010. His term as a member of the Board expires at the AGM in 2013. The Board has determined him to be independent under the Group's independence standards.

Mr. Benmosche is the President and CEO of AIG, New York. He was the Chairman of the Board and the CEO of MetLife, Inc., New York, from the demutualization of the company in 2000, and of Metropolitan Life Insurance Company, New York, from 1998 until his retirement in 2006. Before joining MetLife in 1995, Mr. Benmosche was with PaineWebber, New York, for 13 years. He received a BA degree in Mathematics from Alfred University, New York, in 1966.

Iris Bohnet
Born 1966
Swiss Citizen

Iris Bohnet was elected to the Board at the AGM 2012 and has since served as a member of the Compensation Committee. Her term as a member of the Board expires at the AGM in 2015. The Board has determined her to be independent under the Group's independence standards.

Ms. Bohnet has been a Professor of Public Policy at the Harvard Kennedy School, Massachusetts, since 2006, and Academic Dean of the Harvard Kennedy School since 2011. She joined the academic faculty of Harvard University in 1998 as Assistant Professor of Public Policy at the Harvard Kennedy School and was named Associate Professor in 2003. Ms. Bohnet also serves as the Director of the Women and Public Policy Program at the Harvard Kennedy School. She was a visiting scholar at the Haas School of Business at the University of California at Berkeley (1997 to 1998). Ms. Bohnet received a Masters Degree in Economic History, Economics and Political Science from the University of Zurich, Switzerland, in 1992, and a doctorate degree in Economics from the same university in 1997.

Ms. Bohnet is currently a member of the Advisory Board of the Vienna University of Economics and Business Administration, the Global Agenda Council on Women's Empowerment of the World Economic Forum and the World Knowledge Dialogue, Villars-sur-Ollon. She chairs the Kennedy School's executive program for the World Economic Forum's Young Global Leaders.

Noreen Doyle
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. Since 2012, Ms. Doyle also serves as a non-executive director and as of 2013 chairs the boards of Credit Suisse International and Credit Suisse Securities Europe Limited, two of the Group's UK subsidiaries. She served on the Audit Committee (2007 to 2008) and the Risk Committee (2004 to 2007). Her term as a member of the Board expires at the AGM in 2013. The Board has determined her to be independent under the Group's independence standards.

Ms. Doyle was the first Vice President and Head of Banking of the European Bank for Reconstruction and Development (EBRD) from 2001 to 2005. She became Deputy Vice President of Risk Management in 1997, was appointed Chief Credit Officer in 1994 and joined the EBRD in 1992 as Head of Syndications. Prior to joining the EBRD, Ms. Doyle spent 18 years at Bankers Trust Company with assignments in Houston, New York and London. Ms. Doyle received a BA in Mathematics from The College of Mount Saint Vincent, New York, in 1971, and an MBA from Dartmouth College, New Hampshire, in 1974.

Ms. Doyle currently serves on the Boards of Directors of the Newmont Mining Corporation and QinetiQ Group Plc., a UK-based defense technology and security company. She is also a member of the Advisory Board of the Macquarie European Infrastructure Fund and the Macquarie Renaissance Infrastructure Fund. Ms. Doyle was a member of the board of Rexam Plc, a global consumer packaging company (2005 to 2012). Ms. Doyle chairs the Board of Governors of the Marymount International School, London, since 2010, and is also a patron of the Women in Banking and Finance in London.

Jean-Daniel Gerber
Born 1946
Swiss Citizen

Jean-Daniel Gerber was elected to the Board at the AGM 2012 and has since served as a member of the Audit Committee. His term as a member of the Board expires at the AGM in 2015. The Board has determined him to be independent under the Group's independence standards.

Jean-Daniel Gerber was appointed by the Swiss Federal Council to State Secretary in 2004. In this function, he was Head of the State Secretariat for Economic Affairs, a function from which he retired in 2011. Mr. Gerber was Director of the Swiss Federal Office of Migration (1994 to 2004), and served as Executive Director at the World Bank Group in Washington D.C (1993 to 1997). Prior to that, he held the positions of Head of Economic and Financial Affairs at the Swiss Embassy in Washington D.C. and Swiss representative of the World Trade Organization. Mr. Gerber received a degree in Economics from the University of Berne, Switzerland, in 1972, and was awarded an honorary doctorate from the Faculty of Economics and Social Sciences at the same university in 2007.

Since 2011, Mr. Gerber has been a Member of the Board of Directors of the Lonza Group AG and Chairman of the Board of the Swiss Investment Fund for Emerging Markets. Mr. Gerber is also a member of the Swiss Society for Public Good.

Walter B. Kielholz
Born 1951
Swiss Citizen

Walter B. Kielholz has been a member of the Board since 1999, the Compensation Committee since 2009 and of the Chairman's and Governance Committee since 2011. He served as Chairman of the Board and the Chairman's and Governance Committee (2003 to 2009) and as Chairman of the Audit Committee (1999 to 2002). His term as a member of the Board expires at the AGM in 2014. The Board has determined him to be independent under the Group's independence standards.

Since May 2009, he has served as the Chairman of the Board of Directors of Swiss Re, Vice-Chairman in 2007, Executive Vice-Chairman of the Board of Directors of Swiss Re in 2003 and has been a board member since 1998. He was Swiss Re's CEO (1997 to 2002) and became a member of Swiss Re's Executive Board in 1993. Mr. Kielholz joined Swiss Re, Zurich, in 1989. In 1986, he joined Credit Suisse, responsible for client relations with large insurance groups in the Multinational Services department. Mr. Kielholz's career began at the General Reinsurance Corporation, Zurich, in 1976, and he assumed responsibility for the company's European marketing after working in the US, the UK and Italy. Mr. Kielholz received a degree in Business Finance and Accounting from the University of St. Gallen, Switzerland, in 1976.

Mr. Kielholz is a member and Chairman and Vice Chairman of the European Financial Services Roundtable and Vice Chairman of the Institute of International Finance, respectively. He is also a member of the Advisory Board of Corsair Capital Ltd., a member of the Monetary Authority of Singapore and the International Business Leader Advisory Council of the Mayor of Shanghai and the World Economic Forum International Business Council. In addition, Mr. Kielholz is a member and former Chairman of the Supervisory Board of Avenir Suisse and a senior advisor to the Credit Suisse Research Institute. He is a member of the Lucerne Festival Foundation Board and Chairman of the Zürcher Kunstgesellschaft (Zurich Art Society), which runs Zurich's Kunsthaus museum.

Andreas N. Koopmann
Born 1951
Swiss Citizen

Andreas N. Koopmann has been a member of the Board and the Risk Committee since the AGM in 2009. His term as a member of the Board expires at the AGM in 2015. The Board has determined him to be independent under the Group's independence standards.

From 1982 to 2009, Mr. Koopmann held various leading positions at Bobst Group S.A., Lausanne, one of the world's leading suppliers of equipment and services to packaging manufacturers. He was Group CEO (1995 to 2009) and a member of its Board of Directors (1998 to 2002). Mr. Koopmann received a Master's Degree in Mechanical Engineering from the Swiss Federal Institute of Technology, Switzerland, in 1976 and an MBA from International Institute for Management Development (IMD), Switzerland, in 1978.

Mr. Koopmann has been a member of the Board of Directors of Georg Fischer AG since 2010 and assumed the role of President of the Board of Directors in March 2012. He is also a member of the Board of Directors of the CSD Group, an engineering consultancy enterprise in Switzerland. Since 2003, Mr. Koopmann has been a member of the Board of Directors of Nestlé SA, its Vice-Chairman and a member of its Chairman's and Corporate Governance Committee. He was the Chairman of the Board of Directors of Alstom (Suisse) SA (2010 to 2012) and served as the Vice-Chairman of Swissmem (1994 to 2012), the association of Swiss Mechanical and Electrical Engineering Industries. He served as a member of the Credit Suisse's Advisory Board (1999 to 2007) and Board of Directors of Credit Suisse First Boston (1995 to 1999).

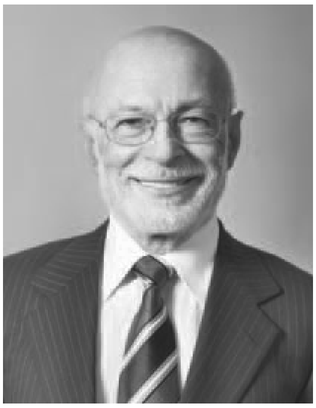
Jean Lanier
Born 1946
French Citizen

Jean Lanier has been a member of the Board and the Audit Committee since 2005. Since 2011, he has also been a member of the Compensation Committee. His term as a member of the Board expires at the AGM in 2014. The Board has determined him to be independent under the Group's independence standards.

Mr. Lanier is the former Chairman of the Managing Board and Group CEO of Euler Hermes, Paris, and chaired the boards of the principal subsidiaries of the group (1998 to 2004). Prior to that, he was the COO and Managing Director of the Euler Group (1996 to 1998) and of SFAC (1990 to 1997), which became Euler Hermes SFAC, He was Managing Director of the Pargesa Group based in Paris and Geneva (1988 to 1990) and held the position of President of Lambert Brussells Capital Corporation in New York (1983 to 1989). Mr. Lanier started his career at the Paribas Group in 1970, where he worked until 1983. He held, among others, the functions of Senior Vice President of the Paribas Group Finance division and Senior Executive for North America of the Paribas Group in New York. He received a Masters of Engineering from the Ecole Centrale des Arts et Manufactures, Paris, in 1969, and a Masters of Sciences in Operations Research and Finance from Cornell University, New York, in 1970.

Mr. Lanier is the Chairman of the Boards of Directors for Swiss RE Europe SA, Swiss RE International SE and Swiss RE Europe Holdings SA and also serves on their respective audit and risk committees. He is a Chevalier de la Légion d'Honneur in France and Chairman of the Board of the Foundation "La Fondation Internationale de l'Arche."

Anton van Rossum
Born 1945
Dutch Citizen



Aziz R.D. Syriani
Born 1942
Canadian Citizen

Anton van Rossum has been a member of the Board since 2005 and a member of the Risk Committee since 2008. He served on the Compensation Committee (2005 to 2008). His term as a member of the Board expires at the AGM in 2014. The Board has determined him to be independent under the Group's independence standards.

Mr. van Rossum was the CEO of Fortis (2000 to 2004). He was also a member of the Board of Directors of Fortis and chaired the boards of the principal subsidiaries of the group during this time. Prior to that, Mr. van Rossum worked 28 years with McKinsey and Company, where he led a number of top management consulting assignments, with a focus on the banking and insurance sectors. He was elected Principal in 1979 and a Director of the firm in 1986. Mr. van Rossum studied Economics and Business Administration at the Erasmus University, Rotterdam, where he obtained a Bachelor's degree in 1965 and a Master's degree in 1969.

Mr. van Rossum is a member of the Supervisory Board of Munich Re AG, an international re-insurance and primary insurance group, and chairs the Supervisory Board of Royal Vopak NV, Rotterdam, an international oil, chemicals and liquified natural gas storage group. In addition, he is a member of the Board of Directors of Solvay SA, Brussels, an international chemicals and plastics company, and chairs the Supervisory Board of Erasmus University, Rotterdam. He also chairs the Board of Trustees of the Netherlands Economics Institute and sits on the boards of several cultural, philanthropic and educational institutions. Mr. van Rossum was a member of the Supervisory Board of Rodamco Europe NV, Amsterdam, a commercial real estate investment group (2007 to 2011).

Aziz R.D. Syriani has been a member of the Board since 1998 and Chairman of the Compensation Committee since 2004. He has been a member of the Chairman's and Governance Committee since 2003 and served on the Audit Committee (2003 to 2007). His term as a member of the Board expires at the AGM in 2013. The Board has determined him to be independent under the Group's independence standards.

He has served as the CEO since 2002 and the President of The Olayan Group since 1978. The Olayan Group is a private multinational enterprise engaged in distribution, manufacturing and global investment and a significant shareholder of the Group. Mr. Syriani received a degree in law from the University of St. Joseph, Beirut, in 1965, and a Master of Laws degree from Harvard University, Massachusetts, in 1972.

Mr. Syriani has served on the Board of Directors of Occidental Petroleum Corporation, California, since 1983, where he is currently the Lead Independent Director and Chairman of the Audit Committee, and a member of the Executive and the Corporate Governance Committees.

David W. Syz
Born 1944
Swiss Citizen

Richard E. Thornburgh
Born 1952
US Citizen

David W. Syz has been a member of the Board and the Audit Committee since 2004. His term as a member of the Board expires at the AGM in 2013. The Board has determined him to be independent under the Group's independence standards.

Appointed State Secretary in 1999, Mr. Syz took charge of the new State Secretariat for Economic Affairs, a function which he held until his retirement in 2004. In 1996, he was appointed CEO and Managing Director of Schweizerische Industrie-Gesellschaft Holding AG, Neuhausen. In 1985, Mr. Syz was Director and Head of Industries and Electronics of Elektrowatt AG. He was the CEO of Cerberus AG, Männedorf (1982 to 1984). In 1975, he was appointed Head of Finance at Stäfa Control System AG, Stäfa, and became Managing Director after four years. Mr. Syz started his career as assistant to the Director at Union Bank of Switzerland in Zurich and subsequently held the equivalent position at Elektrowatt AG, Zurich. He studied law at the University of Zurich, Switzerland, and received a doctorate from the same university in 1972 and an MBA at INSEAD, Fontainebleau, in 1973.

Mr. Syz has been the Chairman of the Board of Directors of Huber & Suhner AG, Pfäffikon since 2005, Vice-Chairman (2004 to 2005) and the Chairman of the Board of Directors of ecodocs AG, Zollikon since 2004. He has been the Chairman of the Supervisory Board of the Climate Cent Foundation since 2005, an organization mandated with the implementation of the carbon dioxide reduction program according to the Kyoto Protocol.

Richard E. Thornburgh has been a member of the Board and the Risk Committee since 2006 and the Chairman of the Risk Committee and a member of the Chairman's and Governance Committee since 2009 and the Audit Committee since 2011. As of 2013, Mr. Thornburgh also serves as a non-executive director of Credit Suisse International and Credit Suisse Securities Europe Limited, two of the Group's UK subsidiaries. His term as a member of the Board expires at the AGM in 2015. The Board has determined him to be independent under the Group's independence standards.

Mr. Thornburgh has been Vice-Chairman of Corsair Capital, New York, a private equity investment company, since 2006. He was the CRO of Credit Suisse Group (2003 to 2004). In 2004, he was appointed Executive Vice-Chairman of Credit Suisse First Boston. He was CFO of Credit Suisse First Boston (2000 to 2002) and Vice-Chairman of the Executive Board of Credit Suisse First Boston (1999 to 2002). Mr. Thornburgh was the CFO of Credit Suisse Group (1997 to 1999). He was appointed a member of the Group Executive Board (1997 to 2005). In 1995, Mr. Thornburgh was appointed Chief Financial and Administrative Officer and a member of the Executive Board of Credit Suisse First Boston. He began his investment banking career in New York with The First Boston Corporation, the predecessor firm of Credit Suisse First Boston. Mr. Thornburgh received a BBA from the University of Cincinnati, Ohio, in 1974, as well as an honorary doctorate in 2009, and an MBA from the Harvard Business School, Massachusetts, in 1976.

Mr. Thornburgh is a member of the board and audit committee of Reynolds American Inc., Winston-Salem, and a board and audit committee member of The McGraw-Hill Companies, New York, since 2011. Mr. Thornburgh has also been a member of the board and lead director for New Star Financial Inc., Massachusetts, since 2006. Furthermore, he serves on the Executive Committee of the University of Cincinnati Foundation and the Investment Committee of the University of Cincinnati.

John Tiner
Born 1957
British Citizen

John Tiner has been a member of the Board and the Audit Committee since the AGM in 2009. Since the AGM in 2011, he has chaired the Audit Committee and has also been a member of the Chairman's and Governance and Risk Committees. His term as member of the Board expires at the AGM in 2015. The Board has determined him to be independent under the Group's independence standards and a financial expert within the meaning of SOX.

From September 2008 until March 2013, Mr. Tiner was the CEO of Resolution Operations LLP, a privately owned advisory firm which provided services to Resolution Ltd., a company listed on the London Stock Exchange. Mr. Tiner was previously CEO of the FSA (2003 to 2007). He joined the FSA in 2001 as Managing Director of the Consumer Insurance and Investment Directorate and was a member of the Managing Board of the Committee of European Insurance and Occupational Pensions Regulators and Chairman of the Committee of European Securities Regulators – Standing Committee on Accounting and Auditing. Before joining the FSA, Mr. Tiner was a Managing Partner at Arthur Andersen, responsible for its worldwide financial services practice.

Mr Tiner is a non-executive member of the board of Lucida plc and Friends Life Group plc, both UK insurance companies, and is a member of the Advisory Board of Corsair Capital, a private equity investment company. He was given an Honorary Doctor of Letters at his former college, Kingston University, London, in 2010, and is a Fellow of the Institute of Chartered Accountants in England and Wales. In recognition of his contribution to the financial services industry, he was awarded the title of Commander of the British Empire in 2008.

Honorary Chairman of Credit Suisse Group
Rainer E. Gut
Born 1932
Swiss Citizen

Rainer E. Gut was appointed the Honorary Chairman of Credit Suisse Group in 2000, after he retired as Chairman, a position had held since 1986. Mr. Gut was a member of the Board of Directors of Nestlé SA, Vevey, from 1981 to 2005, where he was Vice-Chairman from 1991 to 2000 and Chairman from 2000 to 2005.

As Honorary Chairman, Mr. Gut does not have any function in the governance of the Group and does not attend the meetings of the Board.

Secretaries of the Board
Pierre Schreiber
Joan E. Belzer

Remembering Hans-Ulrich Doerig (1940 – 2012)

In November 2012, Hans-Ulrich Doerig, former Chairman of the Board of Directors of Credit Suisse Group, passed away at the age of 72. Hans-Ulrich Doerig served as Chairman of the Board from 2009 to 2011 and devoted 38 years of his career to our company

In 1968, after graduating from the University of St. Gallen, Switzerland, with a doctorate in Law and Economics, Hans-Ulrich Doerig embarked on his career at JP Morgan in New York, where he worked first in Research and subsequently in Corporate Finance and Lending. Five years later, he joined Credit Suisse in Zurich and held various management positions in the International Capital Markets business. In 1982, Hans-Ulrich Doerig was appointed to the Executive Board of Credit Suisse, where he was responsible for the multi-national division as well as for securities trading, capital markets and corporate finance.

Hans-Ulrich Doerig was a universal banker, who always served our bank with professionalism, expertise and loyalty. The media occasionally referred to him as a 'Credit Suisse veteran' – a description that evidently pleased him. He was always willing to assume responsibility. In the mid-1990s, Hans-Ulrich Doerig was appointed Vice-Chairman of the Board of Directors. He later returned to various senior executive roles. He was President of the Executive Board of Credit Suisse, CEO of Credit Suisse First Boston, and Vice-Chairman of the Executive Board and CRO of Credit Suisse Group. In 2003, Hans-Ulrich Doerig was once again elected to the Board of Directors, where he served as Vice-Chairman and, from 2009 to 2011, as Chairman.

Hans-Ulrich Doerig's sense of commitment was not limited to banking. As the representative of a large Swiss bank, he also sought to promote the interests of the business community and the economy as a whole, not to mention his support for science, the arts and education. Hans-Ulrich Doerig was a lecturer at the University of Zurich and the Swiss Banking School for over a decade, and he served for many years as a member of the University Council of the University of Zurich, a member of the Board of Directors of the International Red Cross Museum in Geneva, President of the Zurich Association of Friends of the Arts, and a member of the Boards of various charitable foundations, academic bodies and social institutions.

Hans-Ulrich Doerig was a Swiss banker with an international mindset who was committed to preserving traditions while encouraging progress. He made an immense contribution not only to Credit Suisse, but also to the city of Zurich and to Switzerland.

Executive Board

Members of the Executive Board

The Executive Board is responsible for the day-to-day operational management of the Group. It develops and implements the strategic business plans for the Group overall as well as for the principal businesses, subject to approval by the Board. It further reviews and coordinates significant initiatives, projects and business developments in the divisions, regions and in the Shared Services functions and establishes Group-wide policies. The composition of the Executive Board of the Group and the Bank is identical.

Effective April 30, 2012, Karl Landert stepped down from the Executive Board and his position as Chief Information Officer. David Mathers, Chief Financial Officer and a member of the Executive Board, also assumed responsibility for the IT organization and since January 1, 2012, for the Group's global Operations functions.

Effective May 31, 2012, Antonio Quintella was appointed as Chairman of Hedging-Griffo and stepped down from the Executive Board and his position as Chief Executive Officer (CEO) of the Americas region. Robert Shafir assumed the role as CEO of the Americas region in addition to his role at the time as CEO Asset Management.

Effective November 30, 2012, Hans-Ulrich Meister and Robert Shafir were appointed to jointly lead the newly created Private Banking & Wealth Management division. As regional CEO, Hans-Ulrich Meister continues to have responsibility for all businesses and clients in the Swiss region. Robert Shafir continues to serve as the CEO of the Americas region.

Effective November 30, 2012, Eric Varvel and Gaël de Boissard were appointed to jointly lead the Investment Banking division. In addition, Eric Varvel was appointed CEO of the Asia Pacific region and Gaël de Boissard took on responsibility as CEO of the Europe, Middle East and Africa (EMEA) region. Gaël de Boissard joined the Executive Board as of January 1, 2013.

As of November 30, 2012, Osama Abbasi stepped down from the Executive Board and his position as CEO of the Asia Pacific region, Walter Berchtold stepped down from the Executive Board and his position as Chairman Private Banking and Fawzi Kyriakos-Saad stepped down from the Executive Board and his position as CEO of the EMEA region.

The management changes reduced the size of the Executive Board from thirteen members at the end of 2011 to nine members, effective as of January 2013, by combining the divisional and regional CEO roles.

Members of the Executive Board

	Appointed in	Role
December 31, 2012		
Brady W. Dougan, CEO	2003	Group CEO
Gaël de Boissard, Joint Head of Investment Banking and Regional CEO of EMEA [1]	2012	Divisional & Regional Head
Romeo Cerutti, General Counsel	2009	Shared Services Head
Tobias Guldimann, CRO	2004	Shared Services Head
David R. Mathers, CFO and Head of IT and Operations	2010	Shared Services Head
Hans-Ulrich Meister, Joint Head of Private Banking & Wealth Management and Regional CEO of Switzerland	2008	Divisional & Regional Head
Robert S. Shafir, Joint Head of Private Banking & Wealth Management and Regional CEO of Americas	2007	Divisional & Regional Head
Pamela A. Thomas-Graham, Chief Talent, Branding and Communications Officer	2010	Shared Services Head
Eric M. Varvel, Joint Head of Investment Banking and Regional CEO of APAC	2008	Divisional & Regional Head

[1] Appointed on November 20, 2012 as a new Executive Board member effective January 1, 2013.

Biographies of the Executive Board members

Brady W. Dougan
Born 1959
US Citizen

Gaël de Boissard
Born 1967
French Citizen

Brady W. Dougan has held the position of CEO since 2007 and has been a member of the Executive Board since 2003.

Prior to his appointment as CEO of the Group, Mr. Dougan was the CEO of the Investment Banking division and the CEO of the Americas region. After starting his career in the derivatives group at Bankers Trust, he joined Credit Suisse First Boston in 1990. He was the Head of the Equities division for five years before he was appointed the Global Head of the Securities division in 2001. From 2002 to July 2004, he was the Co-President of Institutional Securities at Credit Suisse First Boston, and from 2004 until 2005, he was CEO of Credit Suisse First Boston and, after the merger with Credit Suisse in May 2005, he was the CEO of Investment Banking until 2007.

Mr. Dougan received a BA in Economics in 1981 and an MBA in finance in 1982 from the University of Chicago, Illinois.

Mr. Dougan has been a member of the Board of Directors of Humacyte Inc., a biotechnology company, since 2005. He has also been a member of the Board of Trustees of the University of Chicago since January 2013.

Gaël de Boissard jointly leads the Investment Banking division together with Eric Varvel with responsibility for the Fixed Income business. He is also the CEO of the EMEA region. Gaël de Boissard was appointed as a member of the Executive Board, effective January 1, 2013.

Prior to his appointment to the Executive Board, Mr. de Boissard spent four years as the Co-Head of Global Securities with responsibility for trading and risk management of Fixed Income products and was previously responsible for Global Rates and Foreign Exchange. Mr. de Boissard joined Credit Suisse First Boston in 2001 from JP Morgan, where he worked in a variety of roles in Fixed Income, having started in the Paris office in 1990.

Mr. de Boissard graduated with a degree in Mathematics and Civil Engineering from Ecole Polytechnique in Palaiseau, France, and received a degree in Russian from the University of Volgograd.

Mr. de Boissard currently chairs the Association of Financial Markets in Europe, an industry organization that engages with policymakers on financial regulation.

Romeo Cerutti
Born 1962
Swiss and Italian Citizen

Tobias Guldimann
Born 1961
Swiss Citizen

Romeo Cerutti has been the Group General Counsel and a member of the Executive Board since April 2009.

Prior to that, Mr. Cerutti was the General Counsel of the Private Banking division from 2006 to 2009 and the global Co-Head of Compliance of Credit Suisse from 2008 to 2009. Before joining Credit Suisse, Mr. Cerutti was a partner of the Group Holding of Lombard Odier Darier Hentsch & Cie, from 2004 to 2006, and the Head of Corporate Finance at Lombard Odier Darier Hentsch & Cie from 1999 to 2006. Prior to that position, Mr. Cerutti was in private practice as an attorney-at-law with Homburger Rechtsanwälte in Zurich from 1995 to 1999 and with Latham and Watkins in Los Angeles from 1993 to 1995.

Mr. Cerutti studied law at the University of Fribourg and obtained his doctorate in 1990. He was admitted to the bar of the canton of Zurich in 1989 and the bar of the state of California in 1992. Mr. Cerutti also holds a Master of Laws from the University of California, School of Law, Los Angeles.

Mr. Cerutti has been a member of the Board of Trustees of the University of Fribourg since 2006. He also currently represents Credit Suisse on the Board of the Swiss Bankers Association since December 2012.

Tobias Guldimann has been the CRO of Credit Suisse since 2009 and a member of the Executive Board in the role of Group CRO since 2004.

Mr. Guldimann 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 studied Economics at the University of Zurich and received a doctorate from the same university in 1989.

Mr. Guldimann has been a member of the International Financial Risk Institute (IFRI) since 2010 and became a Member of the IFRI Executive Committee in 2011. He is also a member of the Board of Trustees of the Winterthur Art Museum.

David R. Mathers
Born 1965
British Citizen

David Mathers has been the CFO of Credit Suisse Group and a member of the Executive Board since October 2010. He is also responsible for the Group's global IT and global Operations functions.

Prior to his appointment as CFO, Mr. Mathers was the Head of Finance and the COO for Investment Banking in New York and London from 2007 to 2010. In this role, he was responsible for Investment Banking Finance, Operations, Expense Management and Strategy. Mr. Mathers started his career as a research analyst at HSBC James Capel in 1987 and became Global Head of Equity Research in 1997. He joined Credit Suisse in 1998, working in a number of senior positions in Credit Suisse's Equity business, including the Director of European Research and the Co-Head of European Equities.

Mr. Mathers holds an MA in Natural Sciences from the University of Cambridge, England. Since 2011, he has also served as a member of the Council of the British-Swiss Chamber of Commerce.

Hans-Ulrich Meister
Born 1959
Swiss Citizen

Hans-Ulrich Meister jointly leads the Private Banking & Wealth Management division together with Robert Shafir, with responsibility for the Private Banking business. He is also CEO of the Swiss region. Mr. Meister has been a member of the Executive Board since September 2008.

Between 2011 and 2012, Mr. Meister served as the CEO of Private Banking and from 2008 onward as the CEO of the Swiss region, a role he continues to hold. Before joining Credit Suisse in 2008, Mr. Meister spent 25 years with UBS. Among the roles he had were the Head of Corporate Banking Region Zurich from 1999 to 2002, the Head of Large Corporates and Multinationals from 2003 to 2005 and the Head of Business Banking from 2005 to 2007. From 2002 to 2003, he worked on group projects in the area of Wealth Management, based in New York. From 2004 to 2007, Mr. Meister was a member of UBS's Group Managing Board.

Mr. Meister graduated from the University of Applied Sciences in Zurich, in 1987, majoring in Economics and Business Administration. In addition, he attended Advanced Management programs at the Wharton School, University of Pennsylvania in 2000 and the Harvard Business School in 2002.

Mr. Meister has been a member of the Foundation Board of the Swiss Finance Institute since 2008. He has also been a member of the board of the Zurich Chamber of Commerce since 2010.

Robert S. Shafir
Born 1958
US Citizen

Robert Shafir jointly leads the Private Banking & Wealth Management division together with Hans-Ulrich Meister, with responsibility for Private Banking & Wealth Management Products. He is also the CEO of the Americas region. Mr. Shafir has been a member of the Executive Board since August 2007.

From 2008 until 2012, Mr. Shafir was the CEO of Asset Management and also held the position of the CEO of the Americas region between 2008 and 2010, reappointed to this role in 2012. Mr. Shafir joined Credit Suisse from Lehman Brothers in 2008, where he worked for 17 years, having served as the Head of Equities and a member of their Executive Committee. He also held other senior roles, including the Head of European Equities and the Global Head of Equities Trading, and played a key role in building Lehman's equities business into a global, institutionally focused franchise. Prior to that, he worked at Morgan Stanley in the preferred stock business within the fixed income division.

Mr. Shafir received a BA in Economics from Lafayette College, Pennsylvania, in 1980, and an MBA from Columbia University, Graduate School of Business, New York, in 1984.

Mr. Shafir is a member of the Board of Directors of the Cystic Fibrosis Foundation and the Dwight School Foundation.

Pamela 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, Massachusetts, in 1985, a JD from Harvard Law School in 1989 and an MBA from Harvard Business School in 1989.

Ms. Thomas-Graham is a member of the Board of Directors of the Clorox Company and a member of the Board of Governors of the Parsons School of Design. She is also a member of the Council on Foreign Relations, the Economic Club of New York, the Trustees Education Committee of the Museum of Modern Art and the Business Committee of the Metropolitan Museum of Art. In addition, she is a member of the board of the New York Philharmonic.

Eric M. Varvel
Born 1963
US Citizen

Eric Varvel jointly leads the Investment Banking division together with Gaël de Boissard, with responsibility for the Equities & Investment Banking business. He is also the CEO of Asia Pacific region. Eric Varvel has been a member of the Executive Board since February 2008.

From 2010 until 2012, Mr. Varvel was the CEO of Investment Banking and served as acting CEO from September 2009 until July 2010. From 2008 until 2010, Mr. Varvel was the CEO of the EMEA region. Prior to his appointment to the Executive Board in 2008, he was the Co-Head of the Global Investment Banking department and the Head of the Global Markets Solutions Group in the Investment Banking division of Credit Suisse for over three years, based in New York. Before that, Mr. Varvel spent 15 years in the Asia Pacific region in a variety of senior roles, including the Head of Investment Banking and Emerging Markets Coverage for the Asia Pacific region ex-Japan and the Head of Fixed Income Sales and Corporate Derivative Sales. During that time, Mr. Varvel was based in Tokyo, Jakarta and Singapore. Mr. Varvel joined Credit Suisse in 1990. Previously, he worked as an analyst for Morgan Stanley in its investment banking department in New York and Tokyo.

Mr. Varvel holds a BA in Business Finance from Brigham Young University, Utah.

Since 2010, Mr. Varvel has been a member of the Board of Directors of the Qatar Exchange.

Additional information

Changes in control and defense measures

Duty to make an offer

Swiss law provides that anyone who, directly or indirectly or acting in concert with third parties, acquires 33⅓% or more of the voting rights of a listed Swiss company, whether or not such rights are exercisable, must make an offer to acquire all of the listed equity securities of such company, unless the AoA of the company provides otherwise. Our AoA does not include a contrary provision. This mandatory offer obligation may be waived under certain circumstances by the Swiss Takeover Board or FINMA. If no waiver is granted, the mandatory offer must be made pursuant to procedural rules set forth in the SESTA and the implementing ordinances.

Clauses on changes in control

Subject to certain provisions in the Group's employee compensation plans which allow for the Compensation Committee or Board to determine the treatment of outstanding awards for all employees in the case of a change in control, there are no provisions that require the payment of extraordinary benefits in the case of a change in control in the agreements and plans benefiting members of the Board and the Executive Board or any other members of senior management. Specifically, there are no contractually agreed severance payments in the case of a change in control of the Group.

In the case of a change in control, the treatment of outstanding awards for all employees, including Executive Board members, will be determined by the Compensation Committee or the Board. In the case of a change in control, there are no provisions in the employment contracts of Executive Board members that require the payment of any type of extraordinary benefits, including special severance awards.

Internal and external auditors

Auditing forms an integral part of corporate governance at the Group. Both internal and external auditors have a key role to play by providing an independent assessment of our operations and internal controls.

Internal Audit

Our Internal Audit function comprises a team of around 250 professionals, substantially all of whom are directly involved in auditing activities. Effective November 2012, Martyn Scrivens was appointed as the new Head of Internal Audit and successor to Heinz Leibundgut, who has retired from the Group. As Head of Internal Audit, Martyn Scrivens reports directly to the Audit Committee chairman.

Internal Audit performs an independent and objective assurance and consulting function that is designed to add value to our operations. Using a systematic and disciplined approach, the Internal Audit team evaluates and enhances the effectiveness of our risk management, control and governance processes.

Internal Audit is responsible for carrying out periodic audits in line with the Regulations of Internal Audit approved by the Audit Committee. It regularly and independently assesses the risk exposure of our various business activities, taking into account industry trends, strategic and organizational decisions, best practice and regulatory matters. Based on the results of its assessment, Internal Audit develops detailed annual audit objectives, defining areas of audit concentration and specifying resource requirements for approval by the Audit Committee.

As part of its efforts to achieve best practice, Internal Audit regularly benchmarks its methods and tools against those of its peers. In addition, it submits periodic internal reports and summaries thereof to the management teams as well as the Chairman and the Audit Committee chairman. The Head of Internal Audit reports to the Audit Committee at least quarterly and more frequently as appropriate. Internal Audit coordinates its operations with the activities of the external auditor for maximum effect.

External auditors

Our statutory auditor is KPMG AG (KPMG), Badenerstrasse 172, 8004 Zurich, Switzerland. The mandate was first given to KPMG for the business year 1989/1990. The lead Group engagement partners are Anthony Anzevino, Global Lead Partner (since 2012); Simon Ryder, Group Engagement Partner (since 2010); and Mirko Liberto, Leading Bank Auditor (since 2012).

In addition, we have mandated BDO AG, Fabrikstrasse 50, 8031 Zurich, Switzerland, as special auditor for the purposes of issuing the legally required report for capital increases in accordance with Article 652f of the Swiss Code of Obligations, mainly relating to the valuation of companies in consideration of the qualified capital increases involving contributions in kind.

The Audit Committee monitors and pre-approves the fees to be paid to KPMG for its services.

Fees paid to external auditors

	2012	2011	% change
Fees paid to external auditors (CHF million)			
Audit services [1]	39.7	40.3	(1)
Audit-related services [2]	6.5	7.0	(7)
Tax services [3]	5.6	6.9	(19)

[1] Audit fees include the integrated audit of the Group's consolidated and statutory financial statements, interim reviews and comfort and consent letters. Additionally it includes all assurance and attestation services related to the regulatory filings of the Group and its subsidiaries. [2] Audit-related services are primarily in respect of: (i) reports related to the Group's compliance with provisions of agreements or calculations required by agreements; (ii) accounting advice; (iii) audits of private equity funds and employee benefit plans; and (iv) regulatory advisory services. [3] Tax services are in respect of tax compliance and consultation services, including: (i) preparation and/or review of tax returns of the Group and its subsidiaries; (ii) assistance with tax audits and appeals; and (iii) confirmations relating to the Qualified Intermediary status of Group entities.

KPMG attends all meetings of the Audit Committee. At each meeting, KPMG reports on the findings of its audit and/or interim review work. The Audit Committee reviews on an annual basis KPMG's audit plan and evaluates the performance of KPMG and its senior representatives in fulfilling its responsibilities. Moreover, the Audit Committee recommends to the Board the appointment or replacement of the external auditor, subject to shareholder approval as required by Swiss law.

KPMG provides a report as to its independence to the Audit Committee at least once a year. In addition, our policy on the engagement of public accounting firms, which has been approved by the Audit Committee, strives to further ensure an appropriate degree of independence of our external auditor. The policy limits the scope of services that the external auditor may provide to us or any of our subsidiaries in connection with its audit and stipulates certain permissible types of non-audit services, including audit-related services, tax services and other services that have been pre-approved by the Audit Committee. The Audit Committee pre-approves all other services on a case-by-case basis. In accordance with this policy and as in prior years, all KPMG non-audit services provided in 2012 were pre-approved. KPMG is required to report to the Audit Committee periodically regarding the extent of services provided by KPMG and the fees for the services performed to date.

American 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 2012, the Depositary reimbursed the Group USD 49,179 for NYSE listing fees. Under the Group's new engagement letter, the Depositary has agreed to make certain payments to the Group in 2012 and thereafter. In 2012, these fees amounted to USD 1,200,000 for expenses relating to its American Depositary Receipt program. The Depositary has also contractually agreed to provide certain ADS program-related services free of charge.

Under certain circumstances, including removal of the Depositary or termination of the ADS program by the Group, the Group is required to repay certain amounts paid to the Group and to compensate the Depositary for payments made or services provided on behalf of the Group.

Liquidation

Under Swiss law and our AoA, we may be dissolved at any time by a shareholders' resolution which must be passed by:

- a supermajority of at least three quarters of the votes cast at the meeting in the event we are to be dissolved by way of liquidation; and
- a supermajority of at least two thirds of the votes represented and an absolute majority of the par value of the shares represented at the meeting in other events.

Dissolution by court order is possible if we become bankrupt. Under Swiss law, any surplus arising out of liquidation (after the settlement of all claims of all creditors) is distributed to shareholders in proportion to the paid-up par value of shares held.

Compensation

Dear shareholders,

We are pleased to present our Compensation Report in respect of the reporting year 2012 to our shareholders and request your support through the advisory vote at the Annual General Meeting. We are committed to a responsible performance culture, which rewards progress towards our aspiration of strengthening Credit Suisse as a leading, integrated financial services provider and balances the interests of employees and shareholders.

During 2012, we focused on a review and revision of our executive compensation structure. To this end, we solicited and carefully reviewed feedback from our shareholders in respect of the structure of compensation at Credit Suisse, focusing on the compensation of senior executives, as well as the general concerns regarding the alignment of pay for performance in our industry. As a result of this analysis, we have restructured the incentive compensation for members of the Executive Board. We decided to:

- introduce individual target levels of compensation for each Executive Board member, based on the philosophy of paying market competitive compensation if challenging performance targets are achieved;
- introduce caps on the amount of compensation that can be awarded to each Executive Board member upon significantly exceeding the performance targets, set at levels to motivate performance while still being within the range of market levels of compensation;
- separate the granting of short and long-term incentive awards, where the short-term incentive awards aim to reward executives for their achievements in the prior year, while also discouraging future negative performance through the use of clawback provisions; and
- introduce new long-term incentive awards, which aim to motivate outstanding performance in the future and are clearly linked to meeting challenging financial goals.

The introduction of new long-term incentive awards reflects our commitment to pay for performance, with an emphasis on a long-term and sustainable creation of shareholder value. Recipients will only earn the full value of deferred awards if explicit and transparent performance conditions, linked to relative total shareholder return and return on equity, are met over the full five-year period. The targets and caps provide that the combined short and long-term incentive compensation granted to any executive stay within the range of what the Compensation Committee has determined to be an appropriate pay level for that particular executive's role.

Granting a substantial part of variable compensation in deferred share-based awards aligns the interests of employees and shareholders and meets expectations of regulators. The delivery of these awards in new shares has been a core component of our capital plan over the last two years to meet the changed regulatory requirements. However, we are mindful of the potential dilutive impact to shareholders and we expect to revert to our previous practice of buying shares in the market to meet these delivery obligations after our Look-through Swiss Core Capital ratio exceeds 10%.

While we focused on executive compensation in 2012, in 2013 the Compensation Committee will look to review and rebalance the mix of share-linked and cash-linked deferred compensation for the broader employee population, including the performance criteria of our current share awards. At the same time, we will assess the implications of emerging regulations, including the new initiative recently approved by voters in Switzerland with regard to a binding say on the pay for the executive boards and boards of directors as well as the recently proposed EU rules on compensation. Further, we believe in the equitable sharing of the future economic gains of Credit Suisse between its shareholders and its employees, and we will work to achieve a better balanced distribution to this effect going forward.

The Compensation Committee is satisfied that this report reflects the manner in which it has reviewed and set compensation for 2012 and it is in line with the specific remuneration disclosure requirements issued by the Swiss Financial Market Supervisory Authority. The activities of the Compensation Committee were executed in accordance with its mandate under the Credit Suisse Organizational Guidelines and Regulations and the Compensation Committee charter.

Aziz R.D. Syriani
Chairman of the Compensation Committee
Member of the Board of Directors
March 2013

Compensation Report 2012 – Overview

This compensation report explains our compensation approach and provides our compensation disclosure for 2012. It is composed of the following sections:
- Compensation governance;
- Executive Board compensation;
- Board of Directors compensation; and
- Group compensation.

The Group is committed to fair, balanced and performance-based compensation practices that align long-term employee and shareholder interests.

As in recent years, shareholder interest in the structure and pay levels for bank executives remained high in 2012. In consideration of shareholder input and emerging practices for executive compensation in the industry, the Group implemented significant changes to the compensation approach for the Executive Board. Key changes include the introduction of individual targets and caps for the determination of compensation for Executive Board members and a new structure for their incentive award plans (incentive compensation), which now consists of an unrestricted cash payment and a short-term incentive (STI) award, with vesting over a three year period, and a new separate long-term incentive (LTI) award, with vesting over a five year period. The STI awards are deferred share-based awards subject to clawback in the event of negative business performance. The LTI awards are deferred cash-based awards subject to pre-defined, challenging performance vesting conditions linked to Group relative total shareholder return (RTSR) and underlying return on equity (ROE). As in prior years, Executive Board members remain subject to minimum Group shareholding requirements and their contracts contain no provisions that provide for special payments or other benefits upon termination.

For employees who are not members of the Executive Board, the 2012 structure is similar to that of 2011. Consistent with past practice and in line with the expectations of regulators, we granted a substantial portion of deferred discretionary variable incentive awards (variable compensation) for 2012 as share-based awards. The share awards granted for 2012 are the same as those granted for 2011. All share awards vest over three years and a portion of the share awards granted to managing directors and certain other groups of employees are subject to clawback in the event of negative performance. Other deferred variable compensation was awarded in the form of Plus Bonds, a new plan granted principally to managing directors and directors in Investment Banking. Plus Bonds, which are linked to a portfolio of asset-backed securities that originated in and continues to be managed by Investment Banking should also be viewed within the context of the Group's capital strategy and applicable regulatory capital requirements as they constitute a risk transfer from the Group to the Plus Bond holders and thus contribute to the reduction of the Group's risk-weighted assets. Managing directors and directors in Investment Banking received the cash portion of their variable compensation in the form of Restricted Cash Awards, which are cash payments that are subject to repayment under certain termination conditions.

For the Group overall, total compensation and benefits expense for 2012 was CHF 12.5 billion, down 5% compared to 2011, which includes the impact of lower salaries, reflecting lower headcount in 2012. Variable compensation awarded for 2012 (including incentive compensation granted to members of the Executive Board) was CHF 3.4 billion, which was awarded in aggregate as 35% unrestricted cash and 65% deferred awards.

2012 revised compensation approach for the Executive Board

Responsible
- Introduction of individual targets and caps
- Targets/caps expressed as multiples of base salary and per incentive award plan
- Overall pool capped at 2.5% of Group underlying net income

Long-term orientation
- Separate short-term and long-term incentive award plans
- New long-term incentive award plan vesting over five years after grant, payable starting three years after grant, subject to explicit performance vesting conditions

Performance-linked
- Individual awards subject to weighted performance assessments, based on Group, divisional and individual performance
- Short-term incentive awards subject to clawback for negative business performance
- Vesting of long-term incentive awards linked to relative total shareholder return and underlying return on equity

The variable compensation awards for 2012 reflect the improved underlying results of the Group compared to 2011. Group underlying pre-tax income increased 111% to CHF 5.0 billion in 2012 from CHF 2.4 billion in 2011 and underlying ROE was 10% for 2012, up from 5.5% in 2011. The Group's underlying results are non-GAAP financial measures that exclude valuation impacts from movements in own credit spreads and certain other significant items included in our reported results. Without excluding these significant non-operating items, the largest of which is fair value losses on own debt of CHF 2.9 billion due to the improvement of our own credit spreads, our reported Core pre-tax income for 2012 was CHF 1.9 billion, compared to CHF 2.7 billion in 2011, while reported ROE was 3.9% compared to 6.0% in 2011. The Compensation Committee regards the underlying results to be a more accurate reflection of the Group's operating performance than reported results, in particular because the largest component, fair value gains/(losses) on our own debt, is inversely related to movements in our own credit spreads, generating gains when credit spreads widen and losses when credit spreads narrow.

▸ Refer to "Reconciliation of underlying results" in Executive Board compensation – Performance evaluation for 2012 for the a reconciliation of underlying results to the most directly comparable US-GAAP measures and other related disclosures.

Incentive compensation awarded to members of the Executive Board for 2012 comprised CHF 13.6 million in the form of unrestricted cash, CHF 21.0 million as STI awards and a further CHF 15.4 million as LTI awards. The average incentive compensation awarded to members of the Executive Board for 2012 was CHF 1.1 million in unrestricted cash, CHF 1.7 million as STI awards and CHF 1.3 million as LTI awards. Incentive compensation awarded to the Chief Executive Officer (CEO) for 2012 was CHF 0.5 million in unrestricted cash, CHF 2.5 million as an STI award and CHF 2.0 million as an LTI award. The level of the incentive compensation was granted to members of the Executive Board and the CEO for 2012 in consideration of the Group's improved underlying results, the substantial strengthening of the Group's capital position achieved in 2012 and the significant progress made to adapt the business and organization to the new regulatory requirements, changing client demands and the current market environment.

Compensation governance

Compensation objectives

The Group's ability to implement a comprehensive human capital strategy and to attract, retain, reward and motivate talented individuals is fundamental to the Group's long-term success. Compensation is a key component of this strategy and aims to align employee and shareholder interests. The Group is committed to responsible compensation practices and plans that balance the need to reward our employees fairly and competitively based on performance while promoting principled behavior and actions. The Group's objectives are to maintain a compensation policy that:

- supports a performance culture that is based on merit and differentiates and rewards excellent performance, both in the short and long term, and recognizes our company values;
- enables the Group to attract and retain employees and motivate them to achieve results with integrity and fairness;
- balances the mix of fixed compensation and variable compensation to appropriately reflect the value and responsibility of the role the employees perform day to day and to influence appropriate behaviors and actions;
- is consistent with and promotes effective risk management practices and the Group's compliance and control culture;
- fosters teamwork and collaboration across the Group;
- takes into account the capital position and long-term performance of the Group in order to create sustainable value for our shareholders; and
- is reviewed regularly and endorsed by an independent Compensation Committee.

Consistent with these objectives, the Group applies a total compensation approach based on fixed compensation and variable compensation. Fixed compensation includes base salary, which reflects seniority, experience, skills and market practice. Variable compensation is awarded annually at the discretion of the Group and varies depending on Group, divisional and individual performance. The percentage mix between fixed and variable compensation varies according to the employee's seniority, business and location and is an important consideration in determining total compensation, in particular for the Group's most senior employees.

Compensation Committee

The Compensation Committee of the Board of Directors (Board) is the supervisory and governing body for compensation policy, practices and plans within the Group and is responsible for determining, reviewing and proposing compensation for approval by the Board. The Compensation Committee consists of not fewer than three independent members of the Board. The members of the Compensation Committee are Aziz

R.D. Syriani (chairman), Robert H. Benmosche, Iris Bohnet, Walter B. Kielholz and Jean Lanier. Based on the criteria for determining independence under the Swiss Code of Best Practice for Corporate Governance and the rules of the New York Stock Exchange and the Nasdaq Stock Market, the Board has determined all five members of the Compensation Committee to be independent.

▸ Refer to "Independence" in Corporate Governance – Board of Directors for more information on how the Group determines the independence of its Board members.

The Compensation Committee has appointed Johnson Associates, Inc., a global compensation consulting firm, to assist it in ensuring that the Group's compensation program remains competitive and is responsive to regulatory developments and in line with its compensation approach. Johnson Associates, Inc. is independent from the Group's management and does not provide any services to the Group other than supporting the Compensation Committee. The Compensation Committee has appointed Nobel & Hug as external legal counsel. In 2012, the Compensation Committee retained Fehr Advice & Partners AG, a Swiss-based consulting firm, to advise on the redesign of the compensation approach for the Executive Board.

The Compensation Committee is required to meet at least four times per year, but in practice meets more often. During 2012, the Compensation Committee held ten meetings. The Compensation Committee chairman decides on the attendance of management, the compensation consultants and external legal counsel at the committee meetings. The committee meets each January for the primary purpose of reviewing the performance of the businesses and the respective management teams for the previous year and recommending to the Board for approval the overall compensation pools for the divisions and the compensation payable to the members of the Board, the CEO and the head of Internal Audit. The Compensation Committee also reviews the performance of and determines compensation for members of the Executive Board and certain other members of senior management. During its performance review, the Compensation Committee considers input from the Group's internal control functions, including Risk Management, Legal and Compliance and Internal Audit, regarding control and compliance issues, including any breaches of relevant rules and regulations or the Group's Code of Conduct. The Audit Committee provides input to the Compensation Committee for its performance review with respect to control and compliance matters. Specifically, the Audit Committee reviews the impact on the recommended amount of variable compensation of individuals who have been subject to the Group's disciplinary process. In line with the process established in 2011 and in response to specific regulatory guidelines regarding compensation for employees engaged in risk-taking activities, the Compensation Committee also reviews and approves the compensation for Group employees identified as material risk takers and controllers (MRTC), who are employees whose activities are considered to have a potentially material impact on the Group's risk profile. The Risk Committee is involved in the review process for MRTC and also provides input to the Compensation Committee with respect to risk considerations in the compensation process. The chairmen of the Risk Committee and the Audit Committee attend the Compensation Committee meeting in January.

The following table sets forth the approval authority for determining compensation policy and setting compensation for different groups of employees, as stipulated within the Group's Organizational Guidelines and Regulations (OGR) and the Compensation Committee charter (available on our website at www.credit-suisse.com/governance).

Approval authority

Approval grid	Authority
Establishment or amendment of the Group's compensation policy	Board upon recommendation by the Compensation Committee
Establishment or amendment of compensation plans	Board upon recommendation by the Compensation Committee
Setting variable compensation pools for the Group and the divisions	Board upon recommendation by the Compensation Committee
Board compensation (including the Chairman's compensation) [1]	Board upon recommendation by the Compensation Committee
Compensation of the CEO	Board upon recommendation by the Compensation Committee
Compensation of other Executive Board members	Compensation Committee with information to the Board
Compensation for the Head of Internal Audit	Compensation Committee upon consultation of the Audit Committee Chairman
Compensation for MRTC	Compensation Committee
Compensation for other selected members of management	Compensation Committee

[1] In the case of the Chairman's compensation and the additional fees for the committee chairmen, the Board member concerned does not participate in the decision involving his or her own compensation. In the case of other Board members, compensation consists of a base fee plus a fee that may differ from committee to committee. The Compensation Committee recommends the base fee and committee fee amounts to the full Board for approval.

During 2012, the Board, upon recommendation of the Compensation Committee, approved a new approach for compensation of the Executive Board and endorsed other modifications to our compensation policy to ensure our plans remain in line with peers and permit compliance with evolving regulations. The Compensation Committee's main focus areas during 2012 were:

- developing and approving a new compensation approach for the Executive Board for 2012 and beyond, aimed at addressing key issues raised by shareholders and emerging best practice among peer companies;
- maintaining an active dialogue and consulting with our principal regulators about our compensation plans, as well as monitoring global regulatory and market trends with respect to compensation at financial institutions;
- continuing to engage with shareholders and shareholder groups regarding our compensation governance and plans;
- further enhancing the compensation process for covered employees in line with regulatory guidance; and
- increasing the transparency of our compensation disclosure, in particular with respect to compensation for members of the Executive Board.

Compensation policy

The Group maintains a comprehensive compensation policy, which formalizes our compensation principles and related processes and provides the foundation for sound compensation practices that support the Group's long-term strategic objectives. The compensation policy is approved by the Board. The compensation policy adheres to the compensation principles set out by our regulator in Switzerland, the Swiss Financial Market Supervisory Authority (FINMA), and our other main regulators and applies to all employees and compensation plans of the Group. The compensation policy is periodically updated and all revisions are approved by the Board. In 2012, to address the request of regulators, in particular the US Federal Reserve (Fed), we expanded the policy regarding MRTC and certain other US employees with more clear and documented procedures for granting variable compensation to these employees. These revisions provide guidelines for setting risk-adjusted compensation and require training for all managers of covered employees with responsibility for compensation recommendations. The revisions also provide guidelines on malus provisions that can lead to the clawback of compensation. The Group's compensation policy is available on our website at www.credit-suisse.com/compensation.

The compensation policy also includes implementation standards, which provide managers and employees with a detailed description of our principles, programs and the defined standards and processes relating to the development, management, implementation and governance of compensation. The implementation standards and the guidelines related to covered employees are published internally and accessible to all employees.

Impact of regulation on compensation

Many regulators across the world relevant to the Group, including FINMA, continue to focus on compensation. The requirements of FINMA apply to the Group on a global basis, while the requirements of other regulators generally only apply in respect of operations of the Group in a specific location. Several regulators, such as regulators in the US, the EU and the UK, impose provisions that diverge from the principles set forth in the Circular on Remuneration Schemes, which was issued by FINMA and which our plans comply with on a global basis. To the extent jurisdictional requirements diverge, we adapt our local plans in order to comply with local requirements, which generally results in additional terms, conditions and processes being implemented in the relevant locations.

The Group continuously monitors regulatory and legislative developments in all applicable jurisdictions, as well as industry best practices in compensation and guidance issued by various bodies including the Financial Stability Board, the Committee of European Banking Supervisors, the Group of Twenty Financial Ministers and Central Bank Governors and the Basel Committee on Banking Supervision.

On March 3, 2013, Swiss citizens approved the so-called "Minder Initiative", intended to strengthen shareholder rights. The initiative requires legislation be passed to impose board and executive compensation-related requirements on Swiss public companies, including requiring a binding (rather than advisory) shareholder vote on total board and total executive management compensation and prohibiting severance payments, salary prepayments and payments related to the acquisition or disposal of companies. The initiative also provides that the board members, the board chairperson and the compensation committee members be directly elected by shareholders annually. Further, the initiative calls for criminal sanctions in case of noncompliance. The Federal Council will have one year to issue a transitional ordinance which will be applicable until the Swiss Parliament passes the new law. Timing for the final implementation of the initiative is currently undetermined.

Executive Board compensation

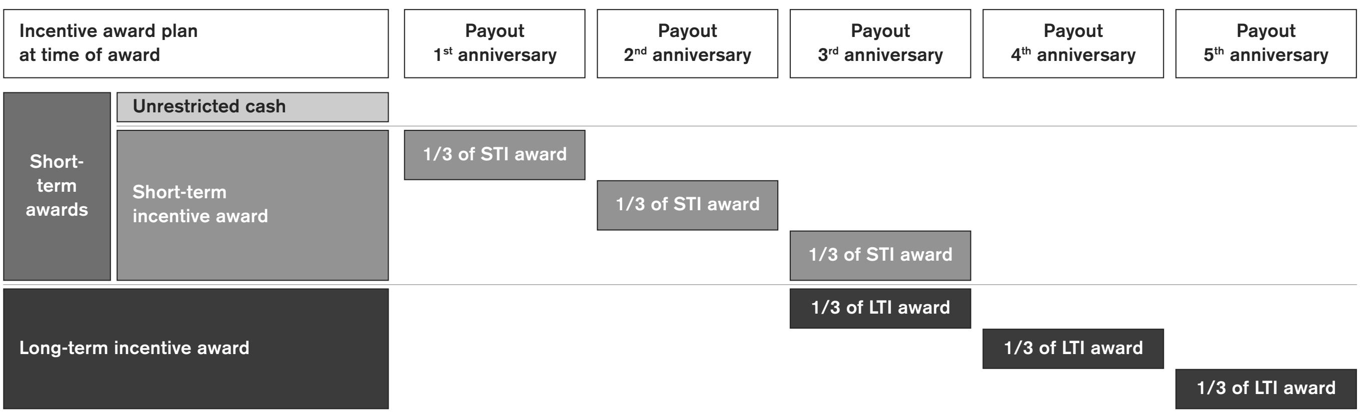
The new approach for Executive Board compensation that was introduced during 2012 was designed to ensure that the Group is in line with best practice among peer companies and to address requirements of regulators and shareholder feedback, while motivating outstanding performance from our executives.

The key features of the new approach to Executive Board compensation are:

- A new structure for incentive compensation consisting of short-term awards and a separate long-term incentive award;
- Short-term awards in the form of unrestricted cash and a deferred STI award, with vesting over a three-year period, subject to clawback in the event of negative business performance;
- A new deferred LTI award, which vests over a five-year period, payable starting on the third anniversary of the grant date and subject to predefined and challenging performance vesting conditions linked to the subsequent economic and market performance of the Group; and
- The introduction of clear compensation target levels and caps for each Executive Board member, linked to predefined performance criteria, expressed as multiples of base salary and for each incentive award plan.

An overview of the vesting timeline for the Executive Board short-term and long-term award plans is shown below.

Executive Board incentive award plan vesting timeline



Unrestricted cash

Unrestricted cash awards are short-term incentive awards, payable in cash after grant, which are intended to recognize the Executive Board members' performance for the most recent prior year.

Short-term incentive (STI) award

STI awards are granted in the form of performance share awards, which are deferred over three years and subject to clawback. The clawback results in a negative adjustment to the outstanding awards depending on the performance of the most recent prior year in the following circumstances:

- If the Group reports a negative underlying ROE, the number of outstanding awards is reduced by the same percentage as the negative underlying ROE;
- For the heads of the divisions reporting a pre-tax loss, the awards are reduced by 15% per CHF 1 billion of loss and the calculation of the reduction is performed on a pro-rata basis, based on the actual loss amount;
- In the case of both a negative underlying ROE and a divisional pre-tax loss, the negative adjustment is the greater of the negative underlying ROE and 15% per CHF 1 billion of loss adjustments;
- For the CEO and Executive Board members heading a Shared Services function, the clawback for negative performance will affect outstanding awards only if the Group has a negative underlying ROE; and
- If the general malus provision is triggered, the Group may cancel outstanding awards. In the case of Executive Board members, the general malus provision can be applied in a wide range of situations, including in the event of adverse individual, divisional or firm-wide factors, such as (but not limited to) any activity that is materially detrimental to the Group, that causes or could cause the Group or any of its divisions or regions to suffer reputational risk or a significant downturn in financial performance or capital base, or a significant failure of risk management.

The final number of STI awards delivered to Executive Board members will be the original number of awards granted or, if a clawback is triggered prior to vesting, a lower number. There are no circumstances under which the outstanding STI awards are increased. The value of the STI awards at delivery is solely dependent on the Group share price.

▸ Refer to "Potential downward adjustments of performance share awards and STI" in Group compensation – Compensation design – Deferred variable compensation instruments – Performance share awards for specific downward adjustments to be applied.

Long-term incentive (LTI) award

LTI awards are granted in the form of cash awards, which are deferred over a period of five years and vest in three tranches, one on each of the third, fourth and fifth anniversaries of the date of grant, subject to pre-defined performance vesting conditions. The amount due at vesting is determined based on the following performance criteria and conditions, which are measured on a tranche by tranche basis over the three calendar years preceding the year in which vesting occurs:

- Average of the RTSR achieved during each of the three years prior to vesting, calculated by reference to the average total shareholder return achieved by a group of peer firms, is the primary performance metric; and
- Average underlying ROE achieved during the three years prior to vesting compared to the ROE targets set for the respective years acts as a further adjustment, increasing or decreasing the amount payable by up to 25%.
- The amount payable at vesting of each tranche is subject to a cap of 200% of the initial LTI award value for that tranche.

RTSR is our total shareholder return compared to the average total shareholder return of our peers. Total shareholder return is calculated as equal to the appreciation or depreciation of a particular share, plus any dividends, over a given period, expressed as a percentage of the share's value at the beginning of the three-year measurement period. The peer group used for the RTSR calculation is the same group of twelve peer firms defined below. The RTSR achievement level can increase or decrease the amount due on a sliding scale basis and is subject to a cap as follows:

- Achievement of average RTSR of 150% (where the Group RTSR is 50% greater than that of the peer group) or greater results in a maximum upward adjustment of 100% (cap);
- Achievement of average RTSR of 100% (where the Group RTSR is the same as that of the peer group) results in an LTI payout that equals the grant value (no upward or downward adjustment);
- Achievement of RTSR of 50% (where the Group RTSR falls 50% below that of the peer group) or below results in the forfeiture of the respective LTI awards (downward adjustment of 100%); and
- Achievement of average RTSR between 50% and 150% of that of the peer group results in an upward or downward adjustment between negative 100% and positive 100%, applied on a sliding scale basis.

Following the RTSR calculation above, the amount payable is subject to a further upward or downward adjustment of up to 25%, depending on the average underlying ROE achieved during the three years prior to vesting compared to the underlying ROE targets approved for the corresponding years. The maximum upward adjustment of 25% applies if the average underlying ROE achieved is 200% of the target. The ROE adjustment, however, cannot increase the amount payable beyond two times the initial award.

The LTI is a deferred cash award. However, the Group retains the right to settle the LTI awards in shares at its discretion. In such a case, the amount of shares delivered in the year of vesting is based on the Group share price at the time of settlement.

Targets and caps for Executive Board members

Under the new structure, the Compensation Committee establishes individual targets and caps for each Executive Board member. An award at the target level is conditional upon the achievement of challenging performance goals, measured in terms of pre-defined performance criteria. If performance goals are exceeded, an amount above the target level can be awarded, but it may not exceed the cap. If performance goals are not met, awards will be below target and can be reduced to zero. The targets are determined by reference to estimated market levels of compensation for each individual role when matched against a group of peers, so that the individual target levels are aligned with competitive pay levels for comparable roles in the market. The caps are set at a premium over the target, again matched against peers, in order to provide suitable motivation for outstanding performance. The market data on executive compensation levels is provided to the Compensation Committee by its independent compensation advisor Johnson & Associates. The targets and caps for incentive compensation awards are expressed as multiples of base salary for each Executive Board member and in terms of the different incentive award plans (unrestricted cash, STI awards and LTI awards). Depending on the performance achieved, an Executive Board member can be awarded an amount of incentive compensation that is between zero and his or her cap for each incentive award plan. If the performance achieved is fully in line with the member's objectives, the member will be awarded the target amount of incentive compensation for each incentive award plan. Based on the overall assessment of the Group's performance by the Compensation Committee, and in consideration of individual contributions, the Compensation Committee retains discretion in determining the final amounts awarded to the Executive Board for individual members and in aggregate. Nonetheless, the sum of all the incentive compensation awards for the Executive Board remains subject to an overall cap of 2.5% of Group underlying net income, irrespective of individual performance.

2012 targets, caps and performance criteria
For 2012, the Compensation Committee approved individual target and cap levels for the CEO and the Executive Board members as of the end of 2012 (eight individuals), as summarized in the table below. The annual 2012 base salary was CHF 2.5 million for the CEO and CHF 1.5 million or the US dollar equivalent for other Executive Board members, which remained unchanged from the prior year respectively. For 2012, the incentive compensation was granted in the proportion of 10%/50%/40% for the unrestricted cash, STI award and LTI award, respectively. This corresponds to a deferral rate of 90% for Executive Board members, which is the maximum deferral rate applied to employees Group wide. No Executive Board member was awarded his or her cap level for 2012.

2012 targets and caps for Executive Board members

	Target levels		Cap levels	
	Average for Executive Board members	CEO	Average for Executive Board members	CEO
Multiples of base salaries				
Short-term awards				
Unrestricted cash	0.3	0.3	0.4	0.5
Short-term incentive award	1.6	1.4	2.2	2.2
Long-term incentive award	1.3	1.2	1.8	1.8

2012 performance criteria
The Compensation Committee approved criteria to measure the performance of Executive Board members in 2012 in terms of the performance of the Group and the respective business division or Shared Services function for which the individual was responsible. The performance criteria and their weightings for 2012 were as follows:

Group performance (40%):
- Group performance was evaluated on the basis of pre-tax income and ROE, both measured on an underlying basis at year-end compared to the 2012 targets, which were defined in the Group's 2012 financial plan and approved by the Board.

Divisional and individual performance (40%):
- Divisional financial performance: financial performance of the divisions was evaluated primarily on the basis of divisional pre-tax income and pre-tax income margin, reviewed on both a reported and an underlying basis for each division at year-end compared to the targets that were defined in the Group's 2012 financial plan and approved by the Board. The divisional financial performance criteria were applicable only to the Executive board members heading a division. For these individuals, the 40% weighting was split between the divisional financial performance and the individual qualitative assessment;
- Individual qualitative assessment: the qualitative assessment was performed on the basis of individual scorecards for each Executive Board member, based on the achievement of pre-defined non-financial objectives established for each division and Shared Services function. The objectives are set in each of the scorecard categories for the year, covering business and strategy, clients, people, collaboration and the control environment. For Executive Board members heading a Shared Services function, the 40% weighting was based on the qualitative assessment.

Compensation Committee assessment (20%):
- The Compensation Committee performed an overall quantitative and qualitative assessment of the Group's performance, including its capital and risk positions, the control

environment, and its relative performance against peers. In reaching its decisions, the Compensation Committee also considered the overall operating environment and the position of the Group and its businesses. In addition, it also considered individual roles and achievements of the Executive Board members.

For the evaluation of relative performance against peers, the Group has identified a group of twelve peer firms, based on the comparable scope and complexity of the business platform, business mix and geographical footprint: Bank of America, Barclays, BNP Paribas, Citigroup, Deutsche Bank, Goldman Sachs, HSBC, JP Morgan Chase, Morgan Stanley, Nomura, Société Générale and UBS.

2013 targets, caps and performance criteria

In early 2013, the Compensation Committee approved the targets and caps and the performance criteria to be applied for the 2013 performance review and incentive compensation process for individuals serving on the Executive Board as of the beginning of 2013. The Compensation Committee decided to place more emphasis on the long-term incentive award and therefore approved individual target levels for 2013 to be granted in the proportion of 10%/40%/50% for the unrestricted cash, STI award and LTI award, respectively (the 2012 proportion was 10%/50%/40%). The 2013 targets and caps are shown in the table below.

2013 targets and caps for Executive Board members

	Target levels		Cap levels	
	Range for Executive Board members	CEO	Range for Executive Board members	CEO
Multiples of base salaries				
Short-term awards				
Unrestricted cash	0.2 – 0.4	0.3	0.3 – 0.7	0.4
Short-term incentive award	0.6 – 1.7	1.1	1.2 – 2.9	1.6
Long-term incentive award	0.8 – 2.1	1.3	1.5 – 3.5	2.0

In addition, the aggregate value of the unrestricted cash, STI and LTI awards may be subject to a further upward or downward adjustment of up to 20% at the discretion of the Compensation Committee.

2013 performance criteria for the Executive Board

Performance criteria	Weightings: CEO	Weightings: Divisional Head	Weightings: Shared Services Head	Description and performance objectives
Group performance				
Underlying[1] ROE	33%	33%	40%	Group performance is evaluated on the basis of ROE, measured on an underlying basis at year end compared to target; targets are set on an annual basis in the Group's financial plan and approved by the Board. **Performance objectives:** 11% underlying[1] ROE to reach target; 16% underlying[1] ROE to reach cap
Divisional performance				
Group cost/income ratio	33%	–	10%	For the CEO and the Heads of the Shared Services functions, divisional performance is evaluated on the basis of the Group's cost/income ratio. **Performance objectives:** 70% underlying[1] cost/income ratio to reach target; 65% underlying[1] cost/income ratio to reach cap
Divisional performance	–	33%	10%	Divisional performance is evaluated on the basis of the following performance metrics for the divisional and Shared Services Heads: – Private Banking & Wealth Management Heads: **Performance objectives:** 70% underlying[1] cost/income ratio to reach target; 65% underlying[1] cost/income ratio to reach cap – Investment Banking Heads: **Performance objectives:** 11% after-tax return on allocated capital to reach target; 15% after-tax return on allocated capital to reach cap (allocated capital based on risk-weighted assets and total balance sheet usage)[2] – Shared Services Heads: **Performance objectives:** performance against approved 2013 budget to reach target; 5% below budgeted cost to reach cap
Individual qualitative assessment				
Scorecard assessment	33%	33%	40%	The Compensation Committee performs a qualitative assessment on the basis of individual scorecards established for the CEO and the other Executive Board members, based on the achievement of pre-defined non-financial objectives set out in each of the following scorecard categories for the year: **CEO scorecard**: i) capital strength; ii) human capital management (including succession planning); iii) strategy execution; and iv) management of control, operational and reputational risks. **Executive Board member scorecard**: i) capital strength; ii) human capital management (including succession planning); iii) management of control, operational and reputation risks; iv) involvement in client activities; and v) partnership and firm focused behavior. For the Executive Board members with regional responsibilities, these factors are also considered in respect of each of the regions for which they are responsible.

[1] Underlying results are non-GAAP financial measures that exclude valuation impacts from movements in own credit spreads and certain other significant items. [2] Prior to April 3, 2013, performance objectives were incorrectly stated as "11% pre-tax return on average utilized economic capital to reach target; 15% pre-tax return on average utilized economic capital to reach cap (allocated capital based on risk-weighted assets and total balance sheet usage)".

Performance evaluation for 2012

In January 2013, the Compensation Committee completed its performance evaluation for 2012 for the Group and the individual assessments of Executive Board members.

Group performance evaluation

For 2012, the Compensation Committee concluded that the Group performance targets were met. The Group delivered a performance largely in line with annual targets in the financial plan for 2012. In 2012, underlying pre-tax income significantly improved to CHF 5.0 billion from CHF 2.4 billion in 2011 and underlying ROE significantly improved to 10.0% from 5.5% in 2011. Reported Core pre-tax income was CHF 1.9 billion, compared to CHF 2.7 billion in 2011, while reported ROE was 3.9%, compared to 6.0% in 2011. The primary difference between the Group's reported and underlying results for 2012 arose from fair value losses on our own debt before tax of CHF 2.9 billion, which resulted from improvements in our credit spreads, a trend closely aligned to market recognition of the strengthening of the Group's capital and competitive position in 2012. The table "Reconciliation of underlying results" below provides a reconciliation of the Group's underlying results to the most directly comparable US GAAP measures. For the purposes of evaluating the Executive Board's contribution to the achievement of satisfactory financial results for the Group, the Compensation Committee considers the underlying results to be a more accurate reflection of our operating results and therefore a more appropriate basis for the purposes of establishing compensation.

Underlying performance

Underlying results are non-GAAP financial measures. The numbers listed in the following table are included in the operating and financial review of the businesses.

▸ Refer to "Core Results", "Private Banking & Wealth Management" and "Investment Banking" in II – Operating and financial review for discussions of the individual line items.

Reconciliation of underlying results

	Core pre-tax income		Net income attributable to shareholders		Return on equity (%)	
in	**2012**	2011	**2012**	2011	**2012**	2011
Overview of significant items (CHF million)						
Reported results	**1,879**	**2,749**	**1,349**	**1,953**	**3.9**	**6.0**
Fair value losses/(gains) from movement in own credit spreads	2,939	(1,616)	2,261	(1,151)	–	–
Realignment costs	680	847	477	640	–	–
Gain on sale of stake in Aberdeen Asset Management	(384)	(15)	(326)	(13)	–	–
Gain on sale of non-core business (Clariden Leu integration)	(41)	–	(37)	–	–	–
Impairment of Asset Management Finance LLC and other losses	68	–	41	–	–	–
Gain on sale of real estate	(533)	(72)	(445)	(60)	–	–
Gain on sale of Wincasa	(45)	–	(45)	–	–	–
Losses on planned sale of certain private equity investments	82	–	72	–	–	–
Litigation provisions	363 [1]	478 [2]	230 [1]	428 [2]		
Underlying results	**5,008**	**2,371**	**3,577**	**1,797**	**10.0**	**5.5**

[1] Includes CHF 136 million (CHF 96 million after tax) related to significant Investment Banking litigation provisions in the third quarter of 2012 and CHF 227 million (CHF 134 million after tax) NCFE-related litigation provisions in the fourth quarter of 2012. [2] Related to litigation provisions in connection with German and US tax matters.

Divisional and individual performance evaluation

For 2012, the Compensation Committee concluded that divisional and individual performance targets were met.

In Private Banking & Wealth Management, the Compensation Committee acknowledged the improvement of the financial indicators. Pre-tax income and pre-tax income margin improved for the former Private Banking and Asset Management divisions. Results were consistent with the Group's financial plan for 2012. With regard to the qualitative assessment, the Compensation Committee acknowledged the continued strong asset gathering momentum for net new assets in targeted markets, particularly in emerging markets and the ultra-high-net-worth client business which were partially offset by outflows in Western Europe and relating to the integration of Clariden Leu. It also acknowledged the successful repositioning of the Asset Management business, and further reflects our continued focus on alternative investment strategies, including emerging markets, and core investments, including asset allocation and traditional products.

In Investment Banking, the Compensation Committee acknowledged the improvement of financial indicators. The improvements of pre-tax income and the pre-tax income margin were consistent with the Group's financial plan for 2012. With regard to the qualitative assessment, the Compensation Committee also acknowledged the reduced volatility and improved consistency of results, reflecting the successful alignment of the business model to new market and regulatory requirements. Investment Banking risk-weighted assets under Basel III were reduced from USD 242 billion at year-end 2011 to USD 187 billion at year-end 2012, reflecting substantial progress towards the target level of below USD 175 billion by year-end 2013.

For Shared Services, the Compensation Committee acknowledged the robust control and support environment combined with cost discipline and efficiency gains that helped to improve results in 2012 while transitioning the business to new regulatory requirements. In the aggregate, the Group achieved expense savings of CHF 2 billion in 2012 compared to our annualized six month 2011 expense run rate measured at constant foreign exchange rates and adjusted to exclude business realignment and other significant non-operating expenses and variable compensation expenses.

Compensation Committee discretionary assessment

As a result of its discretionary assessment, the Compensation Committee concluded that the Executive Board made good progress in a number of areas relevant to the long term positioning of the Group. In particular, the Compensation Committee acknowledged the progress during 2012 towards meeting new regulatory requirements. With improved earnings and the successful implementation of the capital measures announced in July 2012, the Group achieved an improvement of its regulatory capital base. As of year-end 2012, our Look-through Swiss Core Capital ratio was 9.0%, compared to 10% that will be required by FINMA by year-end 2018. Our Basel II.5 tier 1 ratio improved to 19.4% from 15.2% in 2011. We reduced our total assets by CHF 99 billion during the fourth quarter of 2012, making significant progress toward the goal of reducing our balance sheet to below CHF 900 billion on a foreign exchange neutral basis by year-end 2013.

▸ Refer to "Capital management" and "Balance sheet, off-balance sheet and other contractual obligations" in III Treasury, Risk, Balance sheet and Off-balance sheet for further discussion on capital ratios and the reduction of our balance sheet.

Compensation decisions

Based on the evaluation of the Group, divisional and individual performance, the Compensation Committee concluded that the Executive Board members had largely achieved their challenging performance targets for 2012. On that basis, the Executive Board members in the aggregate were awarded an amount of CHF 13.6 million as unrestricted cash and CHF 21.0 million as STI awards, representing, on average, 95% and 97% of the individual target amounts, respectively. Further, Executive Board members were awarded CHF 15.4 million as LTI awards, representing, on average, 94% of the individual LTI target amounts. The incentive compensation decisions for 2012 also reflected an adjustment of our executive compensation to market levels for comparable roles within the global banking industry.

Executive Board compensation for 2012

in	Base salary	Short-term awards Unrestricted cash	Short-term awards Value of STI awards	Value of LTI awards	Pension and similar benefits and other benefits [1]	Dividend equivalents [2]	Payments and awards due to contractual agreements [3]	**Total compensation** [4]
2012 (CHF million, except where indicated)								
13 members [5]	17.75	13.56 [6]	20.95 [7]	15.40 [8]	4.28	2.18	–	**74.12**
% of total compensation	24%	18%	28%	21%				
of which highest paid:								
Robert Shafir	1.40	0.70	3.50	2.80	1.91 [9]	0.28	–	**10.59**
% of total compensation	13%	7%	33%	26%				
of which CEO:								
Brady W. Dougan	2.50	0.50	2.50	2.00	0.04	0.23	–	**7.77**
% of total compensation	32%	6%	32%	26%				

[1] Other benefits consist of housing allowances, lump sum expenses, child allowances and carried interest. [2] Share awards carry the right to an annual payment equal to the dividend payable on each Group share. The dividend equivalents were paid in respect of awards granted in prior years. [3] During 2012, there were no payments made to Executive Board members for contractual agreements. [4] Does not include CHF 3.9 million of charitable contributions made by the Group for which the CEO and a former Executive Board member are able to make recommendations. [5] Of the 13 members, 5 left the Executive Board during 2012: Karl Landert and Antonio Quintella stepped down from the Executive Board effective April 30, 2012 and May 31, 2012, respectively, and Osama Abbasi, Walter Berchtold and Fawzi Kyriakos-Saad left the Executive Board effective November 30, 2012. The base salary and incentive compensation for these individuals has been pro rated accordingly. These individuals were paid incentive compensation in the form of unrestricted cash and STI awards for their performance in their respective roles on the Executive Board in 2012. [6] Includes pro rated unrestricted cash of CHF 10.2 million paid to the five individuals who left the Executive Board during 2012. [7] All short-term incentive awards for 2012 were granted as performance shares. The applicable Group share price for the performance share awards was CHF 24.62. [8] Long-term incentive awards vest over a five year period, payable on the third, fourth and fifth anniversaries of the grant date. The final value at vesting depends on the achievement of pre-defined performance criteria linked to the average relative total shareholder return and average return on equity. [9] CHF 1.87 million of this amount was granted as carried interest in 2012 (see below). In addition, in connection with his role at the time as CEO of the Asset Management division, in 2008 Mr. Shafir received a carried interest award in certain alternative investment funds. The value realized over time depends on the investment performance of the funds over their lifetime up to fifteen years. The initial value of the award is determined by making assumptions about the return that will be realized on the funds. The aggregate theoretical value of these awards was approximately USD 10 million assuming an estimated 9 percent return on all fund investments over their projected lifetime, and reducing this estimated return by 25 percent to reflect potential underperformance in some of the funds.

2012 total compensation of the CEO and highest paid Executive Board member

For CEO Brady Dougan, the Compensation Committee evaluated the performance of the Group as well as the performance of the Executive Board. In recommending the incentive compensation to the Board for Mr. Dougan, the Compensation Committee considered the improved financial position of the Group in 2012, reflected in an underlying pre-tax income of CHF 5.0 billion, more than double the CHF 2.4 billion in the prior year. In addition, the Compensation Committee considered the achievement of targets and the significant progress made in transitioning the business to the new regulatory and market environment and to meeting challenging new capital requirements, that came into effect in January 2013 with the implementation of Basel III in Switzerland. In particular, the Compensation Committee acknowledged that by year-end 2012 as compared to 2011, the Group reduced Basel III risk-weighted assets by CHF 55 billion to CHF 285 billion, reduced its balance sheet by CHF 125 billion, achieved a 9.0% Look-through Swiss Core Capital ratio and improved its leverage ratio (up to 5.8% from 4.6%). The Compensation Committee also recognized the steady progress made towards meeting the Group's challenging CHF 4.4 billion run-rate cost reduction target by year-end 2015, and the successful transformation of the Group's businesses, including the creation of an integrated Private Banking & Wealth Management division and the changes and realignment measures implemented within the Investment Banking business. Given the strong performance of Mr. Dougan during 2012 and his achievements in positioning the firm for the future, the Board decided upon the recommendation by the Compensation Committee to award Mr. Dougan unrestricted cash of CHF 0.5 million, an STI award of CHF 2.5 million and an LTI award of CHF 2.0 million, which were regarded as appropriate award levels in the current environment.

The highest paid member of the Executive Board in 2012 was Robert Shafir. For 2012, Mr. Shafir was awarded unrestricted cash of CHF 0.7 million, an STI award of CHF 3.5 million and an LTI award of CHF 2.8 million. Mr. Shafir's incentive compensation in 2012 was awarded in consideration of his continued strong performance. The Compensation Committee noted that, in particular, Mr. Shafir had successfully repositioned the former Asset Management division while improving financial results through higher net revenues and lower total operating expenses. He also assumed the role of CEO for the Americas, in addition to his role as Head of the Asset Management division, after Mr. Antonio Quintella left the Executive Board in May 2012. In addition, for 2012 Mr. Shafir was granted a carried interest in certain alternative investment funds in the Asset Management business with a value of CHF 1.87 million. This award was granted to align Mr. Shafir with the overall special capital program where he is required to restructure the Asset Management business. Carried interest is a participation in the investment performance of a private equity or hedge fund portfolio, the value of which will vary significantly depending on the performance of the underlying portfolio.

Other aspects of Executive Board compensation

Charitable contributions

As in the prior three years, a portion of the Executive Board incentive compensation pool for 2012 was approved by the Compensation Committee to fund charitable contributions by the Group. The total amount approved for charitable contributions was CHF 3.9 million for 2012. The contributions will benefit eligible registered charities. The CEO and a former Executive Board member are able to make recommendations in respect of the allocation of the 2012 contributions to various specific charities.

Minimum share ownership requirements

The Group applies minimum share ownership requirements for members of the Executive Board and members of the divisional and regional management committees as follows:

- CEO: 350,000 shares;
- Other Executive Board members: 150,000 shares;
- Executives responsible for Private Banking & Wealth Management and Investment Banking: 50,000 shares; and
- Executives responsible for Shared Services functions: 20,000 shares.

The thresholds include all Group shares held by or on behalf of these executive employees, including unvested share awards. All affected executive employees are restricted from selling shares (including vested share awards) until they meet the minimum share ownership requirements. The Group prohibits all employees from entering into transactions to hedge the value of unvested share awards. Pledging of unvested share awards by Executive Board members is also not permitted unless expressly approved by the Compensation Committee.

Executive Board compensation for 2011

in	Base salary	Unrestricted cash	Value of share awards	Value of PAF2 awards	Pension and similar benefits and other benefits [1]	Dividend equivalents [2]	Payments and awards due to contractual agreements [3]	**Total compensation** [4]
2011 (CHF million, except where indicated)								
13 members	19.38	– [5]	32.83 [6]	12.48 [7]	2.66	2.85	–	**70.20**
% of total compensation	28%		47%	18%				
of which highest paid: Robert S. Shafir	1.32	–	4.39	2.37	0.02	0.40	–	**8.50**
% of total compensation	16%		52%	28%				
of which CEO: Brady W. Dougan	2.50	–	3.00	–	0.02	0.30	–	**5.82**
% of total compensation	43%		52%					

[1] Other benefits consist of housing allowances, lump sum expenses and child allowances. [2] Share awards carry the right to an annual payment equal to the dividend of one Group share. The dividend equivalents were paid in respect of awards granted in prior years. [3] During 2011, there were no payments made to Executive Board members for contractual agreements. [4] Does not include CHF 13 million of charitable contributions made by the Group for which certain Executive Board members, including the CEO, were able to make recommendations. [5] As of December 31, 2011, no members of the Executive Board received unrestricted cash. [6] Includes CHF 22.8 million of performance share awards; the applicable Group share price was CHF 21.90. [7] The value of the 2011 Partner Asset Facility was the fair value as of the grant date of March 1, 2012.

Contract lengths, change in control and termination provisions

All members of the Executive Board have employment contracts with the Group. The contracts do not specify a contract length and are valid until terminated. Members of the Executive Board are required by contract to give six months' notice of termination of employment. The Group must also give members of the Executive Board six months' notice of termination of employment. There are no other contracts, agreements or arrangements with the members of the Executive Board that provide for payments or benefits in connection with termination of employment that are not generally available to other employees of the Group. For example, in the event of a termination of employment, pre-defined conditions apply to the balances of outstanding compensation awards, depending on whether the termination of employment was voluntary, involuntary or the result of a change in control.

In the case of a change in control, the treatment of outstanding awards for all employees, including Executive Board members, will be determined by the Compensation Committee or the Board. In the case of a change in control, there are no provisions in the employment contracts of Executive Board members that require the payment of any type of extraordinary benefits, including special severance awards.

In the event of the termination of the employment of an Executive Board member without cause, there are no pre-arranged contractual rights to a severance payment. Nonetheless, the amount and terms of a severance payment may be agreed between the Group and the respective Executive Board member.

Former Executive Board members

During 2012, five individuals left the Executive Board. As of December 31, 2012, all five individuals continued to be employed by the Group. Agreements were entered into with four of the individuals to terminate their employment during 2013.

Generally, former members of our most senior executive body who no longer provide services to the Group upon their request are still eligible to receive office infrastructure and secretarial support. These services are based on existing resources and are not used on a regular basis. No additional fees, severance payments or other forms of compensation were paid to former members of the Executive Board who no longer provide services to the Group or related parties during 2012.

Executive Board shareholdings and loans

Executive Board shareholdings

The shareholdings as disclosed in the table below include the holdings of the respective members of the Executive Board, their immediate family members and companies where they have a controlling interest. The unvested share-based awards do not include awards granted after December 31, 2012. The increase in the number of unvested share awards at the end of 2012 compared to 2011 was due to the decision by all the Executive Board members to convert into share-based awards all of their unvested cash-based Adjustable Performance Plan awards from 2010 and 2009, and the share-based awards granted in 2012 for 2011. The voluntary conversion option was offered to all employees holding cash Adjustable Performance Plan awards in the context of the capital strengthening measures announced in July 2012.

The value of share-based compensation awards granted to members of the Executive Board in prior years, but not yet fully vested, varies depending on the Group share price and other factors influencing the fair value of the award. The table "Executive Board holdings and values of deferred share-based awards by individual" shows the value of the unvested share-based compensation awards held by members of the Executive Board as of December 31, 2012. The aggregate cumulative value of these unvested share-based awards as of December 31, 2012 was 6% higher compared to the value of the awards as of their respective grant dates.

As a result of the conversion of the Adjustable Performance Plan cash awards to share awards during 2012, the remaining cash-based deferred compensation awards granted to certain Executive Board members in prior years are the 2008 Partner Asset Facility (PAF) and the 2011 Partner Asset Facility (PAF2) awards. The aggregate value of such cash-based awards at their grant dates was CHF 12.2 million compared to a value CHF 20.1 million as of December 31, 2012. The value of these awards varies depending upon the value of the underlying portfolios linked to the PAF and PAF2 awards and the length of the remaining deferral period.

Executive Board holdings and values of deferred share-based awards by individual

end of	Number of owned shares [1]	Number of unvested share awards	Number of owned shares and unvested share awards	Number of unvested ISUs	Number of unvested SISUs	Number of options	Value of unvested awards at grant (CHF)	Current value of unvested awards (CHF)
December 31, 2012								
Brady W. Dougan	906,929	666,068	1,572,997	–	76,102	–	18,945,613	19,815,939
Romeo Cerutti	80,279	320,261	400,540	–	23,272	–	8,446,679	9,172,331
Tobias Guldimann	57,763	375,725	433,488	–	29,090	–	9,964,935	10,808,561
David R. Mathers	0	461,439	461,439	–	15,130	1,095 [2]	11,174,895	12,724,392
Hans-Ulrich Meister	178,198	550,776	728,974	–	46,546	–	14,848,594	15,948,497
Robert S. Shafir	387,544	736,377	1,123,921	–	62,320	–	19,807,159	21,325,210
Pamela A. Thomas-Graham	4,583	239,137	243,720	–	14,382	–	6,342,875	6,768,957
Eric M. Varvel	62,169	454,785	516,954	–	55,470	–	13,996,715	13,623,809
Total	**1,677,465** [3]	**3,804,568**	**5,482,033**	**–**	**322,312**	**1,095**	**103,527,465**	**110,187,696**
December 31, 2011								
Brady W. Dougan	870,586	117,754	988,340	–	114,153	–	12,538,963	5,118,187
Osama S. Abbasi	233,801	75,354	309,155	3,771	44,232	–	6,218,957	2,804,282
Walter Berchtold	700,040	157,005	857,045	42,023	106,473	–	15,093,404	7,653,886
Romeo Cerutti	37,543	66,426	103,969	7,260	34,908	–	5,343,325	2,554,139
Tobias Guldimann	20,124	66,426	86,550	8,399	43,635	–	5,968,402	2,796,587
Fawzi Kyriakos-Saad	199,942	75,354	275,296	35,973	34,425	–	6,667,886	3,997,001
Karl Landert	96,248	66,426	162,674	34,039	45,381	–	6,967,319	3,957,127
David R. Mathers	16,420	78,503	94,923	17,588	22,695	14,960 [4]	5,547,285	3,003,091
Hans-Ulrich Meister	46,676	108,696	155,372	39,751	69,819	–	10,554,425	5,679,330
Antonio C. Quintella	112,323	37,677	150,000	–	–	–	1,559,828	831,531
Robert S. Shafir	190,489	127,522	318,011	84,480	93,480	–	14,460,480	8,574,359
Pamela A. Thomas-Graham	4,583	46,372	50,955	–	21,573	–	3,368,158	1,499,546
Eric M. Varvel	0	139,810	139,810	39,183	83,205	–	12,721,715	6,636,589
Total	**2,528,775**	**1,163,325**	**3,692,100**	**312,467**	**713,979**	**14,960**	**107,010,147**	**55,105,655**

[1] Includes shares that were initially granted as deferred compensation and have vested. [2] Consists of options with an expiration date of January 22, 2013 and an exercise price of CHF 30.60. [3] In addition to the number of owned shares shown, the following Executive Board members held an aggregate number of 2,320 mandatory and contingent convertible securities (MACCS): Brady Dougan (1,336), Romeo Cerutti (60), Hans-Ulrich Meister (262), Robert Shafir (571), Eric Varvel (91); these securities are convertible into an aggregate number of 143,033 shares on March 29, 2013 at a conversion price of CHF 16.29, with settlement and delivery of shares in early April 2013. [4] Consists of 1,095 options with an expiration date of January 22, 2013 and an exercise price of CHF 30.60 and 13,865 options with an expiration date of December 3, 2012 and an exercise price of CHF 34.10.

Executive Board loans

A large majority of loans outstanding to members of the Executive Board are mortgages or loans against securities. Such loans are made on the same terms available to employees pursuant to widely available employee benefit plans. As of December 31, 2012, 2011 and 2010, outstanding loans to the members of the Executive Board amounted to CHF 8 million, CHF 22 million and CHF 18 million, respectively. The number of individuals with outstanding loans at the beginning and the end of 2012 was six and three, respectively, and the highest loan outstanding was CHF 4 million to Eric Varvel.

All mortgage loans to members of the Executive Board are granted either with variable or fixed interest rates over a certain period. Typically, fixed-rate mortgages are granted for periods of up to ten years. Interest rates applied are based on refinancing costs plus a margin and interest rates and other terms are consistent with those applicable to other employees. Loans against securities are granted at interest rates and on terms applicable to such loans granted to other employees. When granting a loan to these individuals, the same credit approval and risk assessment procedures apply as for loans to other employees. Unless otherwise noted, all loans to Executive Board members were made in the ordinary course of business and substantially on the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons and in consideration of the terms which apply to all Group employees, and did not involve more than the normal risk of collectability or present other unfavorable features.

▸ Refer to “Banking relationships with members of the Board and Executive Board and related party transactions” in Corporate Governance for further information.

Board of Directors compensation

Compensation to members of the Board is set in accordance with the Articles of Association, OGR and the Compensation Committee Charter. The annual compensation paid to members of the Board is set by the Board based on the recommendation of the Compensation Committee. All members of the Board receive a base board fee plus a committee fee or an additional fee that reflects the respective Board member's role, time commitment and scope of responsibility on the Board. The full-time Chairman, the Vice-Chairman and the three committee chairmen assume the greatest responsibility and dedicate the most time in fulfilling their board duties. As such, these individuals receive a higher annual base board fee than other board members and may receive additional fees which vary according to their specific role. The base and committee fee amounts are set by the Board upon recommendation of the Compensation Committee for the 12-month period from the current Annual General Meeting (AGM) to the following year's AGM. Fees paid to Board members are in the form of cash and Group shares, which are blocked from being sold for a period of four years. By compensating Board members to a significant degree in the form of blocked Group shares, we ensure alignment of their interests with the interests of our shareholders.

Members of the Board without designated leadership responsibilities (ten individuals) each received an annual base board fee for 2012 of CHF 250,000 and an annual committee fee for serving on the Audit, Risk or Compensation Committees. The committee fees were CHF 150,000 for the Audit Committee, CHF 100,000 for the Risk Committee and CHF 100,000 for the Compensation Committee. Members of the Chairman's and Governance Committee do not receive a committee fee.

Compensation of the Chairman

The Chairman of the Board is paid a base board fee plus an additional fee, which is proposed by the Compensation Committee and approved by the Board. The additional fee awarded to the Chairman can vary from year to year, depending on Group and individual performance. The base board and the additional fee awarded to the Chairman reflect his full-time status and active role taken in shaping the Group's strategy, governing the Group's affairs and representing the Group vis-à-vis shareholders. The Chairman coordinates the work within the Board, works with the committee chairmen to coordinate the tasks of the committees and ensures that Board members are provided with sufficient information for performing their duties. In particular, the Chairman drives the Board agenda and key Board topics, especially regarding the strategic development of the Group, succession planning, structure and organization of the Group, as well as compensation and compensation structure, including the performance evaluation and compensation of the CEO and the Executive Board. He chairs the Board, the Chairman's and Governance Committee and the shareholder meetings, leads the Group's corporate governance and takes an active role in representing the Group to the key shareholders, investors, regulators and supervisors, industry associations and other stakeholders.

For 2012, Chairman Urs Rohner received total compensation of CHF 5.2 million, of which CHF 2.5 million was the base board fee, CHF 2.5 million was additional fees and CHF 0.2 million was other compensation, consisting mainly of pension-related benefits. Of the CHF 5.2 million, CHF 4.0 million was awarded in cash and CHF 1.2 million was awarded in Group shares, blocked for a period of four years. For the prior year, Urs Rohner received total compensation of CHF 4.3 million, for his successive roles as Vice-Chairman and Chairman, which he assumed at the AGM in April of 2011. The total compensation awarded to the Chairman for 2012 reflects the improved financial position of the Group and Urs Rohner's performance under difficult circumstances as evaluated by the Compensation Committee. In particular, it is in recognition of Mr. Rohner's leadership of the Board, his impact in closely steering and monitoring the strategic development of the Group, including the alignment of business structure and organization to the new regulatory requirements, as well as his active engagement with key stakeholders and regulators and representation of the Group in a variety of industry associations.

Compensation of the Vice-Chairman and the committee chairmen

Peter Brabeck-Letmathe, in the role of Vice-Chairman, received an annual base board fee of CHF 400,000 but no committee or additional fees. Aziz R.D. Syriani, Richard E. Thornburgh and John Tiner, each in the role of committee chairman, received an annual base board fee plus an additional fee, which reflects the greater responsibility and time commitment required to perform the role of a committee chairman. The annual base board fee for the chairmen of the Audit and Risk Committees for 2012 was CHF 400,000 and the annual base board fee for the chairman of the Compensation Committee was CHF 350,000. The base board fees for the committee chairmen are set by the Compensation Committee for the 12-month period from the current AGM to the following year's AGM. The additional fees awarded to the three committee chairmen may vary from year to year, according to their overall time commitment, and are determined and paid for the current year, in alignment with the annual variable compensation cycle. The additional fees paid to the Audit and Risk Committee chairmen, who also serve on other committees as regular members, reflect the additional time commitment required to serve as regular members on such committees, which they do not chair.

Former members of the Board

Three former members of the Board are eligible to receive office infrastructure and secretarial support. These services are based on existing resources and are not used on a regular basis. No additional fees, severance payments or other forms of compensation were paid to current or former members of the Board or related parties during 2012.

Board compensation for 2012

in	Base board fee	Committee fee	Additional fees [1]	Other compen-sation categories [2]	**Total compen-sation**	Awarded in cash	% of total compen-sation	Awarded in Group shares	% of total compen-sation	Number of Group shares [3]
2012/2013 (CHF)										
Urs Rohner, Chairman [4]	2,500,000	–	2,500,000	234,881	5,234,881	3,984,881	76%	1,250,000	24%	50,772
Peter Brabeck-Letmathe, Vice-Chairman [5]	400,000	–	–	–	400,000	200,000	50%	200,000	50%	9,026
Jassim Bin Hamad J.J. Al Thani [5]	250,000	–	–	–	250,000	125,000	50%	125,000	50%	5,641
Robert H. Benmosche [5]	250,000	100,000	–	–	350,000	175,000	50%	175,000	50%	7,898
Iris Bohnet [5]	250,000	100,000	–	–	350,000	175,000	50%	175,000	50%	7,898
Noreen Doyle [5]	250,000	100,000	182,600	–	532,600	357,600	67%	175,000	33%	7,898
Jean-Daniel Gerber [5]	250,000	150,000	–	–	400,000	200,000	50%	200,000	50%	9,026
Walter B. Kielholz [5]	250,000	100,000	–	–	350,000	175,000	50%	175,000	50%	7,898
Andreas N. Koopmann [5]	250,000	100,000	–	–	350,000	175,000	50%	175,000	50%	7,898
Jean Lanier [5]	250,000	250,000	–	–	500,000	250,000	50%	250,000	50%	11,282
Anton van Rossum [5]	250,000	100,000	–	–	350,000	175,000	50%	175,000	50%	7,898
Aziz R.D. Syriani, Chairman of the Compensation Committee [4]	350,000	–	400,000	–	750,000	522,500	70%	227,500	30%	9,241
David W. Syz [5]	250,000	150,000	–	–	400,000	200,000	50%	200,000	50%	9,026
Richard E. Thornburgh, Chairman of the Risk Committee [4]	400,000	–	1,000,000	–	1,400,000	900,000	64%	500,000	36%	20,309
John Tiner, Chairman of the Audit Committee [4]	400,000	–	1,000,000	–	1,400,000	900,000	64%	500,000	36%	20,309
Total	**6,550,000**	**1,150,000**	**5,082,600**	**234,881**	**13,017,481**	**8,514,981**	**65%**	**4,502,500**	**35%**	**192,020**

[1] Includes the additional fees for the full-time Chairman and the three committee chairmen as well as the additional fees paid to Noreen Doyle in 2012 as a non-executive director of two of the Group's UK subsidiaries, Credit Suisse International and Credit Suisse Securities Europe Limited. The additional fees of CHF 182,600 for Noreen Doyle corresponded to the annual fees of GBP 125,000 which Noreen Doyle received in 2012 as a non-executive director (annual fee of GBP 100,000) and audit committee chair (additional fee of GBP 25,000) of Credit Suisse International and Credit Suisse Securities Europe Limited. [2] Other compensation for the Chairman included lump sum expenses, child and health care allowances and pension benefits. [3] The value of the Group shares is included in total compensation. Group shares are subject to a four-year blocking period. [4] The Chairman and the three committee chairmen received an annual base board fee paid in cash. They also received additional fees paid in cash and/or share awards as determined by the Board in the course of the regular compensation process. The additional fees awarded to these four individuals for 2012 were paid in Group shares (50%) and cash (50%). The applicable Group share price was CHF 24.62. [5] Except for the Chairman and the three committee chairmen, members of the Board were paid an annual base board fee and a committee fee for their respective committee membership in advance for the period from one AGM to the other, i.e., from April 26, 2012 to April 27, 2013. The annual committee fees are CHF 150,000 for the Audit Committee and CHF 100,000 for each of the Risk and Compensation Committees. For 2012, these total combined fees were paid in Group shares (50%) and cash (50%). The applicable Group share price as of the 2012 annual general meeting was CHF 22.16.

Board compensation for 2011

in	Base board fee	Committee fee	Compensation for functional duties	Other compensation categories [1]	**Total compensation**	Awarded in cash	% of total compensation	Awarded in Group shares	% of total compensation	Number of Group shares [2]
2011/2012 (CHF)										
Urs Rohner, Chairman [3, 4]	2,100,000	–	2,000,000	234,881	4,334,881	3,334,881	77%	1,000,000	23%	45,663
Hans-Ulrich Doerig, former Chairman [3]	750,000	–	666,667	–	1,416,667	1,416,667	100%	–	–	–
Peter Brabeck-Letmathe, Vice-Chairman	400,000	–	–	–	400,000	200,000	50%	200,000	50%	5,088
Jassim Bin Hamad J.J. Al Thani [5]	250,000	–	–	–	250,000	125,000	50%	125,000	50%	3,180
Robert H. Benmosche [5]	250,000	100,000	–	–	350,000	175,000	50%	175,000	50%	4,452
Noreen Doyle [5, 6]	250,000	100,000	–	–	350,000	175,000	50%	175,000	50%	4,452
Walter B. Kielholz [5]	250,000	100,000	–	–	350,000	175,000	50%	175,000	50%	4,452
Andreas N. Koopmann [5]	250,000	100,000	–	–	350,000	175,000	50%	175,000	50%	4,452
Jean Lanier [5]	250,000	250,000	–	–	500,000	250,000	50%	250,000	50%	6,360
Anton van Rossum [5]	250,000	100,000	–	–	350,000	175,000	50%	175,000	50%	4,452
Aziz R.D. Syriani, Chairman of the Compensation Committee [4]	350,000	–	400,000	–	750,000	522,500	70%	227,500	30%	10,389
David W. Syz [5]	250,000	150,000	–	–	400,000	200,000	50%	200,000	50%	5,088
Richard E. Thornburgh, Chairman of the Risk Committee [4]	400,000	–	1,000,000	–	1,400,000	900,000	64%	500,000	36%	22,832
John Tiner, Chairman of the Audit Committee [4]	400,000	–	666,666 [7]	–	1,066,666	733,333	69%	333,333	31%	15,221
Peter F. Weibel [5]	250,000	150,000	465,000 [7]	–	865,000	665,000	77%	200,000	23%	5,088
Total	**6,650,000**	**1,050,000**	**5,198,333**	**234,881**	**13,133,214**	**9,222,381**	**70%**	**3,910,833**	**30%**	**141,169**

[1] Other compensation included lump sum expenses, child and health care allowances and pension benefits. [2] The value of the Group shares is included in total compensation. Group shares are subject to a four-year blocking period. [3] Hans-Ulrich Doerig and Urs Rohner served in the roles of full-time Chairman and full-time Vice Chairman, respectively, from January 2011 until the AGM in April 2011. As of the 2011 AGM, Urs Rohner succeeded Hans-Ulrich Doerig in the role of full-time Chairman. [4] Members of the Board with functional duties received an annual base board fee paid in cash. In addition, they received variable compensation paid in cash and/or share awards as determined by the Board in the course of the regular management compensation process. Generally, variable compensation awarded for 2011 was paid in Group shares (50%) and cash (50%). The applicable Group share price was CHF 21.90. [5] Members of the Board without functional duties were paid an annual base board fee and a committee fee for their respective committee membership in advance for the period from one AGM to the other, i.e., from April 29, 2011 to April 27, 2012. The annual committee fees are CHF 150,000 for the Audit Committee and CHF 100,000 for the Risk and Compensation Committees. For 2011, these total combined fees were paid in Group shares (50%) and cash (50%). The applicable Group share price as of the 2011 AGM was CHF 39.31. [6] In July 2011, Noreen Doyle was appointed as a non-executive director and audit committee chair of the Group's UK subsidiaries Credit Suisse International and Credit Suisse Securities Europe Limited and was paid a total of GBP 50,000 in fees. [7] Peter F. Weibel was the Chairman of the Audit Committee until the 2011 annual general meeting, at which time John Tiner took over the role.

Board shareholdings and loans

Board shareholdings

The shareholdings as disclosed in the following table include the holdings of the respective members of the Board, their immediate family members and companies in which they have a controlling interest. As of December 31, 2012, there were no Board members with outstanding options.

Board shareholdings by individual

in	2012	2011
December 31 (shares) [1]		
Urs Rohner	244,422	221,056
Peter Brabeck-Letmathe	120,999	108,820
Jassim Bin Hamad J.J. Al Thani	11,790	5,696
Robert H. Benmosche	30,872	23,304
Iris Bohnet	7,898	–
Noreen Doyle	41,324	31,837
Jean-Daniel Gerber	9,826	–
Walter B. Kielholz	292,424	281,891
Andreas N. Koopmann	30,469	21,400
Jean Lanier	43,881	30,912
Anton van Rossum	48,598	38,831
Aziz R.D. Syriani	76,774	66,385
David W. Syz	92,745	81,193
Richard E. Thornburgh	218,456	283,600
John Tiner	24,799	8,625
Total	**1,295,277** [2]	**1,203,550** [3]

[1] Includes Group shares that are subject to a blocking period of up to four years. [2] In addition to the shareholdings shown, the following Board members held an aggregate number of 1,519 mandatory and contingent convertible securities (MACCS): Urs Rohner (395), Peter Brabeck-Letmathe (175), Jassim Bin Hamad J.J. Al Thani (17), Iris Bohnet (11), Walter Kielholz (431), Andreas Koopmann (44), Aziz Syriani (113), Richard Thornburgh (297) and John Tiner (36); these securities are convertible into an aggregate number of 93,247 shares on March 29, 2013 at a conversion price of CHF 16.29, with settlement and delivery of shares in early April 2013. [3] Excludes 72,232 shares held by Peter Weibel as of December 31, 2011, who stepped down from the Board as of April 27, 2011.

Board loans

A large majority of loans outstanding to members of the Board are mortgages or loans against securities. Such loans are made to Board members on the same terms available to third-party clients. As of December 31, 2012, 2011 and 2010, outstanding loans to the members of the Board amounted to CHF 40 million, CHF 34 million and CHF 35 million, respectively.

Members of the Board with loans do not benefit from employee conditions, but are subject to conditions applied to clients with a comparable credit standing. Members of the Board who were previously employees of the Group may still have outstanding loans, which were extended to them at the time that employee conditions applied to them. Unless otherwise noted, all loans to members of the Board were made in the ordinary course of business and substantially on the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons, and did not involve more than the normal risk of collectability or present other unfavorable features. In addition to the loans listed below, the Group or any of its banking subsidiaries may enter into financing and other banking agreements with companies in which current members of the Board have a significant influence as defined by the US Securities and Exchange Commission, such as holding executive and/or board level roles in these companies. Unless otherwise noted, loans extended by the Group to such companies are also made in the ordinary course of business and at prevailing market conditions. As of December 31, 2012, 2011 and 2010, there was no loan exposure to such related party companies that was not made in the ordinary course of business and at prevailing market conditions.

▸ Refer to “Banking relationships with members of the Board and Executive Board and related party transactions” in Corporate Governance for further information.

Board loans by individual

in	2012	2011
December 31 (CHF)		
Urs Rohner	5,034,157	5,090,650
Peter Brabeck-Letmathe	27,520,527	15,833,928
Walter B. Kielholz	4,200,000	5,050,000
Andreas N. Koopmann	2,775,000	2,775,000
David W. Syz	1,500,000	1,500,000
Richard E. Thornburgh	0	14,266
Total [1]	**41,029,684**	**30,263,844** [2]

[1] Includes loans to immediate family members. [2] Excludes a loan of CHF 3,950,000 held by Peter Weibel as of December 31, 2011, who stepped down from the Board as of April 27, 2011.

Group compensation

For all Group employees other than members of the Executive Board, the 2012 compensation design remained similar to the prior year. The key features of the 2012 compensation design are:

- The divisional variable compensation pools were determined based on the 2012 financial performance of each division and adjusted by a uniform capital charge.
- The threshold at which variable compensation becomes subject to deferral remained unchanged at total compensation of CHF/USD 250,000 (or local currency equivalent). The deferral rates applied for 2012 also remained largely unchanged compared to the prior year.
- As in previous years, all deferred awards for 2012 contained a general malus provision, which enables the Group to cancel any unsettled awards granted to any individual or individuals in the event that they engage in any activity that results in, or has the potential to result in, material financial, reputational or other material harm to the Group.
- The majority of deferred variable compensation for 2012 was granted to employees in the form of share awards, with vesting over three years.
- For managing directors and all employees categorized as MRTC, at least 50% of their deferred variable compensation for 2012 was awarded in the form of performance share awards that are subject to clawback provisions, which provide that the number of unvested shares will be adjusted downward in the event of a divisional loss or a negative underlying ROE. There will be no upward adjustment on unvested award balances.
- For managing directors and directors in the Investment Banking division, a portion of their deferred variable compensation for 2012 was awarded in the form of Plus Bonds, a new award plan. Plus Bonds are deferred cash-based awards that are notionally referenced to a portfolio of assets linked to asset-backed securities (ABS) and transfer risk from the Group to employees.
- Managing directors and directors in the Investment Banking division received the cash component of their variable compensation in the form of Restricted Cash Awards, which are cash payments that are subject to a pro-rata repayment in the event of voluntary resignation or termination for cause within three years of the grant.

Determination of divisional variable compensation pools

Determination of the performance-based variable compensation pools is an annual process. Appropriate accruals for the divisional and Group-wide variable compensation pools are made by the Group throughout the year. The Board regularly reviews the accruals and related financial information and makes adjustments at its discretion to ensure that the overall size of the pools is consistent with the Group's compensation objectives. An accrual, at the Group or any other level, however, does not create legal rights or entitlements for employees to receive variable compensation.

For the business divisions, the primary measure for determining the variable compensation pool is the division's income before taxes and before the variable compensation accrual, reduced by a charge for capital usage. In order to better align the calculation methodology of the pools across all businesses, we standardized the calculation basis of our capital charge in 2012 so that a uniform capital charge was applied to our divisions. The capital charge is calculated as the economic cost of allocated capital. Allocated capital is defined as 10% of average Basel III risk-weighted assets. The methodology to determine the divisional variable compensation pools, however, is not purely formula driven, but instead takes into account divisional key performance indicators and non-financial criteria including risk considerations and relative performance compared to peers. For 2012, the divisional variable compensation pools were determined according to the former divisional structure (Private Banking, Investment Banking and Asset Management), which was in place for most of 2012.

For Shared Services functions, a deduction is applied to the pool of each division to fund a variable compensation pool for these employees, the total amount of which is based on the Group-wide performance and qualitative measurements rather than the performance of any particular division they support.

The determination of the pools for the business divisions and Shared Services functions also takes into account Group-wide performance, ethics, risk, compliance and control as well as the market and regulatory environment. The final variable compensation pools are reviewed and recommended by the Compensation Committee and approved by the Board.

Once the variable compensation pools have been set at the Group and divisional levels, each division allocates its pool to the various business areas, based on the same or similar factors used to determine the divisional pool. Capital usage continues to be factored into the pools as they are allocated within business areas. Through this process, business area managers recognize that capital usage is a significant factor in the determination of the variable compensation pool for the business area under their responsibility. The pools are then allocated further to line managers and employees. Line managers award variable compensation to employees based on individual and business area performance, subject to the constraints of the pool available.

Competitive benchmarking

The assessment of the economic and competitive environment is another important element of our compensation process as we strive for market-informed, competitive compensation levels for comparable roles, experience and geographical location of employees. We use internal expertise and the services provided by compensation consulting firms to benchmark our compensation levels against relevant competitors. We adopt a differentiated approach, looking at pay levels and competitive market players in the various geographical regions where we do business.

For key personnel of the Group and the divisions, we compete for talent primarily with major banks globally. To benchmark our compensation levels and as a key input for setting the variable compensation pools at the Group and divisional levels, we measure ourselves against a set of peer groups, including European and US banks. These peer groups and relevant metrics are reviewed annually in April by the Compensation Committee and tracked throughout the year. The relevant peer group for 2012 for the Group is the same twelve peers used for by the Compensation Committee in the context of assessing the Group's relative performance for the purposes of determining compensation for the Executive Board: Bank of America, Barclays, BNP Paribas, Citigroup, Deutsche Bank, Goldman Sachs, HSBC, JPMorgan Chase, Morgan Stanley, Nomura, Société Générale and UBS. Most of these peer companies explicitly mention Credit Suisse as one of their peers.

The peer groups for 2012 for the Group and the divisions are shown in the following table, followed by specific performance criteria that the Compensation Committee reviews for assessing the relative performance against peers as part of the process to determine the divisional variable compensation pools.

2012 peer groups and performance criteria[1]

Credit Suisse Group	
Peer group	Bank of America, Barclays, BNP Paribas, Citigroup, Deutsche Bank, Goldman Sachs, HSBC, JPMorgan Chase, Morgan Stanley, Nomura, Société Générale and UBS
Performance criteria	
Profitability and efficiency	Return on equity, pre-tax income margin and compensation/revenue ratio
Growth	Earnings per share growth, net revenue growth, net new assets growth and total assets under management growth
Capital and risk	Tier 1 ratio, core tier 1 ratio, leverage ratio, Value-at-Risk and risk-weighted assets development
Shareholder satisfaction	Total shareholder return over one year, total shareholder return over two years and book value per share growth
Private Banking	
Peer group	Barclays, Deutsche Bank, HSBC, Julius Bär Group, JPMorgan Chase and UBS
Performance criteria	
Profitability and efficiency	Pre-tax income margin, pre-tax income on assets under management and gross margin
Growth	Net revenue growth, pre-tax income growth and net new assets growth
Investment Banking	
Peer group	Bank of America, Barclays, Citigroup, Deutsche Bank, Goldman Sachs, JPMorgan Chase, Morgan Stanley and UBS
Performance criteria	
Profitability and efficiency	Pre-tax return on economic risk capital, pre-tax income margin and compensation/revenue ratio
Growth	Net revenue growth and pre-tax income growth
Capital and risk	Net revenue/Value-at-Risk
Asset Management	
Peer group	Allianz, BlackRock, Deutsche Bank, Goldman Sachs, JPMorgan Chase, Morgan Stanley and UBS
Performance criteria	
Profitability and efficiency	Pre-tax income margin and gross margin on assets under management
Growth	Pre-tax income growth, net revenue growth and net new assets growth

[1] For the 2012 compensation process, the peer groups and performance criteria were approved by the Compensation Committee in April 2012 and were defined according to the former divisional structure.

Risk and control considerations within the compensation process

Risk and control considerations are integrated throughout the performance assessment and compensation processes in order to ensure that our approach to compensation discourages excessive risk taking and that significant attention is given to risk and internal control matters. During 2012, we continued to refine our processes and governance regarding risk and compensation, in particular those impacting MRTC.

Compensation process for MRTC

During 2012, the Group enhanced its processes for reviewing the performance, compliance and variable compensation recommendations for MRTC and certain other groups of employees. MRTC include employees who, either individually or as a part of a group, are considered to have a potentially material impact on the Group's risk profile. Regulators, in particular, have placed increased emphasis and requirements on the identification and management of employees who have the potential to take or manage risk at firms. The criteria for classifying individuals as MRTC for the Group are approved by the Board upon recommendation by the Compensation and Risk Committees.

Employees meeting one or more of the following criteria are identified as MRTC:

- members of the Executive Board;
- employees who report directly to a member of the Executive Board, typically employees who are responsible for managing significant lines of business of the Group and are members of divisional management committees;
- senior control function personnel, which are senior employees in the Shared Services functions of Finance, Risk Management, Legal and Compliance and Talent, Branding and Communications who have responsibility for monitoring individuals or groups of individuals who manage material amounts of risk for the Group;
- employees, either individually or as part of a group, with the ability to put material amounts of the Group's capital at risk, such as traders, and others who are authorized to manage, supervise or approve risk exposure that could have a material or significant effect on our financial results;
- the top 150 paid employees across the Group (based on total compensation), regardless of seniority or function;
- UK Financial Services Authority Code Staff, which are determined based on the significance of the employees' functions in the UK and the potential impact of their risk-taking activities on the UK entities; and
- other individuals, whose role, individually or as part of a group, has been identified as having a potential impact on market, reputational or operational risk.

All managing directors and MRTC received at least 50% of their deferred variable compensation as performance share awards.

In response to requirement of the Fed, the Group has also identified two groups of US-based employees in addition to the MRTC, which are subject to the enhanced compensation processes for MRTC. The broader group is collectively known as covered employees, which are comprised of:

- MRTC;
- as all US-based revenue producers in Investment Banking; and
- all branch managers of our US Wealth Management Clients business within the Private Banking & Wealth Management division.

The 2012 enhancements to the compensation process apply to all covered employees and included the introduction of policies and procedures to ensure that managers who make performance assessments and variable compensation recommendations in respect of covered employees apply due consideration to risk taken by those employees. This included mandatory training for all managers of covered employees. Policies were also introduced for malus triggers and the compensation impact of different trigger events, based on the severity of such events. To ensure that the new guidelines are being applied, validation and monitoring processes have been created, which include a review of covered employee compensation decisions.

▸ Refer to the table "Approval authority" for further information on the review and approval process for variable compensation.

Role of control functions in the compensation process

In addition to the annual performance assessment conducted by their line managers, covered employees are subject to a separate review process by the Group's control functions, which can impact decisions about individual variable compensation awards. The control functions include Legal and Compliance, Risk Management, Finance and Internal Audit, which are independent of the businesses. Reports of infractions of employees are presented to regional disciplinary review committees, which assess such infractions and make recommendations on disciplinary measures. Such measures can include the reduction or elimination of the employee's variable compensation award for the given year and, in the case of MRTC, deferred awards from prior years. The Board's Audit and Risk Committees are periodically provided with information on the disciplinary cases and may give directional input regarding the appropriateness of disciplinary outcomes. The results of the disciplinary review committees' assessment and any disciplinary measures are communicated to the Compensation Committee, together with details of any impacts on variable compensation. In the case of MRTC, the proposed variable compensation amounts are subject to final review and approval by the Compensation Committee.

Clawback and risk-based adjustments for deferred awards

All deferred awards contain clawback provisions. Specifically, the performance share awards and Adjustable Performance Plan awards (granted in 2010 and 2009) contain provisions that result in the unvested amount of the deferred awards to be adjusted downwards or cancelled in the event of future negative business performance according to specific predefined performance criteria and other conditions. Given the positive performance of the Group and all divisions in 2012, no such downward adjustments were made to existing performance share awards or Adjustable Performance Plan awards for calendar year 2012.

All deferred awards also contain general malus provisions. The Group can reduce or cancel the amount of the unsettled awards of any employee whose individual behavior has a materially detrimental impact on the Group. Additionally, for all covered employees, a further general malus provision applies, which can be triggered not only for cases of materially detrimental individual behavior, but also in cases where the behavior or performance of the individual causes, or could cause the Group or any division or region to suffer a material downturn in its financial performance or regulatory capital base, a material failure of risk management or reputational harm or other similar events, or a combination thereof, as determined by the Group in its sole discretion.

▸ Refer to the table "Potential downward adjustments of performance share awards and STI" for specific downward adjustments to be applied.

In addition to the downward adjustments that may be made as a result of explicit clawback provisions, deferred awards are subject to implicit or fair value adjustments due to changing market conditions. Normal market fluctuations in the Group share price, for example, will give rise to implicit upward or downward adjustments in the value of the deferred share awards.

▸ Refer to the table "Fair value of outstanding deferred compensation awards" for a quantitative disclosure of the explicit and implicit risk adjustments made in 2012 on the outstanding deferred awards.

Compensation design

In line with the Group's total compensation approach, all Group employees received fixed compensation in the form of salaries and were eligible to receive variable compensation for 2012. Variable compensation for 2012 was awarded to employees in the form of cash, Restricted Cash Awards, share-based awards and, in certain cases, Plus Bond awards, subject to the eligibility and other terms and conditions of the specific award plans as shown below.

Base salaries

All employees are paid a base salary. The level of base salary paid to an individual employee is based on the role and experience of the individual, his or her individual sustained long-term performance and market positioning. The Group regularly reviews benchmarking data on base salary levels with respect to different functions and geographical regions to ensure that employees are paid fairly and competitively in reference to comparable roles in the market.

Variable compensation and deferral rates

For 2012, 42,482 employees received some amount of variable compensation, of which 7,592, or 18%, received some portion of deferred variable compensation. This is consistent with the 7,719 employees who received deferred variable compensation for 2011. The number of employees, including members of the Executive Board, managing directors and other MRTC, who received performance share awards subject to performance-related clawback provisions was 1,715. Variable compensation was paid in cash unless total compensation granted for 2012 was CHF/USD 250,000 (or local currency equivalent) or more, in which case a portion was paid in cash and the balance was deferred. The portion that was deferred was determined by reference to a pre-established deferral table, which increases the deferred portion for higher levels of total compensation. Compared to 2011, the deferral rates for 2012 were adjusted slightly. The initial deferral rate was increased from 15% to 17.5%. The largest change was for the maximum deferral rate, which was set at 90% for 2012 compared to 80% for 2011. The amount of variable compensation paid as cash for 2012 was subject to a cap of CHF/USD 2 million (or local currency equivalent).

Employee categories and components of total compensation for 2012

		Total compensation					
		Fixed compensation	Variable compensation				
				Deferred compensation[1]			
	Employee category	Base salary	Unrestricted cash	Restricted Cash Awards	Shares	Performance shares	Plus Bond
Non-IB	Managing directors and MRTC				50%	50%	
Non-IB	Other employees with total compensation above CHF/USD 250,000				100%		
IB	Managing directors and directors who are MRTC				33%	50%	17%
IB	Other directors				83%		17%
IB	Other MRTC				50%	50%	
IB	Other employees with total compensation above CHF/USD 250,000				100%		
	Employees with total compensation below CHF/USD 250,000						

IB – Investment Banking
[1] Deferred compensation is applicable to employees with total compensation of CHF/USD 250,000 or higher.

Unrestricted cash

Generally employees were paid the cash portion of their variable compensation as unrestricted cash.

Deferred variable compensation instruments

Share awards

Our share awards align the interests of our employees with those of our shareholders and the performance of the Group and comply with the expectations of regulators to grant a substantial portion of variable compensation in the form of share awards. A total of 7,592 employees received share awards for 2012. Each share award granted entitles the holder of the award to receive one Group share and does not contain a leverage component or multiplier effect. The share award vests over three years, such that one third of the share award vests on each of the three anniversaries of the grant date, and will be expensed over the vesting period. The number of share awards was determined by dividing the deferred component of variable compensation being granted as shares by the average price of a Group share over the twelve business days ended January 16, 2013. The final value of these share awards is solely dependent on the Group share price at the time of delivery.

In order to comply with regulatory requirements, the Group awarded an alternative form of share awards to senior employees in a number of EU countries instead of unrestricted cash. For 2012, these employees received 50% of the amount they otherwise would have received in cash in the form of blocked shares. The shares remain blocked for a period of time, which ranges from six months to three years depending on location, after which they are no longer subject to restrictions.

The Group prohibits employees from entering into transactions to hedge the value of outstanding share awards. Employee pledging of unvested share awards is not allowed except with express approval of the Compensation Committee. The Group continues to apply minimum share ownership requirements for members of the divisional and regional management committees and the Executive Board.

▸ Refer to “Minimum share ownership requirements” in Executive Board compensation for further information.

Performance share awards

Members of the Executive Board, managing directors and all other MRTC (1,715 employees) received at least 50% of their deferred variable compensation in the form of performance share awards, which are subject to explicit performance-related clawback provisions. Each performance share award granted entitles the holder of the award to receive one Group share. Performance share awards also vest over three years, such that one third of the share awards vest on each of the three anniversaries of the grant date and will be expensed over the vesting period. Unlike the share awards described above, however, the outstanding performance share awards are subject to a negative adjustment in the event of a divisional loss or a negative underlying ROE of the Group. Outstanding performance shares are subject to a negative adjustment in the event of a divisional loss, unless there is a negative underlying ROE of the Group that would call for a negative adjustment greater than the divisional adjustment for the year, in which case the negative adjustment is based on such negative underlying ROE. For employees in Shared Services, the negative adjustment only applies in the event of a negative underlying ROE of the Group and is not linked to the performance of the divisions. Performance shares awarded prior to 2012 were based on reported ROE, unlike performance share awards for 2012, which were based on underlying ROE.

The amount of potential negative adjustment for loss at the divisional level, which is applicable to all outstanding performance share awards (including STI awards of Executive Board members heading a business division), is shown in the following chart.

Potential downward adjustments of performance share and STI awards

Downward adjustment if division incurs a loss

Division pre-tax loss (in CHF billion)	Percentage adjustment on award balance
(1.00)	(15%)
(2.00)	(30%)
(3.00)	(45%)
(4.00)	(60%)
(5.00)	(75%)
(6.00)	(90%)
(6.67)	(100%)

Plus Bond awards

Managing directors and directors in the Investment Banking division received approximately 17% of their variable compensation in the form of Plus Bond awards. The Plus Bond award is essentially a fixed income instrument, denominated in US dollars, which provides a coupon payment that is commensurate with market-based pricing. Plus Bond award holders are entitled to receive semi-annual cash payments on their adjusted award amounts at the rate of London Interbank Offered Rate plus 7.875% per annum until settlement. The Plus Bond will settle in the summer of 2016 based on the amount of the initial award less portfolio losses, if any, in excess of a first loss portion retained by the Group of approximately USD 600 million. The value of the Plus Bond awards is based on the performance of a portfolio of unrated and sub-investment-grade ABS that are held in inventory by various trading desks of the Investment Banking division. While the Plus Bond award is a cash-based instrument, the Group reserves the right to settle the award in Group shares based on the share price at the time of final distribution. In addition, subject to oversight procedures, the Group retains the right to prepay all or a portion of the Plus Bond award in cash at any time and, in the event of certain regulatory developments or changes on capital treatment, exchange the award into Group shares. Similar to the PAF2 awards, the Plus Bond award plan contributes to a reduction of the Group's risk-weighted assets and constitutes a risk transfer from the Group to the Plus Bond award holders.

The Plus Bonds provided to 2,274 employees in Investment Banking had a notional value of CHF 187 million and were fully vested and expensed as of the grant date of December 31, 2012.

Managing directors and directors outside of the Investment Banking division were given the opportunity in early 2013 to voluntarily reallocate a portion of the share award component of their deferred awards into the Plus Bond awards. The Plus Bonds provided to 769 employees outside the Investment Banking division through the voluntary reallocation offer had a notional value of CHF 38 million as of the grant date, will vest on the third anniversary of the grant date in 2016 and will be expensed over the vesting period.

In addition, members of the Executive Board who did not participate in the structuring of the instrument were given the opportunity to invest their own funds in Plus Bond instruments that have substantially the same terms as the Plus Bond awards granted to employees. As a result, certain Executive Board members acquired an aggregate of CHF 9 million in Plus Bond instruments in February 2013.

‣ Refer to "Banking relationships with members of the Board and Executive Board and related party transactions" in Corporate Governance – Board of Directors for further information.

Restricted Cash Awards

Managing directors and directors in the Investment Banking division received the cash component of their variable compensation in the form of Restricted Cash Awards. These awards are cash payments made on the grant date, but are subject to a pro-rata repayment by the employee in the event of voluntary resignation or termination for cause within three years of the grant. The Restricted Cash Award is reported as part of the deferred compensation award for the Group even though the award was paid as of the grant date. The expense recognition will occur over the three-year vesting period, subject to service conditions.

Other awards

In addition, we may, from time to time, employ other long-term incentive compensation plans or programs to assist in hiring at competitive levels and to support the retention of talent. These variations from our standard approach to compensation are generally applied to small populations of employees within the Group where the specific circumstances warrant such compensation arrangements. For 2012, such compensation arrangements were applied to approximately 328 employees, including employees engaged in arbitrage trading in the Investment Banking division, alternative investments in the Private Banking & Wealth Management division and certain employees in our Credit Suisse Hedging-Griffo Investimentos S.A. subsidiary. Generally, compensation for employees at Group subsidiaries follows the standard compensation design described above, with few exceptions. Any and all variations from our standard approach must be approved by the Compensation Committee.

We may pay commissions to employees operating in specific areas of the business where such compensation practices are warranted and in line with market practice. The value of commissions paid is determined by formulas, which are reviewed regularly to ensure that they remain competitive.

Total compensation awarded

The following table shows the value of total compensation awarded to employees for 2012 and 2011, including awards granted to employees as variable incentive compensation for 2012 and 2011 granted in January 2013 and 2012, respectively. The deferred awards are subject to future service, performance, market and clawback criteria that will determine the final payout to employees upon settlement and/or may be forfeited or reduced if such criteria are not achieved.

Total compensation awarded

For			2012			2011
	Unrestricted	Deferred	**Total**	Unrestricted	Deferred	**Total**
Fixed compensation (CHF million)						
Salaries	6,063	–	6,063	6,319	–	6,319
Social security	769	–	769	865	–	865
Other	837 [1]	–	837	874 [1]	–	874
Total fixed compensation	**7,669**	**–**	**7,669**	**8,058**	**–**	**8,058**
Variable incentive compensation (CHF million)						
Unrestricted cash	1,202	–	1,202	1,519	–	1,519
Share awards	6	950 [2]	956	11	438	449
Performance share awards	–	660	660	–	516	516
Plus Bond awards	–	187	187	–	–	–
2011 Partner Asset Facility awards	–	–	–	–	499 [3]	499
Restricted Cash Awards	–	299	299	–	–	–
Other cash awards	–	119	119	–	5	5
Total variable incentive compensation	**1,208**	**2,215**	**3,423**	**1,530**	**1,458**	**2,988**
Other variable compensation (CHF million)						
Cash severance awards	251	–	251 [4]	405	–	405 [4]
Sign-on awards	10	79	89	25	142	167
Cash-based commissions	157	–	157	143	–	143
Total other variable compensation	**418**	**79**	**497**	**573**	**142**	**715**
Total compensation awarded (CHF million)						
Total compensation awarded	**9,295**	**2,294**	**11,589**	**10,161**	**1,600**	**11,761**
of which guaranteed bonuses	–	–	69 [5]	–	–	172 [5]

[1] Includes pension and other post-retirement expense of CHF 532 million and CHF 610 million in 2012 and 2011, respectively. [2] Includes the notional value of CHF 38 million of share awards that was reallocated to Plus Bond awards as a part of the voluntary employee reallocation offer that took place subsequent to the grant date. [3] Represents the fair value of the 2011 Partner Asset Facility awards as of the grant date. The notional value was CHF 751 million. [4] Includes CHF 215 million and CHF 182 million relating to cash severance awards for terminations effective as of December 31, 2012 and 2011, respectively. [5] Awarded to 205 and 332 employees in 2012 and 2011, respectively. Guaranteed bonuses may be awarded as variable incentive compensation or sign-on awards.

All variable compensation was approved by the Board, based on the Compensation Committee's recommendation and the thorough assessment of the Group's performance in 2012. In addition, other factors were taken into consideration, such as the overall economic and competitive environment, the capital and risk position of the Group and returns to shareholders. Total compensation awarded for 2012, which reflected the solid performance of the Group in 2012 in a challenging market environment, was CHF 11.6 billion, down 1% compared to 2011, and up 3% on an average basis per person, reflecting the net decline of 2,300 employees throughout the year. The overall variable incentive compensation awarded for 2012 was CHF 3.4 billion, up 15% compared to 2011. Of the total variable incentive compensation awarded across the Group for 2012, 65% was deferred and subject to future performance, market and clawback criteria. A total of 42,482 employees received some form of variable incentive compensation for 2012, of which 523 were classified as MRTC.

Number of employees awarded variable and other compensation

	MRTC [1]	Other employees	**2012 Total**	MRTC [2]	Other employees	2011 Total
Number of employees awarded variable compensation						
Variable compensation	**523**	**41,959**	**42,482**	**487**	**43,405**	**43,892**
of which unrestricted cash	235	39,935	40,170	470	43,359	43,829
of which share awards	508	7,084	7,592	163	6,204	6,367
of which performance share awards	481	1,234	1,715	455	1,277	1,732
of which Plus Bond awards	298	1,976	2,274	–	–	–
of which 2011 Partner Asset Facility awards	–	–	–	442	5,150	5,592
of which Restricted Cash Awards	285	1,976	2,261	–	–	–
or which other cash awards	41	48	89	–	139	139
Number of employees awarded other variable compensation						
Cash severance awards	9	3,056	3,065 [3]	2	1,697	1,699 [3]
Sign-on awards	6	190	196	5	39	44
Cash-based commissions	0	370	370	3	0	3
Guaranteed bonuses	5	200	205	7	325	332

[1] Excludes individuals who may have been classified as material risk takers and controllers according to regulatory requirements of jurisdictions outside of Switzerland, particularly US-based revenue producers in Investment Banking and branch managers of the US Wealth Management Clients business within the Private Banking & Wealth Management division, who were classified as covered employees by the US Federal Reserve, and other UK employees. [2] Excludes individuals who may have been classified as material risk takers and controllers according to regulatory requirements of jurisdictions outside of Switzerland (e.g., US, UK). [3] Includes employees who received cash severance awards for terminations of employment as of December 31, 2012 and 2011.

Compensation awarded to MRTC

The 523 employees classified as MRTC were awarded total compensation of CHF 1,282 million for 2012 and variable incentive compensation of CHF 993 million for 2012, of which CHF 914 million, or 92%, was deferred. MRTC received 50% of their deferred compensation for 2012 in the form of performance share awards, which are subject to clawback provisions.

Compensation awarded to MRTC

For	Unrestricted	Deferred	2012 Total	Unrestricted	Deferred	2011 Total
Fixed compensation (CHF million)						
Total fixed compensation	**275**	**–**	**275**	**231**	**–**	**231**
Variable incentive compensation (CHF million)						
Unrestricted cash	77	–	77	136	–	136
Share awards	–	313	313	–	73	73
Performance share awards	–	404	404	–	278	278
Plus Bond awards	–	107	107	–	–	–
2011 Partner Asset Facility awards	–	–	–	–	201	201
Restricted Cash Awards	–	57	57	–	–	–
Other cash awards	2	33	35	–	–	–
Total variable incentive compensation	**79**	**914**	**993**	**136**	**552**	**688**
Other variable compensation (CHF million)						
Cash severance awards	5	–	5	5	–	5
Sign-on awards	0	9	9	2	0	2
Cash-based commissions	0	–	0	2	–	2
Total other variable compensation	**5**	**9**	**14**	**9**	**–**	**9**
Total compensation (CHF million)						
Total compensation	**359**	**923**	**1,282**	**376**	**552**	**928**
of which guaranteed bonuses [1]	1	4	5	4	10	14

[1] Guaranteed bonuses may be awarded as variable incentive compensation or sign-on awards.

Group compensation and benefits expense

Compensation and benefits expense recognized for a given year in the consolidated statement of operations includes salaries, variable compensation, the amortization of share-based and other awards that were granted as deferred variable compensation in prior years, benefits and employer taxes on compensation. Variable compensation mainly reflects the unrestricted performance-based compensation for the current year and deferred variable compensation, as well as severance, sign-on and commission payments. Deferred variable compensation granted for the current year is expensed in future periods and subject to restrictive features such as continued employment with the Group, vesting, forfeiture, clawback and blocking rules.

Compensation expense for share-based and other awards that were granted as deferred variable compensation in prior years is recognized in accordance with the specific terms and conditions of each respective award and is primarily recognized over the future requisite service and vesting period, which is determined by the individual respective plan, retirement eligibility of employees, moratorium periods and certain other terms. Compensation expense for share-based and other awards that were granted as deferred variable compensation in prior years also includes the current estimated outcome of applicable performance criteria, estimated future forfeitures and mark-to-market adjustments for certain awards that are still outstanding.

In 2012, there was a 5% decrease in compensation and benefits expense primarily due to lower variable compensation expense and lower salaries, reflecting lower headcount, partly offset by severance and other compensation expense associated with our cost efficiency measures.

The amounts shown below for severance payments in 2012 and 2011 were paid to 3,065 and 1,699 individuals, respectively, and the amounts awarded for sign-on payments in 2012 and 2011 were awarded to 196 and 44 individuals, respectively.

Group compensation and benefits expense

in			2012			2011
December 31	Current compen- sation	Deferred compen- sation	**Total**	Current compen- sation	Deferred compen- sation	**Total**
Fixed compensation expense (CHF million)						
Salaries	6,063	–	6,063	6,319	–	6,319
Social security [1]	769	–	769	865	–	865
Other	837 [2]	–	837	874 [2]	–	874
Total fixed compensation expense	**7,669**	**–**	**7,669**	**8,058**	**–**	**8,058**
Variable incentive compensation expense (CHF million)						
Unrestricted cash	1,202	–	1,202	1,519	–	1,519
Share awards	6	786 [3]	792	11	767 [3]	778
Performance share awards	–	366	366	–	–	–
Plus Bond awards	187 [4]	–	187	–	–	–
2011 Partner Asset Facility awards [5]	–	677	677	–	–	–
Adjustable Performance Plan share awards	–	74	74	–	–	–
Adjustable Performance Plan cash awards	–	286	286	–	1,106	1,106
Restricted Cash Awards	–	165	165	–	253	253
Scaled Incentive Share Units	–	97	97	–	415	415
Incentive Share Units	–	62	62	–	174	174
2008 Partner Asset Facility awards [5]	–	173	173	–	3	3
Other cash awards	–	362	362	–	334	334
Total variable incentive compensation expense	**1,395**	**3,048**	**4,443**	**1,530**	**3,052**	**4,582**
Other variable compensation expense (CHF million)						
Severance payments	251	–	251	405	–	405
Sign-on payments	10	–	10	25	–	25
Commissions	157	–	157	143	–	143
Total other variable compensation expense	**418**	**–**	**418**	**573**	**–**	**573**
Total compensation expense (CHF million)						
Total compensation expense	**9,482**	**3,048**	**12,530** [6]	**10,161**	**3,052**	**13,213** [6]

[1] Represents the Group's portion of employees' mandatory social security. [2] Includes pension and other post-retirement expense of CHF 532 million and CHF 610 million in 2012 and 2011, respectively. [3] Includes CHF 32 million and CHF 43 million of expenses associated with other share awards granted in 2012 and 2011, respectively. [4] The Plus Bond awards granted to Investment Banking employees were fully vested and expensed on December 31, 2012. Changes in the underlying fair value of the instruments may have an impact on deferred compensation expense in future periods. [5] Includes the change in the underlying fair value of the indexed assets during the period. [6] Includes severance and other compensation expense relating to headcount reductions of CHF 456 million and CHF 715 million in 2012 and 2011, respectively.

Group estimated unrecognized compensation expense

The following table shows the estimated unrecognized compensation expense for deferred compensation awards granted for 2012 and prior years outstanding as of December 31, 2012 and comparative information for 2011. These estimates were based on the fair value of each award on the grant date taking into account the current estimated outcome of relevant performance criteria and estimated future forfeitures. No estimate has been included for future mark-to-market adjustments.

Group estimated unrecognized compensation expense

in	Deferred compensation For 2012	Deferred compensation For prior-year awards	2012 Total	Deferred compensation For 2011	Deferred compensation For prior-year awards	2011 Total
Estimated unrecognized compensation expense (CHF million)						
Share awards	935	706 [1]	1,641	464	1,100 [1]	1,564
Performance share awards	677	161	838	546	–	546
Plus Bond awards	37 [2]	–	37	–	–	–
2011 Partner Asset Facility awards	–	–	–	540	–	540
Adjustable Performance Plan share awards	–	42	42	–	–	–
Adjustable Performance Plan cash awards	–	54	54	–	569 [3]	569
Restricted Cash Awards	299	–	299	–	167	167
Scaled Incentive Share Units	–	73	73	–	211	211
Incentive Share Units	–	–	–	–	85	85
Other cash awards	118	72	190	5	87	92
Estimated unrecognized compensation expense	**2,066**	**1,108**	**3,174**	**1,555**	**2,219**	**3,774**

[1] Includes CHF 47 million and CHF 93 million of estimated unrecognized compensation expense associated with other share awards which were granted to new employees in 2012 and 2011, respectively. [2] Represents the notional value of share awards reallocated to Plus Bond awards through the employee voluntary reallocation offer, with vesting in 2016, after consideration of estimated future forfeitures. [3] Includes CHF 16 million of estimated unrecognized compensation expense associated with special Adjustable Performance Plan cash awards.

▸ Refer to "Note 27 – Employee deferred compensation" in V – Consolidated financial statements – Credit Suisse Group for information about the fair value assumptions used to estimate the unrecognized compensation expense of unvested awards.
▸ Refer to "Note 7 – Share capital, conditional, conversion and authorized capital of Credit Suisse Group" in VI – Parent company financial statements – Credit Suisse Group for more information.

Impact of share-based compensation on shareholders' equity

Our shareholders' equity reflects the effect of share-based compensation. Share-based compensation expense, which is generally based on fair value at the time of grant, reduces equity; however, the recognition of the obligation to deliver shares increases equity by a corresponding amount. Equity is generally unaffected by the granting and vesting of share-based awards, including through the issuance of shares from approved conditional capital. If Credit Suisse purchases shares from the market to meet its obligation to employees, these purchased treasury shares reduce equity by the amount of the purchase price. Shareholders' equity also includes, as additional paid-in capital, the excess tax benefits/charges that arise at settlement of share-based awards.

Settlement of share delivery obligation

Granting a substantial part of variable compensation in deferred share-based awards aligns the interests of employees and shareholders and meets the expectations of regulators. To avoid shareholder dilution, the Group in the past has covered its share delivery obligations by buying shares in the market. This practice has been temporarily suspended, as the Group seeks to meet the increased regulatory capital requirements under the Basel III framework and the Swiss "Too Big to Fail" legislation and regulations thereunder. Consequently, in 2011, we decided to start settling outstanding share-based awards primarily through the issuance of new shares from conditional capital. We intend to resume our previous practice of buying shares in the market after the Group achieves its Look-through Swiss Core Capital ratio target of 10%, which is expected by mid-2013.

▸ Refer to Look-through Swiss Core Capital and Total Capital ratios" in III – Treasury, Risk, Balance sheet and Off-balance sheet – Capital Management – Ratios based on new capital frameworks for more information.

Awards outstanding

Our share-based awards generally vest and settle over three years, subject to service and/or performance conditions. As of the end of 2012, we had the following types of awards outstanding:

- Performance share awards: 23 million awards are subject to explicit performance-related clawback provisions in relation to divisional performance or reported ROE;
- Other share-based awards; includes 56 million share awards and a population of other awards relating to prior years that are no longer part of our current compensation plans, consisting of 10 million Scaled Incentive Share Units and 3 million Incentive Share Units, as well as 5 million share options that we expect to settle without value; and
- Converted Adjustable Performance Plan awards: 31 million awards were converted from cash-based to share-based awards. In July 2012, as part of the announced capital strengthening measures, we have launched a voluntary exchange offer under which employees could elect to convert any future payments from deferred cash compensation awards under the Adjustable Performance Plan into Adjustable Performance Plan share awards at the same price as the conversion price under MACCS that were also issued in July. Adjustable Performance Plan awards were granted for performance in 2010 and 2009, with ratable vesting over four and three years, respectively. These awards are linked to reported ROE and divisional performance criteria.

The number of shares issued as of the end of 2012 was 1,321 million. In April 2013, we expect to issue 200 million shares as a result of the conversion of our MACCS. Additionally, we have 550 million shares available to support contingent conversion instruments (CoCos) that increase loss absorbing regulatory capital without diluting shareholders at the time of their issuance, including 499 million shares relating to buffer capital notes we placed in 2012 and 2011. In the following table, we show the number of outstanding awards as a percentage of shares issued as of year-end 2012 and in the context of our capital strategy. Excluding the converted Adjustable Performance Plan share awards, we had 97 million share-based awards outstanding, equivalent to 6.4% of shares issued, including shares subject to issuance pursuant to the terms of the MACCS. If we also consider the shares available for CoCos within the total number of shares to be issued, the number of outstanding share-based awards represents 4.7% of shares issued as of year-end 2012.

Outstanding share awards in the context of our capital strategy

end of 2012	Awards outstanding (CHF million)	Awards outstanding in relation to shares issued, including MACCS (%) [1]	Awards outstanding in relation to shares issued, including MACCS and CoCos (%) [1,2]
Outstanding awards in the context of our capital strategy [3]			
Performance share awards	23	1.5	1.1
Other share-based awards [4]	74	4.9	3.6
Converted Adjustable Performance Plan awards [5]	31	2.0	1.5

[1] Mandatory and contingent convertible securities were issued as part of our capital measures, which were announced in July 2012. Upon their conversion, 200 million shares will be issued in April 2013. [2] For CoCos, 550 million shares are available as a contingency. [3] Does not include Plus Bond awards and 2011 Partner Asset Facility awards which may be settled in cash or shares at the Group's discretion. [4] Includes share awards, Scaled Incentive Share Units, Incentive Share Units and share options. [5] Former cash-based awards that were converted into share awards as part of our capital measures announced in July 2012.

Subsequent activity and share issuance

For performance in 2012, we granted 26 million new performance share awards and 38 million new share awards in early 2013. In the same period, we settled 38 million deferred awards from prior years, consisting of 5 million performance share awards, 22 million other share-based awards and 11 million converted Adjustable Performance Plan share awards.

To meet our obligations, we issued 19 million shares in early 2013, 39 million shares in 2012 and 22 million shares in 2011, all from conditional capital. We currently have a remaining authorization to issue 3 million new shares from conditional capital.

In connection with our obligation from the converted Adjustable Performance Plan awards and consistent with our capital-efficient strategy of issuing new shares from conditional capital, the Board will propose to the AGM in April 2013 an increase of the currently available conditional capital to 30 million shares. This increase of 27 million shares represents 2.1% of shares issued as of the end of 2012, or 1.3% including MACCS and CoCos. Any further new share issuance will need AGM approval and it is not our current intention to seek this under our capital strategy.

▸ Refer to "Capital strategy and framework" in III – Treasury, Risk, Balance sheet and Off-Balance sheet – Treasury measurement – Capital management for more information.

Value changes of outstanding deferred awards

Employees experience changes to the values of their deferred compensation awards during the vesting period due to both implicit and explicit value changes. Implicit value changes primarily reflect market driven effects, such as changes in the Group share price, changes in the value of the underlying PAF, PAF2 and Plus Bond assets or foreign exchange rates. Explicit value changes reflect risk adjustments triggered by clawback provisions related to negative performance in the performance share awards (applies to managing directors and MRTC), positive or negative performance for the Adjustable Performance Plan share awards or the general malus provisions in all deferred awards (applies to all employees). The final value of an award will only be determined at settlement.

The following table provides a comparison of the fair values of outstanding deferred compensation awards as of the beginning and the end of 2012, indicating the value of changes due to implicit and explicit adjustments. For 2012, the change in fair value for all outstanding deferred compensation awards was primarily due to implicit adjustments driven by the changes in the Group share price, changes in the value of the underlying PAF and PAF2 assets and the foreign exchange rate movements during the period.

Fair value of outstanding deferred compensation awards

		Change in value		
in / end	2011	Implicit	Explicit	2012
Share-based awards (CHF per unit)				
Incentive Share Units granted for 2009	22.1	0.2	0.0	22.3
Scaled Incentive Share Units granted for 2009	22.1	0.2	0.0	22.3
Share awards granted for 2010 [1]	22.1	0.2	0.0	22.3
Share awards granted for 2011 [2]	21.9	0.4	0.0	22.3
Performance share awards granted for 2011 [3]	21.9	0.4	0.0	22.3
Adjustable Performance Plan share awards converted in 2012	16.3 [3]	6.0	1.0	23.3
Cash-based awards (CHF per unit)				
2008 Partner Asset Facility awards (PAF)	1.55	0.25	0.00	1.80
Adjustable Performance Plan cash awards granted for 2009	1.18	(0.03)	0.04	1.19
Adjustable Performance Plan cash awards granted for 2010	1.05	(0.03)	0.04	1.06
2011 Partner Asset Facility awards (PAF2) [4]	0.65	0.25	0.00	0.90
Plus Bond awards granted for 2012 [5]	–	–	–	1.00

[1] Represents awards granted in January 2011 for 2010. [2] Represents awards granted in January 2012 for 2011. [3] Represents the value of the Adjustable Performance Plan share awards that were converted in August 2012 from Adjustable Performance Plan cash awards granted in 2011 for 2010 and granted in 2010 for 2009. [4] Represents the fair value of the 2011 Partner Asset Facility awards that were granted in the first quarter of 2012. [5] Represents the fair value of the Plus Bond awards that were granted to certain employees in the Investment Banking division and were fully vested in December 2012.

Discontinued compensation plans

While we believe that the evolution of our compensation instruments over recent years provides a track record of innovation and responsiveness, we also acknowledge that the complexity of our compensation instruments gave internal and external stakeholders concerns with regard to excess potential leverage and transparency. These issues were taken into account as we have discontinued compensation instruments with leverage components and have provided more comprehensive disclosure on our compensation practices and plans in recent years.

A summary of the principal forms of awards granted in prior years, which have since been discontinued but are still vesting, is shown in the following overview.

▸ Refer to "Note 27 – Employee deferred compensation" in V – Consolidated financial statements – Credit Suisse Group for more information.

Principal outstanding compensation plans

2011 Partner Asset Facility (PAF2)

Basis Cash-based, deferred variable compensation

Vesting start 2012
Vesting end March 31, 2012

Applied to
Performance in year 2011, which included managing directors and directors and certain members of the Executive Board.

General award conditions
The contractual term of a PAF award is four years, but it may be extended to nine years at the election of either the Group or the holders acting collectively. PAF2 units are essentially fixed income structured notes that are exposed to a portion of the credit risk that arises in the Group's derivative activities. The value of the award (for both the interest accrual and the final redemption) will be reduced if the amount of realized credit losses from a specific reference portfolio exceeds a pre-defined threshold. The Group will bear the first USD 500 million of such losses and the PAF2 holders will bear any losses in excess of USD 500 million, up to the full amount of the deferred compensation awarded.

Other award conditions or restrictions
PAF2 holders will receive a semi-annual cash interest payment equivalent to an annual return of 5% (CHF-denominated awards) or 6.5% (USD-denominated awards) applied to the then current balance of the units. The Group can settle the PAF2 units in cash or an equivalent value in shares at its discretion. PAF2 holders are subject to a non-compete/non-solicit provision.

Program objective/rationale
PAF awards provided employees with a fixed income strategy while transferring risk from the Group to employees thereby contributing to risk reduction and capital efficiency.

Adjustable Performance Plan awards

Basis Cash and share-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 the financial performance of the specific business areas in which the employees work and the Group ROE. For employees in Shared Services and other support functions and all Executive Board members, the awards are linked to the Group's adjusted profit or loss and the Group ROE.

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 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
An SISU is similar to other share-based awards, but offers additional upside depending on the development of the Group share price and the Group reported ROE.

Program objective/rationale
Promoting retention of managing directors and directors.

Incentive Share Unit (ISU)

Basis Share-based, deferred variable compensation

Vesting start 2010
Vesting end 2013

Applied to
Performance in 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.

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.

APPENDIX 5 — OUR FINANCIAL STATEMENTS EXTRACTED FROM CREDIT SUISSE ANNUAL REPORT 2012

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 401 to 494 of the Credit Suisse annual report 2012 in this appendix 5. References to page numbers in this appendix 5 are to the pages in the Credit Suisse annual report 2012 and not to the pages in this document.

For further information on our financial statements (including the notes to such statements), we refer you to the complete Credit Suisse annual report 2012 on our website at *www.credit-suisse.com*.

VII

Consolidated financial statements – Credit Suisse (Bank)

Consolidated financial statements

Notes to the consolidated financial statements

KPMG AG
Audit Financial Services
Badenerstrasse 172
CH-8004 Zurich

Postfach
CH-8026 Zurich

Telefon +41 58 249 31 31
Fax +41 58 249 44 06
Internet www.kpmg.ch

Report of the Statutory Auditor on the Consolidated Financial Statements to the General Meeting of Shareholders 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, 2012 and 2011, and the related consolidated statements of operations, changes in equity, comprehensive income and cash flows, and notes for each of the years in the three-year period ended December 31, 2012.

Board of Directors' Responsibility
The board of directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The board of directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Swiss law and Swiss Auditing Standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements give a true and fair view of the financial position as of December 31, 2012 and 2011, and the results of operations and cash flows for each of the years in the three-year period ended December 31, 2012, in accordance with U.S. generally accepted accounting principles and comply with Swiss law.

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, 2012, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated March 22, 2013 expressed an unqualified opinion on the effectiveness of the Bank's internal control over financial reporting.

KPMG AG

Simon Ryder	Anthony Anzevino
Licensed Audit Expert	*Global Lead Partner*
Auditor in Charge	

Zurich, Switzerland
March 22, 2013

Consolidated financial statements

Consolidated statements of operations

	Reference to notes	2012	2011	in 2010
Consolidated statements of operations (CHF million)				
Interest and dividend income	6	21,559	22,437	24,985
Interest expense	6	(14,742)	(16,423)	(18,795)
Net interest income	6	6,817	6,014	6,190
Commissions and fees	7	12,898	12,674	13,819
Trading revenues	8	1,328	4,740	9,214
Other revenues	9	2,490	1,759	1,310
Net revenues		**23,533**	**25,187**	**30,533**
Provision for credit losses	10	**88**	**123**	**(121)**
Compensation and benefits	11	12,446	13,188	14,701
General and administrative expenses	12	7,268	7,407	7,296
Commission expenses		1,758	1,968	2,121
Total other operating expenses		9,026	9,375	9,417
Total operating expenses		**21,472**	**22,563**	**24,118**
Income from continuing operations before taxes		**1,973**	**2,501**	**6,536**
Income tax expense	25	478	459	1,307
Income from continuing operations		**1,495**	**2,042**	**5,229**
Income/(loss) from discontinued operations, net of tax	4	0	0	(19)
Net income		**1,495**	**2,042**	**5,210**
Net income/(loss) attributable to noncontrolling interests		(600)	901	802
Net income attributable to shareholder		**2,095**	**1,141**	**4,408**
of which from continuing operations		2,095	1,141	4,427
of which from discontinued operations		0	0	(19)

Consolidated statements of comprehensive income

in	2012	2011	2010
Comprehensive income (CHF million)			
Net income	1,495	2,042	5,210
Gains/(losses) on cash flow hedges	7	(32)	22
Foreign currency translation	(1,233)	(293)	(3,607)
Unrealized gains/(losses) on securities	(43)	(3)	13
Actuarial gains/(losses)	58	142	(111)
Net prior service cost	(1)	(1)	(1)
Other comprehensive income/(loss), net of tax	(1,212)	(187)	(3,684)
Comprehensive income	**283**	**1,855**	**1,526**
Comprehensive income/(loss) attributable to noncontrolling interests	**(811)**	**940**	**(432)**
Comprehensive income attributable to shareholder	**1,094**	**915**	**1,958**

The accompanying notes to the consolidated financial statements are an integral part of these statements.

Consolidated balance sheets

	Reference to notes	2012	end of 2011
Assets (CHF million)			
Cash and due from banks		61,376	111,224
of which reported at fair value		569	–
of which reported from consolidated VIEs		1,750	1,396
Interest-bearing deposits with banks		3,719	4,193
of which reported at fair value		627	405
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	13	183,446	236,935
of which reported at fair value		113,664	158,673
of which reported from consolidated VIEs		117	19
Securities received as collateral, at fair value		30,045	30,191
of which encumbered		17,767	20,447
Trading assets, at fair value	14	256,602	279,748
of which encumbered		70,948	73,749
of which reported from consolidated VIEs		4,697	6,399
Investment securities	15	1,939	3,652
of which reported at fair value		1,939	3,650
of which reported from consolidated VIEs		23	41
Other investments	16	11,816	12,915
of which reported at fair value		8,892	9,552
of which reported from consolidated VIEs		2,289	2,346
Net loans	17	227,498	219,434
of which reported at fair value		20,000	20,693
of which encumbered		535	471
of which reported from consolidated VIEs		6,053	5,940
allowance for loan losses		(721)	(722)
Premises and equipment	18	5,416	6,990
of which reported from consolidated VIEs		546	609
Goodwill	19	7,510	7,700
Other intangible assets	20	243	280
of which reported at fair value		43	70
Brokerage receivables		45,768	43,445
Other assets	21	72,782	78,080
of which reported at fair value		37,259	35,666
of which encumbered		1,495	2,255
of which reported from consolidated VIEs		14,508	13,001
Total assets		**908,160**	**1,034,787**

The accompanying notes to the consolidated financial statements are an integral part of these statements.

Consolidated balance sheets (continued)

	Reference to notes	2012	end of 2011
Liabilities and equity (CHF million)			
Due to banks	22	30,574	40,077
of which reported at fair value		3,431	2,737
Customer deposits	22	297,690	304,130
of which reported at fair value		4,626	4,583
of which reported from consolidated VIEs		247	221
Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions	13	132,721	176,559
of which reported at fair value		108,784	136,483
Obligation to return securities received as collateral, at fair value		30,045	30,191
Trading liabilities, at fair value	14	91,091	127,809
of which reported from consolidated VIEs		125	1,286
Short-term borrowings		14,838	26,116
of which reported at fair value		4,513	3,547
of which reported from consolidated VIEs		5,779	6,141
Long-term debt	23	146,997	161,353
of which reported at fair value		64,774	68,036
of which reported from consolidated VIEs		14,532	14,858
Brokerage payables		64,676	68,034
Other liabilities	21	57,367	62,167
of which reported at fair value		26,799	30,942
of which reported from consolidated VIEs		1,164	745
Total liabilities		**865,999**	**996,436**
Common shares / Participation certificates		4,400	4,400
Additional paid-in capital		28,686	24,134
Retained earnings		13,637	11,824
Accumulated other comprehensive income/(loss)	24	(11,956)	(10,955)
Total shareholder's equity		**34,767**	**29,403**
Noncontrolling interests		7,394	8,948
Total equity		**42,161**	**38,351**
Total liabilities and equity		**908,160**	**1,034,787**

end of	2012	2011
Additional share information		
Par value (CHF)	100.00	100.00
Issued shares	43,996,652	43,996,652
Shares outstanding [1]	43,996,652	43,996,652

[1] 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.

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**	Noncontrolling interests	**Total equity**
2012 (CHF million)								
Balance at beginning of period	**4,400**	**24,134**	**11,824**	**0**	**(10,955)**	**29,403**	**8,948**	**38,351**
Purchase of subsidiary shares from noncontrolling interests, changing ownership	–	252	–	–	–	252	(90)	162
Purchase of subsidiary shares from noncontrolling interests, not changing ownership [2, 3]	–	–	–	–	–	–	(875)	(875)
Sale of subsidiary shares to noncontrolling interests, not changing ownership [3]	–	–	–	–	–	–	240	240
Net income/(loss)	–	–	2,095	–	–	2,095	(589) [4]	1,506
Total other comprehensive income/(loss), net of tax	–	–	–	–	(1,001)	(1,001)	(211)	(1,212)
Share-based compensation, net of tax	–	889 [5]	–	–	–	889	–	889
Dividends on share-based compensation, net of tax	–	(50)	–	–	–	(50)	–	(50)
Dividends paid	–	–	(267)	–	–	(267)	(54)	(321)
Changes in redeemable noncontrolling interests	–	(7) [6]	–	–	–	(7)	–	(7)
Change in scope of consolidation	–	–	–	–	–	–	25	25
Other	–	3,468 [7]	(15)	–	–	3,453	–	3,453
Balance at end of period	**4,400**	**28,686**	**13,637**	**0**	**(11,956)**	**34,767**	**7,394**	**42,161**

[1] Reflects Credit Suisse Group shares which are reported as treasury shares. Those shares are held to economically hedge share award obligations. [2] Distributions to owners in funds include the return of original capital invested and any related dividends. [3] Transactions with and without ownership changes related to fund activity are all displayed under "not changing ownership". [4] Net income/(loss) attributable to noncontrolling interests excludes CHF 11 million due to redeemable noncontrolling interests. [5] Includes a net tax benefit of CHF 30 million from the excess fair value of shares delivered over recognized compensation expense. [6] 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. [7] Represents a capital contribution from Credit Suisse Group AG to Credit Suisse AG following the issuance of mandatory and contingent convertible securities in July 2012 by the Group.

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**
2011 (CHF million)								
Balance at beginning of period	**4,400**	**24,993**	**11,105**	**0**	**(10,729)**	**29,769**	**11,381**	**41,150**
Purchase of subsidiary shares from non-controlling interests, changing ownership	–	(5)	–	–	–	(5)	4	(1)
Purchase of subsidiary shares from non-controlling interests, not changing ownership	–	–	–	–	–	–	(3,369)	(3,369)
Sale of subsidiary shares to noncontrolling interests, not changing ownership	–	–	–	–	–	–	544	544
Net income/(loss)	–	–	1,141	–	–	1,141	852	1,993
Total other comprehensive income/(loss), net of tax	–	–	–	–	(226)	(226)	39	(187)
Issuance of common shares/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	–	(145)	–	–	–	(145)	(2)	(147)
Dividends on share-based compensation, net of tax	–	(85)	–	–	–	(85)	–	(85)
Dividends paid	–	–	(422)	–	–	(422)	(59)	(481)
Changes in redeemable noncontrolling interests	–	(625)	–	–	–	(625)	(140)	(765)
Change in scope of consolidation	–	–	–	–	–	–	(302)	(302)
Balance at end of period	**4,400**	**24,134**	**11,824**	**0**	**(10,955)**	**29,403**	**8,948**	**38,351**

The accompanying notes to the consolidated financial statements are an integral part of these statements.

Consolidated statements of 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**
2010 (CHF million)								
Balance at beginning of period	**4,400**	**25,268**	**12,527**	**(487)**	**(8,414)**	**33,294**	**14,523**	**47,817**
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)	–	–	4,408	–	–	4,408	802	5,210
Cumulative effect of accounting changes, net of tax	–	–	(2,384)	–	135	(2,249)	–	(2,249)
Total other comprehensive income/(loss), net of tax	–	–	–	–	(2,450)	(2,450)	(1,234)	(3,684)
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	–	(1,727)	–	–	–	(1,727)	10	(1,717)
Dividends on share-based compensation, net of tax	–	(87)	–	–	–	(87)	–	(87)
Dividends paid	–	–	(3,446)	–	–	(3,446)	(143)	(3,589)
Change in scope of consolidation	–	–	–	–	–	–	(911)	(911)
Other	–	–	–	–	–	–	79	79
Balance at end of period	**4,400**	**24,993**	**11,105**	**0**	**(10,729)**	**29,769**	**11,381**	**41,150**

The accompanying notes to the consolidated financial statements are an integral part of these statements.

Consolidated statements of cash flows

in	2012	2011	2010
Operating activities of continuing operations (CHF million)			
Net income	**1,495**	**2,042**	**5,210**
(Income)/loss from discontinued operations, net of tax	0	0	19
Income from continuing operations	**1,495**	**2,042**	**5,229**
Adjustments to reconcile net income/(loss) to net cash provided by/(used in) operating activities of continuing operations (CHF million)			
Impairment, depreciation and amortization	1,264	1,181	1,152
Provision for credit losses	88	123	(121)
Deferred tax provision/(benefit)	(151)	65	1,045
Share of net income/(loss) from equity method investments	35	(41)	(101)
Trading assets and liabilities, net	(14,033)	38,728	(12,734)
(Increase)/decrease in other assets	(1,120)	(7,719)	4,257
Increase/(decrease) in other liabilities	(4,211)	5,647	4,432
Other, net	4,644	(2,923)	3,758
Total adjustments	(13,484)	35,061	1,688
Net cash provided by/(used in) operating activities of continuing operations	**(11,989)**	**37,103**	**6,917**
Investing activities of continuing operations (CHF million)			
(Increase)/decrease in interest-bearing deposits with banks	315	(1,020)	(1,760)
(Increase)/decrease in central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	46,933	(14,681)	(27,541)
Purchase of investment securities	(276)	(1,232)	(2,580)
Proceeds from sale of investment securities	936	2,118	988
Maturities of investment securities	1,442	2,294	3,555
Investments in subsidiaries and other investments	(1,947)	(1,410)	(1,366)
Proceeds from sale of other investments	2,918	6,324	2,155
(Increase)/decrease in loans	(10,114)	(14,818)	6,124
Proceeds from sale of loans	1,090	689	817
Capital expenditures for premises and equipment and other intangible assets	(1,227)	(1,727)	(1,680)
Proceeds from sale of premises and equipment and other intangible assets	26	11	17
Other, net	3,676	189	214
Net cash provided by/(used in) investing activities of continuing operations	**43,772**	**(23,263)**	**(21,057)**

The accompanying notes to the consolidated financial statements are an integral part of these statements.

Consolidated statements of cash flows (continued)

in	2012	2011	2010
Financing activities of continuing operations (CHF million)			
Increase/(decrease) in due to banks and customer deposits	(14,942)	27,624	27,463
Increase/(decrease) in short-term borrowings	(11,643)	4,098	10,934
Increase/(decrease) in central bank funds purchased, securities sold under repurchase agreements and securities lending transactions	(39,958)	7,182	(7,097)
Issuances of long-term debt	37,217	33,650	56,231
Repayments of long-term debt	(54,465)	(36,591)	(49,351)
Issuances of common shares	0	(2)	1,567
Sale of treasury shares	0	615	2,082
Repurchase of treasury shares	0	(612)	(1,623)
Dividends paid/capital repayments	(321)	(481)	(3,589)
Excess tax benefits related to share-based compensation	42	0	608
Other, net	3,603	(2,779)	(3,344)
Net cash provided by/(used in) financing activities of continuing operations	**(80,467)**	**32,704**	**33,881**
Effect of exchange rate changes on cash and due from banks (CHF million)			
Effect of exchange rate changes on cash and due from banks	**(1,164)**	**(692)**	**(6,463)**
Net cash provided by/(used in) discontinued operations (CHF million)			
Net cash provided by/(used in) operating activities of discontinued operations	**0**	**25**	**(42)**
Net increase/(decrease) in cash and due from banks (CHF million)			
Net increase/(decrease) in cash and due from banks	**(49,848)**	**45,877**	**13,236**
Cash and due from banks at beginning of period	111,224	65,347	52,111
Cash and due from banks at end of period	**61,376**	**111,224**	**65,347**

Supplemental cash flow information

in	2012	2011	2010
Cash paid for income taxes and interest (CHF million)			
Cash paid for income taxes	962	1,038	970
Cash paid for interest	14,889	17,119	18,839
Assets acquired and liabilities assumed in business acquisitions (CHF million)			
Fair value of assets acquired	2,418	0	0
Fair value of liabilities assumed	2,418	0	0

The accompanying notes to the consolidated financial statements are an integral part of these statements.

Notes to the consolidated financial statements

1 Summary of significant accounting policies

The accompanying consolidated financial statements of Credit Suisse AG (the Bank), a Swiss bank subsidiary of Credit Suisse Group AG (the Group), are prepared in accordance with accounting principles generally accepted in the US (US GAAP) and are stated in Swiss francs (CHF). The financial year for the Bank ends on December 31. Prior year's consolidated financial statements have been restated to reflect the Clariden Leu integration on April 2, 2012. In addition, 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 position, results of operations or cash flows was or is expected to be identical.

3 Business developments and subsequent events

- Refer to "Note 3 – Business developments and subsequent events" in V – Consolidated financial statements – Credit Suisse Group for further information. The acquisition of Neue Aargauer Bank AG and the capital raising through mandatory and contingent convertible securities were not relevant to the Bank.

4 Discontinued operations

- Refer to "Note 4 – Discontinued operations" in V – Consolidated financial statements – Credit Suisse Group for further information.

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 & Wealth Management. Income from continuing operations before taxes of these non-consolidated affiliate entities included in the segment presentation for the years ended December 31, 2012, 2011 and 2010 was CHF 237 million, CHF 259 million and CHF 277 million, respectively. For the same periods, net revenues of these non-consolidated affiliate entities included in the segment presentation were CHF 684 million, CHF 707 million and CHF 711 million, respectively, and total assets of these non-consolidated affiliate entities included in the segment presentation as of December 31, 2012 and 2011, were CHF 25.8 billion and CHF 24.9 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	**2012**	2011	2010
Net revenues (CHF million)			
Private Banking & Wealth Management	13,541	13,447	14,580
Investment Banking	12,558	10,460	15,873
Adjustments [1, 2]	(2,566)	1,280	80
Net revenues	**23,533**	**25,187**	**30,533**
Income/(loss) from continuing operations before taxes (CHF million)			
Private Banking & Wealth Management	3,775	2,961	4,142
Investment Banking	2,002	(593)	3,594
Adjustments [1, 3]	(3,804)	133	(1,200)
Income from continuing operations before taxes	**1,973**	**2,501**	**6,536**

[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 365 million, CHF 900 million and CHF 775 million in 2012, 2011 and 2010, 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 of CHF 307 million, CHF 816 million and CHF 702 million in 2012, 2011 and 2010, 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	**2012**	2011
Total assets (CHF million)		
Private Banking & Wealth Management	407,329	392,201
Investment Banking	658,622	790,167
Adjustments [1]	(157,791)	(147,581)
Total assets	**908,160**	**1,034,787**

[1] Adjustments mainly 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	2012	2011	2010
Net revenues (CHF million)			
Switzerland	8,017	7,792	8,533
EMEA	3,498	6,450	7,367
Americas	10,194	9,246	12,718
Asia Pacific	1,824	1,699	1,915
Net revenues	**23,533**	**25,187**	**30,533**
Income/(loss) from continuing operations before taxes (CHF million)			
Switzerland	1,170	(176)	1,117
EMEA	(1,428)	1,275	1,452
Americas	3,068	2,357	4,806
Asia Pacific	(837)	(955)	(839)
Income from continuing operations before taxes	**1,973**	**2,501**	**6,536**

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	2012	2011
Total assets (CHF million)		
Switzerland	183,735	201,360
EMEA	221,476	276,674
Americas	422,181	469,191
Asia Pacific	80,768	87,562
Total assets	**908,160**	**1,034,787**

The designation of total assets by region is based upon customer domicile.

6 Net interest income

in	2012	2011	2010
Net interest income (CHF million)			
Loans	4,333	4,333	4,715
Investment securities	52	74	68
Trading assets	11,949	11,700	14,073
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	2,940	3,265	2,667
Other	2,285	3,065	3,462
Interest and dividend income	21,559	22,437	24,985
Deposits	(1,332)	(1,669)	(1,573)
Short-term borrowings	(71)	(69)	(63)
Trading liabilities	(6,833)	(7,125)	(9,017)
Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions	(1,676)	(1,621)	(1,637)
Long-term debt	(4,554)	(5,537)	(6,161)
Other	(276)	(402)	(344)
Interest expense	(14,742)	(16,423)	(18,795)
Net interest income	**6,817**	**6,014**	**6,190**

7 Commissions and fees

in	2012	2011	2010
Commissions and fees (CHF million)			
Lending business	1,474	1,247	1,408
Investment and portfolio management	3,949	3,955	4,210
Other securities business	126	38	19
Fiduciary business	4,075	3,993	4,229
Underwriting	1,561	1,479	2,125
Brokerage	3,663	4,027	3,937
Underwriting and brokerage	5,224	5,506	6,062
Other services	2,125	1,928	2,120
Commissions and fees	**12,898**	**12,674**	**13,819**

8 Trading revenues

in	2012	2011	2010
Trading revenues (CHF million)			
Interest rate products	2,868	6,578	5,673
Foreign exchange products	560	(4,456)	2,232
Equity/index-related products	111	1,604	2,306
Credit products	(3,306)	522	(1,644)
Commodity, emission and energy products	198	361	323
Other products	897	131	324
Trading revenues	**1,328**	**4,740**	**9,214**

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	2012	2011	2010
Other revenues (CHF million)			
Noncontrolling interests without SEI	333	794	723
Loans held-for-sale	(37)	(4)	(84)
Long-lived assets held-for-sale	456	(43)	(182)
Equity method investments	136	137	193
Other investments	752	330	120
Other	850	545	540
Other revenues	**2,490**	**1,759**	**1,310**

10 Provision for credit losses

in	2012	2011	2010
Provision for credit losses (CHF million)			
Provision for loan losses	77	78	(136)
Provision for lending-related and other exposures	11	45	15
Provision for credit losses	**88**	**123**	**(121)**

11 Compensation and benefits

in	2012	2011	2010
Compensation and benefits (CHF million)			
Salaries and variable compensation	10,647	11,159	12,156
Social security	751	842	903
Other [1]	1,048	1,187	1,642
Compensation and benefits [2]	**12,446**	**13,188**	**14,701**

[1] Includes pension and other post-retirement expense of CHF 747 million, CHF 926 million and CHF 939 million in 2012, 2011 and 2010, respectively, and the UK levy on variable compensation of CHF 404 million in 2010. [2] Includes severance and other compensation expense relating to headcount reductions of CHF 427 million and CHF 576 million as of 2012 and 2011, respectively.

12 General and administrative expenses

in	2012	2011	2010
General and administrative expenses (CHF million)			
Occupancy expenses	1,201	1,104	1,163
IT, machinery, etc.	1,459	1,437	1,333
Provisions and losses	682	707	495
Travel and entertainment	382	427	456
Professional services	1,881	2,030	2,131
Amortization and impairment of other intangible assets	28	30	34
Other	1,635	1,672	1,684
General and administrative expenses	**7,268**	**7,407**	**7,296**

13 Securities borrowed, lent and subject to repurchase agreements

end of	2012	2011
Securities borrowed or purchased under agreements to resell (CHF million)		
Central bank funds sold and securities purchased under resale agreements	121,234	172,156
Deposits paid for securities borrowed	62,212	64,779
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	**183,446**	**236,935**
Securities lent or sold under agreements to repurchase (CHF million)		
Central bank funds purchased and securities sold under repurchase agreements	120,164	161,220
Deposits received for securities lent	12,557	15,339
Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions	**132,721**	**176,559**

▸ 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	**2012**	2011
Trading assets (CHF million)		
Debt securities	135,814	144,961
Equity securities [1]	74,945	66,986
Derivative instruments [2]	33,416	52,735
Other	12,427	15,066
Trading assets	**256,602**	**279,748**
Trading liabilities (CHF million)		
Short positions	51,501	67,639
Derivative instruments [2]	39,590	60,170
Trading liabilities	**91,091**	**127,809**

[1] Including convertible bonds. [2] Amounts shown net of cash collateral receivables and payables.

Cash collateral on derivative instruments

end of	**2012**	2011
Cash collateral – netted (CHF million) [1]		
Cash collateral paid	36,715	37,883
Cash collateral received	33,274	36,326
Cash collateral – not netted (CHF million) [2]		
Cash collateral paid	10,904	15,812
Cash collateral received	12,224	11,933

[1] Recorded as cash collateral netting on derivative instruments in Note 29 – Derivatives and hedging activities. [2] Recorded as cash collateral on derivative instruments in Note 21 – Other assets and other liabilities.

15 Investment securities

end of	**2012**	2011
Investment securities (CHF million)		
Debt securities held-to-maturity	0	2
Securities available-for-sale	1,939	3,650
Total investment securities	**1,939**	**3,652**

Investment securities by type

end of	Amortized cost	Gross unrealized gains	Gross unrealized losses	**Fair value**
2012 (CHF million)				
Debt securities issued by foreign governments	1,288	67	0	1,355
Corporate debt securities	465	0	0	465
Collateralized debt obligations	23	1	0	24
Debt securities available-for-sale	**1,776**	**68**	**0**	**1,844**
Banks, trust and insurance companies	73	14	0	87
Industry and all other	8	0	0	8
Equity securities available-for-sale	**81**	**14**	**0**	**95**
Securities available-for-sale	**1,857**	**82**	**0**	**1,939**
2011 (CHF million)				
Debt securities issued by foreign governments	2	0	0	2
Debt securities held-to-maturity	**2**	**0**	**0**	**2**
Debt securities issued by the Swiss federal, cantonal or local governmental entities	1	0	0	1
Debt securities issued by foreign governments	2,916	113	1	3,028
Corporate debt securities	352	0	0	352
Collateralized debt obligations	176	1	0	177
Debt securities available-for-sale	**3,445**	**114**	**1**	**3,558**
Banks, trust and insurance companies	68	8	0	76
Industry and all other	15	1	0	16
Equity securities available-for-sale	**83**	**9**	**0**	**92**
Securities available-for-sale	**3,528**	**123**	**1**	**3,650**

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 2012. No significant impairment was recorded as the Bank does not intend to sell the investments, nor is it more likely than not that the Bank will be required to sell the investments before the recovery of their amortized cost bases, which may be maturity.

Proceeds from sales, realized gains and realized losses from available-for-sale securities

	Debt securities			Equity securities		
in	**2012**	2011	2010	**2012**	2011	2010
Additional information (CHF million)						
Proceeds from sales	294	2,117	984	642	1	3
Realized gains	14	40	5	294	0	0
Realized losses	(2)	(22)	(11)	0	0	0

Amortized cost, fair value and average yield of debt securities

	Debt securities available-for-sale		
end of	Amortized cost	Fair value	Average yield (in %)
2012 (CHF million)			
Due within 1 year	948	958	2.53
Due from 1 to 5 years	703	754	3.76
Due from 5 to 10 years	87	87	0.00
Due after 10 years	38	45	5.32
Total debt securities	**1,776**	**1,844**	**2.97**

16 Other investments

end of	**2012**	2011
Other investments (CHF million)		
Equity method investments	2,147	2,508
Non-marketable equity securities [1]	7,156	7,654
Real estate held for investment	641	731
Life finance instruments [2]	1,872	2,022
Total other investments	**11,816**	**12,915**

[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. Impairments of CHF 13 million and CHF 3 million were recorded in 2012 and 2011, respectively. No impairments were recorded in 2010.

Accumulated depreciation related to real estate held for investment amounted to CHF 280 million, CHF 278 million and CHF 273 million for 2012, 2011 and 2010, 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	2012	2011
Loans (CHF million)		
Mortgages	78,328	75,461
Loans collateralized by securities	27,248	26,350
Consumer finance	3,931	3,759
Consumer	109,507	105,570
Real estate	24,133	22,397
Commercial and industrial loans	59,518	56,984
Financial institutions	32,627	33,058
Governments and public institutions	2,555	2,245
Corporate & institutional	118,833	114,684
Gross loans	**228,340**	**220,254**
of which held at amortized cost	208,340	199,561
of which held at fair value	20,000	20,693
Net (unearned income)/deferred expenses	(121)	(98)
Allowance for loan losses	(721)	(722)
Net loans	**227,498**	**219,434**
Gross loans by location (CHF million)		
Switzerland	135,439	132,477
Foreign	92,901	87,777
Gross loans	**228,340**	**220,254**
Impaired loan portfolio (CHF million)		
Non-performing loans	637	520
Non-interest-earning loans	281	220
Total non-performing and non-interest-earning loans	918	740
Restructured loans	30	13
Potential problem loans	450	619
Total other impaired loans	480	632
Gross impaired loans	**1,398**	**1,372**

Allowance for loan losses

			2012			2011	2010
	Consumer	Corporate & institutional	Total	Consumer	Corporate & institutional	Total	Total
Allowance for loan losses (CHF million)							
Balance at beginning of period	**159**	**563**	**722**	**157**	**675**	**832**	**1,204**
Change in scope of consolidation	(18)	0	(18)	0	0	0	0
Net movements recognized in statements of operations	26	51	77	21	57	78	(138)
Gross write-offs	(42)	(80)	(122)	(58)	(175)	(233)	(239)
Recoveries	19	20	39	33	4	37	57
Net write-offs	(23)	(60)	(83)	(25)	(171)	(196)	(182)
Provisions for interest	4	20	24	0	11	11	1
Foreign currency translation impact and other adjustments, net	(5)	4	(1)	6	(9)	(3)	(53)
Balance at end of period	**143**	**578**	**721**	**159**	**563**	**722**	**832**

Allowance for loan losses and gross loans held at amortized cost by loan portfolio

			2012			2011			2010
end of	Consumer	Corporate & institutional	Total	Consumer	Corporate & institutional	Total	Consumer	Corporate & institutional	Total
Allowance for loan losses (CHF million)									
Balance at end of period	**143**	**578**	**721**	**159**	**563**	**722**	**157**	**675**	**832**
of which individually evaluated for impairment	116	416	532	130	387	517	124	494	618
of which collectively evaluated for impairment	27	162	189	29	176	205	33	181	214
Gross loans held at amortized cost (CHF million)									
Balance at end of period	**109,495**	**98,845**	**208,340**	**105,561**	**94,000**	**199,561**	**99,581**	**90,037**	**189,618**
of which individually evaluated for impairment	422	976	1,398	425	947	1,372	433	1,074	1,507
of which collectively evaluated for impairment	109,073	97,869	206,942	105,136	93,053	198,189	99,148	88,963	188,111

Purchases, reclassifications and sales

			2012			2011
in	Consumer	Corporate & institutional	Total	Consumer	Corporate & institutional	Total
Loans held at amortized cost (CHF million)						
Purchases	348	4,605	4,953	0	4,121	4,121
Reclassifications from loans held-for-sale	0	216	216	0	0	0
Reclassifications to loans held-for-sale [1]	0	1,323	1,323	0	1,363	1,363
Sales [1]	0	1,058	1,058	0	1,117	1,117

[1] All loans held at amortized cost which are sold are reclassified to loans held-for-sale on or prior to the date of the sale.

Gross loans held at amortized cost by internal counterparty rating

end of	AAA	AA	A	BBB	BB	B	CCC	CC	C	D	**Total**
2012 (CHF million)											
Mortgages	378	708	11,277	51,295	14,088	413	8	8	0	153	78,328
Loans collateralized by securities	79	57	944	23,289	2,686	91	6	1	0	95	27,248
Consumer finance	0	6	98	3,171	473	18	0	0	1	152	3,919
Consumer	457	771	12,319	77,755	17,247	522	14	9	1	400	109,495
Real estate	258	367	2,039	13,397	7,519	159	0	0	0	50	23,789
Commercial and industrial loans	214	307	1,442	21,079	21,319	3,268	203	1	40	676	48,549
Financial institutions	2,288	2,086	12,490	5,168	2,555	381	0	33	14	147	25,162
Governments and public institutions	68	34	324	464	125	101	229	0	0	0	1,345
Corporate & institutional	2,828	2,794	16,295	40,108	31,518	3,909	432	34	54	873	98,845
Gross loans held at amortized cost	**3,285**	**3,565**	**28,614**	**117,863**	**48,765**	**4,431**	**446**	**43**	**55**	**1,273**	**208,340**
Value of collateral [1]	2,899	2,577	18,358	107,275	40,170	2,835	170	43	4	664	174,995
2011 (CHF million)											
Mortgages	163	628	8,433	48,871	16,635	556	8	16	0	151	75,461
Loans collateralized by securities	1	18	396	24,027	1,746	87	0	2	0	73	26,350
Consumer finance	0	4	43	2,994	507	20	0	9	23	150	3,750
Consumer	164	650	8,872	75,892	18,888	663	8	27	23	374	105,561
Real estate	340	196	907	11,397	8,969	273	0	3	0	40	22,125
Commercial and industrial loans	398	245	1,676	20,345	18,281	2,927	171	26	117	648	44,834
Financial institutions	3,906	2,091	11,120	5,483	1,875	760	3	43	0	119	25,400
Governments and public institutions	55	84	320	444	158	104	470	0	0	6	1,641
Corporate & institutional	4,699	2,616	14,023	37,669	29,283	4,064	644	72	117	813	94,000
Gross loans held at amortized cost	**4,863**	**3,266**	**22,895**	**113,561**	**48,171**	**4,727**	**652**	**99**	**140**	**1,187**	**199,561**
Value of collateral [1]	3,931	1,696	13,535	104,129	39,447	2,760	96	82	0	727	166,403

[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

	Current				Past due		
end of		Up to 30 days	31–60 days	61–90 days	More than 90 days	Total	**Total**
2012 (CHF million)							
Mortgages	78,023	154	14	10	127	305	78,328
Loans collateralized by securities	26,919	220	3	3	103	329	27,248
Consumer finance	3,508	314	33	26	38	411	3,919
Consumer	108,450	688	50	39	268	1,045	109,495
Real estate	23,634	106	2	2	45	155	23,789
Commercial and industrial loans	47,406	640	22	136	345	1,143	48,549
Financial institutions	24,929	53	2	34	144	233	25,162
Governments and public institutions	1,310	35	0	0	0	35	1,345
Corporate & institutional	97,279	834	26	172	534	1,566	98,845
Gross loans held at amortized cost	**205,729**	**1,522**	**76**	**211**	**802**	**2,611**	**208,340**
2011 (CHF million)							
Mortgages	75,278	46	11	3	123	183	75,461
Loans collateralized by securities	26,114	180	11	3	42	236	26,350
Consumer finance	3,302	372	29	26	21	448	3,750
Consumer	104,694	598	51	32	186	867	105,561
Real estate	22,059	41	3	1	21	66	22,125
Commercial and industrial loans	43,975	444	87	48	280	859	44,834
Financial institutions	25,201	78	2	48	71	199	25,400
Governments and public institutions	1,634	1	0	0	6	7	1,641
Corporate & institutional	92,869	564	92	97	378	1,131	94,000
Gross loans held at amortized cost	**197,563**	**1,162**	**143**	**129**	**564**	**1,998**	**199,561**

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**
2012 (CHF million)							
Mortgages	125	9	134	0	39	39	173
Loans collateralized by securities	18	74	92	0	3	3	95
Consumer finance	143	10	153	0	1	1	154
Consumer	286	93	379	0	43	43	422
Real estate	42	4	46	0	15	15	61
Commercial and industrial loans	251	146	397	30	327	357	754
Financial institutions	58	38	96	0	65	65	161
Corporate & institutional	351	188	539	30	407	437	976
Gross impaired loans	**637**	**281**	**918**	**30**	**450**	**480**	**1,398**
2011 (CHF million)							
Mortgages	126	5	131	0	43	43	174
Loans collateralized by securities	27	13	40	0	46	46	86
Consumer finance	113	28	141	0	24	24	165
Consumer	266	46	312	0	113	113	425
Real estate	11	6	17	0	24	24	41
Commercial and industrial loans	194	110	304	13	425	438	742
Financial institutions	49	52	101	0	57	57	158
Governments and public institutions	0	6	6	0	0	0	6
Corporate & institutional	254	174	428	13	506	519	947
Gross impaired loans	**520**	**220**	**740**	**13**	**619**	**632**	**1,372**

As of December 31, 2012 and 2011, loans held-to-maturity carried at amortized cost did not include any subprime residential mortgages. Accordingly, impaired loans did not include any subprime residential mortgages.

In 2012 and 2011, the number of troubled debt restructurings and related financial effects and the number of defaults and related carrying values of loans, which had been restructured within the previous 12 months, were not material. As of December 31, 2012 and 2011, the Bank did not have any material commitments to lend additional funds to debtors whose loan terms have been modified in troubled debt restructurings.

Gross impaired loan details

	2012			2011		
end of	Recorded investment	Unpaid principal balance	Associated specific allowance	Recorded investment	Unpaid principal balance	Associated specific allowance
Gross impaired loan details (CHF million)						
Mortgages	149	141	16	141	133	19
Loans collateralized by securities	68	66	53	85	82	50
Consumer finance	129	125	47	152	151	61
Consumer	346	332	116	378	366	130
Real estate	58	54	18	27	22	16
Commercial and industrial loans	627	592	306	675	650	282
Financial institutions	157	154	92	142	141	83
Governments and public institutions	0	0	0	6	4	6
Corporate & institutional	842	800	416	850	817	387
Gross impaired loans with a specific allowance	**1,188**	**1,132**	**532**	**1,228**	**1,183**	**517**
Mortgages	24	24	–	33	33	–
Loans collateralized by securities	27	27	–	1	1	–
Consumer finance	25	25	–	13	13	–
Consumer	76	76	–	47	47	–
Real estate	3	3	–	14	14	–
Commercial and industrial loans	127	128	–	67	67	–
Financial institutions	4	4	–	16	16	–
Corporate & institutional	134	135	–	97	97	–
Gross impaired loans without specific allowance	**210**	**211**	**–**	**144**	**144**	**–**
Gross impaired loans	**1,398**	**1,343**	**532**	**1,372**	**1,327**	**517**
of which consumer	422	408	116	425	413	130
of which corporate & institutional	976	935	416	947	914	387

Gross impaired loan details (continued)

	2012			2011		
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	152	1	1	142	1	1
Loans collateralized by securities	68	1	0	82	1	0
Consumer finance	117	3	3	135	2	2
Consumer	337	5	4	359	4	3
Real estate	43	0	0	28	0	0
Commercial and industrial loans	556	3	2	812	7	6
Financial institutions	191	2	2	147	0	0
Governments and public institutions	6	0	0	6	0	0
Corporate & institutional	796	5	4	993	7	6
Gross impaired loans with a specific allowance	**1,133**	**10**	**8**	**1,352**	**11**	**9**
Mortgages	27	0	0	68	0	0
Loans collateralized by securities	8	0	0	4	0	0
Consumer finance	41	0	0	19	0	0
Consumer	76	0	0	91	0	0
Real estate	12	0	0	74	5	5
Commercial and industrial loans	199	3	3	130	0	0
Financial institutions	8	0	0	19	0	0
Corporate & institutional	219	3	3	223	5	5
Gross impaired loans without specific allowance	**295**	**3**	**3**	**314**	**5**	**5**
Gross impaired loans	**1,428**	**13**	**11**	**1,666**	**16**	**14**
of which consumer	413	5	4	450	4	3
of which corporate & institutional	1,015	8	7	1,216	12	11

▸ Refer to "Note 18 – Loans, allowance for loan losses and credit quality" in V – Consolidated financial statements – Credit Suisse Group for further information.

18 Premises and equipment

end of	2012	2011
Premises and equipment (CHF million)		
Buildings and improvements	2,210	3,849
Land	476	847
Leasehold improvements	2,159	2,225
Software	5,323	4,607
Equipment	3,080	3,095
Premises and equipment	**13,248**	**14,623**
Accumulated depreciation	(7,832)	(7,633)
Total premises and equipment, net	**5,416**	**6,990**

Depreciation and impairment

in	2012	2011	2010
CHF million			
Depreciation	1,218	1,067	1,101
Impairment	17	84	16

In 2011, the estimated useful lives for leasehold and building improvements in Switzerland were increased from five to ten years, based on a change in estimate. The cumulative effect of adopting this change in estimate on January 1, 2011 was a decrease in depreciation expense of CHF 57 million (CHF 50 million after tax).

19 Goodwill

end of			2012			2011
	Private Banking & Wealth Management	Investment Banking	**Credit Suisse (Bank)**	Private Banking & Wealth Management	Investment Banking	**Credit Suisse (Bank)**
Gross amount of goodwill (CHF million)						
Balance at beginning of period	**2,260**	**5,522**	**7,782**	**2,269**	**5,507**	**7,776**
Goodwill acquired during the year	28	0	28	0	0	0
Foreign currency translation impact	(65)	(138)	(203)	(11)	15	4
Other	(13)	(2)	(15)	2	0	2
Balance at end of period	**2,210**	**5,382**	**7,592**	**2,260**	**5,522**	**7,782**
Accumulated impairment (CHF million)						
Balance at beginning of period	**0**	**82**	**82**	**0**	**82**	**82**
Balance at end of period	**0**	**82**	**82**	**0**	**82**	**82**
Net book value (CHF million)						
Net book value	**2,210**	**5,300**	**7,510**	**2,260**	**5,440**	**7,700**

▸ Refer to “Note 20 – Goodwill” in V – Consolidated financial statements – Credit Suisse Group for further information.

20 Other intangible assets

			2012			2011
end of	Gross carrying amount	Accumu-lated amorti-zation	**Net carrying amount**	Gross carrying amount	Accumu-lated amorti-zation	**Net carrying amount**
Other intangible assets (CHF million)						
Tradenames/trademarks	25	(21)	4	26	(21)	5
Client relationships	303	(142)	161	357	(189)	168
Other	8	(2)	6	7	(1)	6
Total amortizing other intangible assets	**336**	**(165)**	**171**	**390**	**(211)**	**179**
Non-amortizing other intangible assets	72	–	72	101	–	101
of which mortgage servicing rights, at fair value	43	–	43	70	–	70
Total other intangible assets	**408**	**(165)**	**243**	**491**	**(211)**	**280**

Additional information

in	**2012**	2011	2010
Aggregate amortization and impairment (CHF million)			
Aggregate amortization	28	30	33
Impairment	0	0	1

Estimated amortization

Estimated amortization (CHF million)	
2013	25
2014	24
2015	23
2016	19
2017	19

▸ Refer to “Note 21 – Other intangible assets” in V – Consolidated financial statements – Credit Suisse Group for further information.

21 Other assets and other liabilities

end of	2012	2011
Other assets (CHF million)		
Cash collateral on derivative instruments	10,904	15,812
Cash collateral on non-derivative transactions	1,995	2,083
Derivative instruments used for hedging	3,913	3,607
Assets held-for-sale	20,343	21,205
of which loans [1]	19,894	20,457
of which real estate	442	732
Assets held for separate accounts	13,414	14,407
Interest and fees receivable	5,845	6,084
Deferred tax assets	7,094	8,843
Prepaid expenses	532	593
Failed purchases	2,699	1,513
Other	6,043	3,933
Other assets	**72,782**	**78,080**
Other liabilities (CHF million)		
Cash collateral on derivative instruments	12,224	11,933
Cash collateral on non-derivative transactions	1,246	1,002
Derivative instruments used for hedging	1,114	1,848
Provisions [2]	1,348	1,098
of which off-balance sheet risk	59	64
Liabilities held for separate accounts	13,414	14,407
Interest and fees payable	6,556	6,983
Current tax liabilities	811	715
Deferred tax liabilities	103	282
Failed sales	4,336	6,888
Other	16,215	17,011
Other liabilities	**57,367**	**62,167**

[1] Included as of December 31, 2012 and 2011 were CHF 3,730 million and CHF 6,299 million, respectively, in restricted loans, which represented collateral on secured borrowings, and CHF 922 million and CHF 1,386 million, respectively, in loans held in trusts, which are consolidated as a result of failed sales under US GAAP. [2] Includes provision for bridge commitments.

22 Deposits

			2012			2011
end of	Switzer-land	Foreign	Total	Switzer-land	Foreign	Total
Deposits (CHF million)						
Non-interest-bearing demand deposits	8,282	4,521	12,803	11,441	4,214	15,655
Interest-bearing demand deposits	129,352	25,713	155,065	110,919	20,751	131,670
Savings deposits	52,534	44	52,578	47,212	38	47,250
Time deposits	8,965	98,853	107,818 [1]	15,473	134,159	149,632 [1]
Total deposits	**199,133**	**129,131**	**328,264** [2]	**185,045**	**159,162**	**344,207** [2]
of which due to banks	–	–	30,574	–	–	40,077
of which customer deposits	–	–	297,690	–	–	304,130

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, 2012 and 2011 were CHF 107,705 million and CHF 160,992 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, 2012 and 2011 were CHF 67 million and CHF 51 million, respectively, of overdrawn deposits reclassified as loans.

23 Long-term debt

end of	2012	2011
Long-term debt (CHF million)		
Senior	112,123	120,497
Subordinated	20,342	25,998
Non-recourse liabilities from consolidated VIEs	14,532	14,858
Long-term debt	**146,997**	**161,353**
of which reported at fair value	64,774	68,036
of which structured notes	36,639	35,728

Structured notes by product

end of	2012
Structured notes (CHF million)	
Equity	23,761
Fixed income	6,559
Emerging markets [1]	3,304
Credit	1,893
Other	1,122
Total structured notes	**36,639**

[1] Transactions where the return is based on a referenced underlying or counterparty specific to emerging markets.

Long-term debt by maturities

end of	2013	2014	2015	2016	2017	Thereafter	Total
Long-term debt (CHF million)							
Senior debt							
Fixed rate	13,931	11,295	13,859	3,493	8,548	13,802	64,928
Variable rate	12,807	8,179	7,221	4,497	4,532	9,959	47,195
Interest rates (range in %) [1]	0.0–13.6	0.0–13.0	0.0–12.5	0.3–10.2	0.6–5.1	0.0–8.2	–
Subordinated debt							
Fixed rate	2,465	144	89	1,830	1,011	11,303	16,842
Variable rate	3,000	200	19	30	46	205	3,500
Interest rates (range in %) [1]	0.4–13.2	1.3–9.3	2.8–10.3	0.3–8.2	1.0–8.5	0.0–13.2	–
Non-recourse liabilities from consolidated VIEs							
Fixed rate	218	2	815	89	–	92	1,216
Variable rate	153	478	468	748	34	11,435	13,316
Interest rates (range in %) [1]	0.6–0.8	0.7–13.2	0.0–12.6	0.0–12.8	2.0	0.0–10.9	–
Total long-term debt	**32,574**	**20,298**	**22,471**	**10,687**	**14,171**	**46,796**	**146,997**
of which structured notes	7,655	7,505	5,730	3,793	3,397	8,559	36,639

[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**
2012 (CHF million)						
Balance at beginning of period	**0**	**(10,326)**	**96**	**(729)**	**4**	**(10,955)**
Increase/(decrease)	7	(1,067)	199	4	0	(857)
Reclassification adjustments, included in net income	0	44	(242)	55	(1)	(144)
Balance at end of period	**7**	**(11,349)**	**53**	**(670)**	**3**	**(11,956)**
2011 (CHF million)						
Balance at beginning of period	**32**	**(9,994)**	**99**	**(871)**	**5**	**(10,729)**
Increase/(decrease)	(5)	(348)	21	103	0	(229)
Reclassification adjustments, included in net income	(27)	16	(24)	39	(1)	3
Balance at end of period	**0**	**(10,326)**	**96**	**(729)**	**4**	**(10,955)**
2010 (CHF million)						
Balance at beginning of period	**10**	**(7,755)**	**86**	**(761)**	**6**	**(8,414)**
Increase/(decrease)	45	(2,361)	7	(135)	0	(2,444)
Reclassification adjustments, included in net income	(23)	(13)	6	25	(1)	(6)
Cumulative effect of accounting changes, net of tax	0	135	0	0	0	135
Balance at end of period	**32**	**(9,994)**	**99**	**(871)**	**5**	**(10,729)**

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**

Details of current and deferred taxes

in	2012	2011	2010
Current and deferred taxes (CHF million)			
Switzerland	85	(35)	25
Foreign	544	429	237
Current income tax expense	**629**	**394**	**262**
Switzerland	(121)	(251)	(296)
Foreign	(30)	316	1,341
Deferred income tax expense	**(151)**	**65**	**1,045**
Income tax expense	**478**	**459**	**1,307**
Income tax expense/(benefit) reported in shareholder's equity related to:			
Gains/(losses) on cash flow hedges	0	(4)	4
Cumulative translation adjustment	(12)	16	32
Unrealized gains/(losses) on securities	(1)	16	0
Actuarial gains/(losses)	30	29	(46)
Net prior service cost	(2)	(1)	0
Share-based compensation and treasury shares	(53)	275	(608)

Reconciliation of taxes computed at the Swiss statutory rate

in	2012	2011	2010
Income/(loss) from continuing operations before taxes (CHF million)			
Switzerland	1,170	(176)	1,117
Foreign	803	2,677	5,419
Income from continuing operations before taxes	**1,973**	**2,501**	**6,536**
Reconciliation of taxes computed at the Swiss statutory rate (CHF million)			
Income tax expense computed at the statutory tax rate of 22%	434	550	1,438
Increase/(decrease) in income taxes resulting from			
Foreign tax rate differential	312	(11)	562
Non-deductible amortization of other intangible assets and goodwill impairment	0	0	1
Other non-deductible expenses	382	444	621
Additional taxable income	6	6	22
Lower taxed income	(407)	(422)	(765)
Income taxable to noncontrolling interests	(117)	(312)	(282)
Changes in tax law and rates	182	170	119
Changes in deferred tax valuation allowance	11	471	56
Tax deductible impairments of Swiss subsidiary investments	(161)	(55)	0
Other	(164)	(382)	(465)
Income tax expense	**478**	**459**	**1,307**

Foreign tax rate differential

2012 included a foreign tax expense of CHF 312 million in respect of profits earned in higher tax jurisdictions, mainly Brazil and the US, partially offset by foreign tax rate differential related to profits earned in lower tax jurisdictions, mainly Guernsey and Bahamas. The total foreign tax expense of CHF 514 million is not only impacted by the foreign tax expense based on statutory tax rates but also by tax impacts related to additional reconciling items explained below.

2011 included a foreign tax rate benefit of CHF 11 million in respect of profits earned in lower tax jurisdictions, mainly Guernsey and Bahamas, partially offset by foreign tax rate differential related to profits in higher tax jurisdictions, mainly Brazil and the US. The total foreign tax expense of CHF 745 million is not only impacted by the foreign tax rate expense but also by tax impacts related to additional reconciling items explained below.

Other non-deductible expenses

2012 and 2011 included non-deductible interest expenses of CHF 259 million and CHF 240 million, respectively, non-taxable offshore expenses of CHF 8 million and CHF 80 million, respectively, non-deductible bank levy costs and other non-deductible compensation expenses of CHF 57 million and CHF 49 million, respectively, and other various smaller non-deductible expenses.

Lower taxed income

2012 and 2011 included a tax benefit of CHF 29 million and CHF 52 million, respectively, related to exempt offshore income, CHF 40 million and CHF 47 million, respectively, in respect to non-taxable dividend income and CHF 11 million and CHF 47 million, respectively, related to non-taxable foreign exchange gains. In addition, 2012 and 2011 included tax benefits of CHF 100 million and CHF 42 million, respectively, related to tax credits and CHF 48 million and CHF 40 million, respectively, related to non-taxable life insurance income. 2012 also included a CHF 114 million Swiss income tax benefit as a result of foreign branch earnings beneficially impacting the earnings mix. The remaining balance included various smaller items, amongst others related to permanent tax benefits from tax deductible goodwill amortization and tax holidays.

2011 and 2010 included a tax benefit of CHF 116 million and CHF 130 million, respectively, in respect of the reversal of the deferred tax liability recorded to cover estimated recapture of loss deductions arising from foreign branches of the Bank.

2010 included a tax benefit of CHF 380 million in respect of a legal entity merger that reflected regulatory concerns about complex holding structures.

Changes in tax law and rates

2012 and 2011 included a tax expense of CHF 182 million and CHF 170 million, respectively, caused by the reduction of deferred tax assets mainly due to the impact of the change in UK corporation tax.

Changes in deferred tax valuation allowance

2012 included an increase to the valuation allowance of CHF 834 million in respect of five of the Bank's operating entities, three in Europe and two in Asia, mainly relating to deferred tax assets on current year tax losses and pre-existing loss carry-forwards. 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. 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.

2012, 2011 and 2010 also included a tax benefit of CHF 820 million, CHF 7 million and CHF 199 million, respectively, resulting from the release of valuation allowances on deferred tax assets for one of the Bank's operating entities in the US.

Other

2012 included a tax benefit of CHF 48 million relating to the re-assessment of deferred tax assets in Switzerland reflecting changes in forecasted future profitability related to such pre-existing deferred tax assets. 2012 also included a benefit of CHF 70 million relating to return to accrual adjustments following the close of a tax audit cycle and the impact of the closure of an advanced pricing agreement.

2011 included a tax benefit of CHF 261 million relating to the increase of deferred tax assets in two of the Bank's operating entities, one in Switzerland (CHF 129 million) and one in the US (CHF 132 million). The increase is related to the re-measurement of existing deferred tax assets on net operating losses due to changes in the mix of the sources of income and related tax rates that these net operating losses are expected to be applied to.

2012, 2011 and 2010 included an amount of CHF 43 million, CHF 125 million and CHF 301 million, respectively, relating to the release of tax contingency accruals following the favorable resolution of tax matters.

As of December 31, 2012, the Bank had accumulated undistributed earnings from foreign subsidiaries of CHF 6.8 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	**2012**	2011
Tax effect of temporary differences (CHF million)		
Compensation and benefits	2,279	2,172
Loans	441	392
Investment securities	1,818	1,480
Provisions	1,760	1,943
Business combinations	0	101
Derivatives	343	385
Real estate	242	212
Net operating loss carry-forwards	5,177	7,291
Other	204	174
Gross deferred tax assets before valuation allowance	**12,264**	**14,150**
Less valuation allowance	(2,550)	(2,689)
Gross deferred tax assets net of valuation allowance	**9,714**	**11,461**
Compensation and benefits	(164)	(129)
Loans	(162)	(147)
Investment securities	(1,354)	(1,199)
Provisions	(402)	(378)
Business combinations	(20)	(227)
Derivatives	(295)	(392)
Leasing	(40)	(58)
Real estate	(78)	(82)
Other	(208)	(288)
Gross deferred tax liabilities	**(2,723)**	**(2,900)**
Net deferred tax assets	**6,991**	**8,561**

The decrease in net deferred tax assets from 2011 to 2012 of CHF 1,570 million was primarily due to the recognition of a valuation allowance against deferred tax assets, mainly in the UK and Asia, of CHF 215 million, and taxable gains on transfers of assets within the consolidated Bank for which associated tax charges of CHF 1,511 million have been deferred as other assets in accordance with ASC 810-10-45-8 (Consolidation – other presentation matters, formerly Accounting Research Bulletin 51). The deferral will be amortized over a period of up to 15 years in line with Accounting Standards Codification 810-10-45-8 principles and will be matched by future tax deductions. In addition, the decrease reflected a write-down of CHF 182 million as a result of changes to corporation tax rates in the UK and Japan and foreign exchange translation losses of CHF 213 million, which are included within currency translation adjustments 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 529 million. The remaining movement, an increase of net deferred tax assets of CHF 22 million, mainly represents the impact of temporary differences and taxable income in 2012.

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 2.6 billion as of December 31, 2012 compared to CHF 2.7 billion as of December 31, 2011.

Amounts and expiration dates of net operating loss carry-forwards

end of 2012	Total
Net operating loss carry-forwards (CHF million)	
Due to expire within 1 year	29
Due to expire within 2 to 5 years	10,637
Due to expire within 6 to 10 years	1,981
Due to expire within 11 to 20 years	2,759
Amount due to expire	**15,406**
Amount not due to expire	11,778
Total net operating loss carry-forwards	**27,184**

Movements in the valuation allowance

in	2012	2011	2010
Movements in the valuation allowance (CHF million)			
Balance at beginning of period	**2,689**	**2,262**	**2,794**
Net changes	(139)	427	(532)
Balance at end of period	**2,550**	**2,689**	**2,262**

Tax benefits associated with share-based compensation

in	2012	2011	2010
Tax benefits associated with share-based compensation (CHF million)			
Tax benefits recorded in the consolidated statements of operations	596	464	536
Windfall tax benefits/(shortfall tax charges) recorded in additional paid-in capital	30	(277)	615
Tax benefits in respect of tax on dividend equivalent payments	12	1	26

▸ Refer to "Note 26 – Employee deferred compensation" for further information on share-based compensation.

Windfall deductions and dividend equivalents aggregating CHF 0.9 billion and CHF 1.1 billion for 2012 and 2011, respectively, did not result in a reduction of income taxes payable because certain entities were in a net operating loss position. When the income tax benefit of these deductions is realized, an estimated CHF 192 million tax benefit will be recorded in additional paid-in capital.

Uncertain tax positions

Reconciliation of the beginning and ending amount of gross unrecognized tax benefits

in	2012	2011	2010
Movements in gross unrecognized tax benefits (CHF million)			
Balance at beginning of period	**370**	**578**	**944**
Increases in unrecognized tax benefits as a result of tax positions taken during a prior period	33	54	53
Decreases in unrecognized tax benefits as a result of tax positions taken during a prior period	(58)	(177)	(286)
Increases in unrecognized tax benefits as a result of tax positions taken during the current period	38	29	37
Decreases in unrecognized tax benefits relating to settlements with tax authorities	(4)	(65)	(12)
Reductions to unrecognized tax benefits as a result of a lapse of the applicable statute of limitations	(43)	(19)	(88)
Other (including foreign currency translation)	80	(30)	(70)
Balance at end of period	**416**	**370**	**578**
of which, if recognized, would affect the effective tax rate	410	364	553

Interest and penalties

in	2012	2011	2010
Interest and penalties (CHF million)			
Interest and penalties recognized in the consolidated statements of operations	(13)	(19)	(42)
Interest and penalties recognized in the consolidated balance sheets	64	82	206

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 4 million in unrecognized tax benefits within 12 months of the reporting date.

The Bank remains open to examination from federal, state, provincial or similar local jurisdictions from the following years onward in these major countries: Switzerland – 2009; the UK – 2006; the US – 2006; Japan – 2005; and the Netherlands – 2005.

▸ 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 2012 and prior years that was recognized in the consolidated statements of operations during 2012, 2011 and 2010, the total shares delivered, the estimated unrecognized compensation expense for deferred compensation awards granted in 2012 and prior years outstanding as of December 31, 2012 and the remaining requisite service period over which the estimated unrecognized compensation expense will be recognized.

Deferred compensation expense

in	2012	2011	2010
Deferred compensation expense (CHF million)			
Share awards	773	759	293
Performance share awards	362	0	0
2011 Partner Asset Facility awards [1]	675	0	0
Adjustable Performance Plan share awards	71	0	0
Adjustable Performance Plan cash awards	281	1,087	948
Restricted Cash Awards	165	252	0
Scaled Incentive Share Units	95	404	552
Incentive Share Units	62	172	716
Cash Retention Awards	0	0	574
Performance Incentive Plans (PIP I and PIP II) [2]	0	0	(2)
2008 Partner Asset Facility awards [1]	173	3	45
Other cash awards	363	337	421
Total deferred compensation expense	**3,020**	**3,014**	**3,547**
Total shares delivered (million)			
Total shares delivered	30.9	23.7	46.7

[1] Compensation expense includes the change in the underlying fair value of the indexed assets during the period. [2] Includes clawbacks.

Additional information

end of	2012
Estimated unrecognized compensation expense (CHF million)	
Share awards	700
Performance share awards	158
Adjustable Performance Plan share awards	41
Adjustable Performance Plan cash awards	54
Scaled Incentive Share Units	72
Other cash awards	72
Total	**1,097**
Aggregate remaining weighted-average requisite service period (years)	
Aggregate remaining weighted-average requisite service period	1.5

Does not include the estimated unrecognized compensation expense relating to grants made in 2013 for 2012.

Share awards

On January 17, 2013, the Bank granted 37.8 million share awards with a total value of CHF 947 million. The estimated unrecognized compensation expense of CHF 932 million was determined based on the fair value of the award on the grant date, including the current estimate of future forfeitures, but excluding the share awards that have been reallocated to Plus Bond awards after the grant date, and will be recognized over the three-year vesting period, subject to early retirement rules. On January 19, 2012 and January 20, 2011, the Bank granted 19.7 million and 34.0 million share awards with a total value of CHF 432 million and CHF 1,408 million, respectively, equivalent to the Group's closing share price on the grant date.

On January 17, 2013, the Bank granted 0.1 million blocked shares with a total value of CHF 3 million that vested immediately upon grant, have no future service requirements and were attributed to services performed in 2012. On January 19, 2012 and January 20, 2011, the Bank granted 0.4 million and 0.7 million blocked shares with a total value of CHF 9 million and CHF 30 million, respectively.

Share award activities

	2012		2011		2010	
	Number of share awards in million	Weighted-average grant-date fair value in CHF	Number of share awards in million	Weighted-average grant-date fair value in CHF	Number of share awards in million	Weighted-average grant-date fair value in CHF
Share awards						
Balance at beginning of period	**47.6**	**41.91**	**17.3**	**43.86**	**15.5**	**45.67**
Granted	24.5	23.39	39.8	41.03	7.1	45.30
Settled	(14.6)	40.43	(7.4)	43.39	(4.9)	48.39
Forfeited	(2.4)	36.96	(2.1)	43.39	(0.4)	51.65
Balance at end of period	**55.1**	**34.27**	**47.6**	**41.91**	**17.3**	**43.86**
of which vested	3.9	–	1.8	–	1.3	–
of which unvested	51.2	–	45.8	–	16.0	–

Performance share awards

On January 17, 2013, the Bank granted 26.0 million performance share awards with a total value of CHF 651 million. The estimated unrecognized compensation expense of CHF 668 million was determined based on the fair value of the award at the grant date, including the current estimated outcome of the relevant performance criteria and estimated future forfeitures, and will be recognized over the three-year vesting period. On January 19, 2012, the Bank granted 23.2 million performance share awards with a total value of CHF 509 million.

Performance share award activities

	2012	
	Number of performance share awards in million	Weighted-average grant-date fair value in CHF
Performance share awards		
Balance at beginning of period	**–**	**–**
Granted	23.3	23.90
Forfeited	(0.4)	23.90
Balance at end of period	**22.9**	**23.90**
of which vested	0.9	–
of which unvested	22.0	–

2011 Partner Asset Facility

In January 2012, the Bank awarded 2011 Partner Asset Facility (PAF2) units with a fair value of CHF 497 million and the associated compensation expenses were fully expensed in the first quarter of 2012 as the awards were fully vested as of March 31, 2012.

Adjustable Performance Plan Awards

On January 20, 2011, the Bank granted Adjustable Performance Plan cash awards with a total value of CHF 1,099 million.

In 2012, the Bank executed a voluntary exchange offer, under which employees had the right to voluntarily convert all or a portion of their respective unvested Adjustable Performance Plan cash awards into Adjustable Performance Plan share awards. Adjustable Performance Plan holders elected to convert CHF 479 million of their Adjustable Performance Plan cash awards into the new Adjustable Performance Plan share awards during the election period, which represented an approximate conversion rate of 50%.

Upon conversion, CHF 435 million of the liability related to Adjustable Performance Plan cash awards that were converted into the Adjustable Performance Plan share awards were reclassified to total shareholder's equity.

Adjustable Performance Plan share award activities

	2012
	Number of APP share awards in million
Adjustable Performance Plan share awards	
Balance at beginning of period	**–**
Granted	29.9
Forfeited	(0.2)
Balance at end of period	**29.7**
of which vested	0.3
of which unvested	29.4

Scaled Incentive Share Unit

On January 21, 2010, the Bank granted 20.7 million Scaled Incentive Share Units (SISUs).

Scaled Incentive Share Unit activities

	2012	2011	2010
SISU awards (million)			
Balance at beginning of period	**14.4**	**20.0**	**–**
Granted	–	–	20.7 [1]
Settled	(4.8)	(5.0)	(0.2)
Forfeited	(0.2)	(0.6)	(0.5)
Balance at end of period	**9.4**	**14.4**	**20.0**
of which vested	1.7	1.0	0.2
of which unvested	7.7	13.4	19.8

[1] Includes SISUs granted in January and throughout the year.

Incentive Share Unit

On January 21, 2010, the Bank granted 6.0 million Incentive Share Units (ISUs).

Incentive Share Unit activities

	2012	2011	2010
ISU awards (million)			
Balance at beginning of period	**13.2**	**37.2**	**40.2**
Granted	–	–	6.0 [1]
Settled	(8.7)	(23.0)	(8.2)
Forfeited	(0.9)	(1.0)	(0.8)
Balance at end of period	**3.6**	**13.2**	**37.2**
of which vested	0.4	1.4	3.9
of which unvested	3.2	11.8	33.3

[1] Includes ISUs granted in January and throughout the year.

Share options

There were no options granted during 2012, 2011 and 2010. As of December 31, 2012, there was no aggregate intrinsic value of options outstanding or exercisable, no total intrinsic value of options exercised and the weighted-average remaining contractual term of options was 0.2 years. As of the exercise date, the total intrinsic value of options exercised during 2011 and 2010 was CHF 1 million and CHF 8 million, respectively. There was no cash received from option exercises in 2012. Cash received from option exercises during 2011 and 2010 was CHF 2 million and CHF 32 million, respectively. In January 2013, 4.7 million options expired.

Share option activities

	2012		2011		2010	
	Number of share options in million	Weighted-average exercise price in CHF	Number of share options in million	Weighted-average exercise price in CHF	Number of share options in million	Weighted-average exercise price in CHF
Share options						
Balance at beginning of period	**16.5**	**50.99**	**28.3**	**63.94**	**32.8**	**62.68**
Exercised	0.0	0.00	(0.1)	31.74	(0.8)	40.12
Settled	0.0	0.00	0.0	0.00	0.0	0.00
Expired	(11.3)	59.40	(11.7)	82.41	(3.7)	57.98
Balance at end of period	**5.2**	**32.61**	**16.5**	**50.99**	**28.3**	**63.94**
Exercisable at end of period	5.2	32.61	16.5	50.99	28.3	63.94

Fair value assumptions for share-based compensation

The following table illustrates the significant assumptions used to estimate the fair value of SISUs and ISUs granted in 2010, based on the annual deferred compensation process.

Significant fair value assumptions

	2010	
	SISU	ISU
Significant fair value assumptions		
Expected volatility, in %	33.42	33.52
Expected dividend cash flows, in CHF		
2010	1.45	1.45
2011	1.55	1.55
2012	1.65	1.65
2013	1.75	–
Expected risk-free interest rate, in %	1.26	1.00
Expected term, in years	4	3

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	2012	2011
Assets (CHF million)		
Cash and due from banks	386	977
Interest-bearing deposits with banks	1,775	1,910
Trading assets	213	268
Net loans	7,894	7,950
Other assets	58	67
Total assets	**10,326**	**11,172**
Liabilities (CHF million)		
Due to banks/customer deposits	1,915	2,856
Trading liabilities	209	21
Long-term debt	4,907	6,872
Other liabilities	206	227
Total liabilities	**7,237**	**9,976**

Related party revenues and expenses

in	2012	2011	2010
Revenues (CHF million)			
Interest and dividend income	54	61	78
Interest expense	(117)	(195)	(252)
Net interest income	**(63)**	**(134)**	**(174)**
Commissions and fees	6	(50)	(71)
Other revenues	174	201	205
Net revenues	**117**	**17**	**(40)**
Expenses (CHF million)			
Total operating expenses	**270**	**309**	**400**

Related party guarantees

end of	2012	2011
Guarantees (CHF million)		
Credit guarantees and similar instruments	1	1
Performance guarantees and similar instruments	0	1
Derivatives	0	0
Other guarantees	0	2
Total guarantees	**1**	**4**

Loans to members of the Executive Board and the Board of Directors

	2012	2011	2010
Loans to members of the Executive Board (CHF million)			
Balance at beginning of period	**22** [1]	**18**	**19**
Additions	3	5	5
Reductions	(17)	(1)	(6)
Balance at end of period	**8** [1]	**22**	**18**
Loans to members of the Board of Directors (CHF million)			
Balance at beginning of period	**33** [2]	**34**	**24**
Additions	13	2	14
Reductions	(5)	(3)	(4)
Balance at end of period	**41** [2]	**33**	**34**

[1] The number of individuals with outstanding loans at the beginning and end of the year was six and three, respectively. [2] The number of individuals with outstanding loans at the beginning and end of the year was six and five, respectively.

Liabilities due to own pension funds

Liabilities due to the Bank's own pension funds as of December 31, 2012 and 2011 of CHF 2,804 million and CHF 2,263 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 and the discontinuance of the annuity section, 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 95% of the total assets contributed to the Group plan by all participating legal entities on an annual basis.

The Bank accounts for the Group plan on a defined contribution basis whereby it only recognizes the amounts required to be contributed to the Group plan during the period as net periodic pension expense and only recognizes a liability for any contributions due and unpaid. No other expenses or balance sheet amounts related to the Group plan were recognized by the Bank. In the annuity section of the plan, the Bank's contributions were 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 2012, 2011 and 2010, the Bank contributed and recognized as expense CHF 458 million, CHF 645 million and CHF 653 million to the Group plan, respectively. The Bank expects to contribute CHF 403 million to the Group plan during 2013. 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 2012, 2011 and 2010 would have been lower by CHF 197 million, CHF 476 million and CHF 472 million, respectively, and the Bank would have recognized CHF 88 million, CHF 96 million and CHF 98 million, respectively, as amortization of actuarial losses and prior service cost for the Group plan.

As of December 31, 2012 and 2011, the ABO of the Group plan was CHF 13.8 billion and CHF 13.5 billion, the PBO was CHF 14.3 billion and CHF 13.9 billion and the fair value of plan assets was CHF 14.3 billion and CHF 13.6 billion, respectively. As of December 31, 2012 and 2011, the Group plan was overfunded on an ABO basis by CHF 519 million and CHF 137 million. On a PBO basis, the Group plan was overfunded by CHF 44 million as of December 31, 2012 and underfunded by CHF 340 million as of December 31, 2011. 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 42 million as an asset as of December 31, 2012 and CHF 323 million as a liability as of December 31, 2011 in the consolidated balance sheets.

If the Bank had accounted for the Group plan as a defined benefit plan, the Bank would have used the assumptions made by the Group for the calculation of the expense and liability associated with the Group plan.

▸ Refer to "Note 29 – Pension and other post-retirement benefits" in V – Consolidated financial statements – Credit Suisse Group for information on assumptions made by the Group for Switzerland.

International pension plans

Various 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	**2012**	2011	2010	**2012**	2011	2010
Total pension costs (CHF million)						
Service costs on benefit obligation	30	33	30	1	0	1
Interest costs on benefit obligation	127	123	134	8	7	9
Expected return on plan assets	(164)	(160)	(163)	0	0	0
Amortization of recognized prior service cost/(credit)	(1)	0	1	(2)	(2)	(2)
Amortization of recognized actuarial losses/(gains)	74	51	36	13	9	6
Net periodic pension costs	**66**	**47**	**38**	**20**	**14**	**14**
Settlement losses/(gains)	0	0	(2)	0	0	0
Total pension costs	**66**	**47**	**36**	**20**	**14**	**14**

Total pension costs reflected in compensation and benefits – other for 2012, 2011 and 2010 were CHF 86 million, CHF 61 million and CHF 50 million, respectively.

The discontinuance of a Japanese plan in 2009 resulted in a gain of CHF 2 million in 2010 from the related settlement of the obligation.

Benefit obligation

The 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	**2012**	2011	**2012**	2011
PBO (CHF million) [1]				
Beginning of the measurement period	**2,675**	**2,373**	**174**	**160**
Service cost	30	33	1	0
Interest cost	127	123	8	7
Plan amendments	0	(2)	0	0
Settlements	0	(1)	0	0
Curtailments	(12)	1	0	0
Special termination benefits	1	4	0	0
Actuarial losses/(gains)	70	199	10	15
Plans removed	(6)	0	0	0
Benefit payments	(103)	(56)	(8)	(8)
Exchange rate losses/(gains)	(9)	1	(5)	0
End of the measurement period	**2,773**	**2,675**	**180**	**174**
Fair value of plan assets (CHF million)				
Beginning of the measurement period	**2,586**	**2,121**	**0**	**0**
Actual return on plan assets	234	485	0	0
Employer contributions	158	33	8	8
Settlements	0	(1)	0	0
Benefit payments	(103)	(56)	(8)	(8)
Exchange rate gains/(losses)	18	4	0	0
End of the measurement period	**2,893**	**2,586**	**0**	**0**
Total funded status recognized (CHF million)				
Funded status of the plan – over/(underfunded)	120	(89)	(180)	(174)
Total funded status recognized in the consolidated balance sheet at December 31	**120**	**(89)**	**(180)**	**(174)**
Total amount recognized (CHF million)				
Noncurrent assets	695	498	0	0
Current liabilities	(7)	(8)	(8)	(8)
Noncurrent liabilities	(568)	(579)	(172)	(166)
Total amount recognized in the consolidated balance sheet at December 31	**120**	**(89)**	**(180)**	**(174)**
ABO (CHF million) [2]				
End of the measurement period	**2,714**	**2,584**	**0**	**0**

[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, 2012 and 2011 was an underfunding of CHF 60 million and CHF 263 million, respectively.

In 2012 and 2011, the Bank made contributions of CHF 158 million and CHF 33 million, respectively, to the international single-employer defined benefit pension plans. In 2013, the Bank expects to contribute CHF 47 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, 2012 and 2011, respectively.

Defined benefit pension plans in which PBO or ABO were in excess of plan assets

	PBO exceeds fair value of plan assets [1]		ABO exceeds fair value of plan assets [1]	
December 31	**2012**	2011	**2012**	2011
CHF million				
PBO	1,400	1,340	1,382	1,326
ABO	1,364	1,304	1,354	1,296
Fair value of plan assets	825	753	810	741

[1] Includes only those defined benefit pension plans where the PBO/ABO exceeded the fair value of plan assets.

Amount recognized in AOCI and other comprehensive income

The following table discloses the actuarial gains/(losses) and prior service credit/(cost) which were recorded in AOCI and subsequently recognized as components of net periodic pension cost.

Amounts recognized in AOCI, net of tax

	International single-employer defined benefit pension plans		Other post-retirement defined benefit plans		Total	
end of	**2012**	2011	**2012**	2011	**2012**	2011
Amounts recognized in AOCI (CHF million)						
Actuarial gains/(losses)	(617)	(674)	(53)	(55)	(670)	(729)
Prior service credit/(cost)	0	0	3	4	3	4
Total	**(617)**	**(674)**	**(50)**	**(51)**	**(667)**	**(725)**

The following tables disclose the changes in other comprehensive income due to actuarial gains/(losses) and prior service credit/(cost) recognized in AOCI during 2012 and 2011 and the amortization of the aforementioned items as components of net periodic pension cost for these periods as well as the amounts expected to be amortized in 2013.

Amounts recognized in other comprehensive income

	International single-employer defined benefit pension plans			Other post-retirement defined benefit plans			
in	Gross	Tax	**Net**	Gross	Tax	**Net**	**Total net**
2012 (CHF million)							
Actuarial gains/(losses)	0	0	0	(10)	4	(6)	(6)
Amortization of actuarial losses/(gains)	74	(27)	47	13	(5)	8	55
Amortization of prior service cost/(credit)	(1)	1	0	(2)	1	(1)	(1)
Immediate recognition due to curtailment/settlement	12	(2)	10	0	0	0	10
Total amounts recognized in other comprehensive income	**85**	**(28)**	**57**	**1**	**0**	**1**	**58**
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**

Amounts in AOCI, net of tax, expected to be amortized in 2013

in 2013	International single-employer defined benefit pension plans	Other post-retirement defined benefit plans
CHF million		
Amortization of actuarial losses/(gains)	47	7
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	**2012**	2011	2010	**2012**	2011	2010
Net benefit pension cost (%)						
Discount rate	4.8	5.5	6.0	4.7	5.5	6.1
Salary increases	4.0	4.2	4.3	–	–	–
Expected long-term rate of return on plan assets	6.4	7.3	7.2	–	–	–
Benefit obligation (%)						
Discount rate	4.5	4.8	5.5	4.3	4.7	5.5
Salary increases	4.0	4.0	4.2	–	–	–

Health care cost assumptions

The health care cost trend is used to determine the appropriate other post-retirement defined benefit costs. In determining those costs, an annual weighted-average rate of 9.00% for 2012 and 2011 and 9.75% for 2010 was assumed in the cost of covered health care benefits. As of December 31, 2012, the rate is assumed to decrease gradually to 5% by 2020 and remain at that level thereafter. As of December 31, 2012, 2011 and 2010, a 1% increase in the health care cost trend rate assumption would have resulted in an increase in post-retirement expenses of CHF 1.4 million, CHF 1.3 million and CHF 1.5 million, and an increase in accumulated post-retirement defined benefit obligation of CHF 27 million, CHF 23 million and CHF 26 million, respectively. A 1% decrease in the health care cost trend assumption would result in a decrease in post-retirement expenses of CHF 1.1 million, CHF 1.1 million and CHF 1.2 million, and a decrease in post-retirement defined benefit obligation of CHF 22 million, CHF 19 million and CHF 21 million as of December 31, 2012, 2011 and 2010.

Plan assets and investment strategy

▸ 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, 2012 and 2011, no Group debt or equity securities were included in plan assets for the international single-employer defined benefit pension plans.

Fair value of plan assets

The following tables present the plan assets measured at fair value on a recurring basis as of December 31, 2012 and 2011, for the Bank’s defined benefits plans.

Plan assets measured at fair value on a recurring basis

				2012				2011
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	0	394	0	394	51	18	0	69
Debt securities	234	985	71	1,290	130	792	90	1,012
of which governments	234	8	0	242	128	2	0	130
of which corporates	0	977	71	1,048	2	790	90	882
Equity securities	188	562	0	750	82	807	0	889
Real estate – indirect	0	0	89	89	0	0	84	84
Alternative investments	0	241	34	275	3	351	90	444
of which private equity	0	0	4	4	0	0	9	9
of which hedge funds	0	0	30	30	0	0	81	81
of which other	0	241 [1]	0	241	3	351 [1]	0	354
Other investments	0	95	0	95	0	88	0	88
Total plan assets at fair value	**422**	**2,277**	**194**	**2,893**	**266**	**2,056**	**264**	**2,586**

[1] Primarily related to derivative instruments.

Plan assets measured at fair value on a recurring basis for level 3

				Actual return on plan assets				
	Balance at beginning of period	Transfers in	Transfers out	On assets still held at reporting date	On assets sold during the period	Purchases, sales, settlements	Foreign currency translation impact	**Balance at end of period**
2012 (CHF million)								
Debt securities – corporates	90	0	(28)	9	3	(3)	0	71
Real estate – indirect	84	0	0	6	0	1	(2)	89
Alternative investments	90	0	0	0	3	(56)	(3)	34
of which private equity	9	0	0	(1)	2	(6)	0	4
of which hedge funds	81	0	0	1	1	(50)	(3)	30
Total plan assets at fair value	**264**	**0**	**(28)**	**15**	**6**	**(58)**	**(5)**	**194**
2011 (CHF million)								
Debt securities – corporates	122	30	(2)	(4)	5	(61)	0	90
Real estate – indirect	52	0	0	11	0	21	0	84
Alternative investments	94	3	(4)	(2)	3	(4)	0	90
of which private equity	8	0	0	1	0	0	0	9
of which hedge funds	81	3	0	(3)	3	(3)	0	81
of which other	5	0	(4)	0	0	(1)	0	0
Total plan assets at fair value	**268**	**33**	**(6)**	**5**	**8**	**(44)**	**0**	**264**

The following table shows the plan asset allocation as of the measurement date calculated based on the fair value at that date including the performance of each asset class.

Weighted-average plan asset allocation as of the measurement date

December 31	**2012**	2011
Weighted-average plan asset allocation (%)		
Cash and cash equivalents	13.6	2.7
Debt securities	44.6	39.1
Equity securities	25.9	34.4
Real estate	3.1	3.2
Alternative investments	9.5	17.2
Insurance	3.3	3.4
Total	**100.0**	**100.0**

The following table shows the target plan asset allocation for 2013 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 2013.

Weighted-average target plan asset allocation to be applied prospectively

2013 (%)	
Cash and cash equivalents	0
Debt securities	62
Equity securities	22
Real estate	3
Alternative investments	10
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)		
2013	55	8
2014	64	9
2015	73	9
2016	75	10
2017	87	11
For five years thereafter	582	57

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 2012, 2011, and 2010, the Bank contributed to these plans and recognized as expense CHF 219 million, CHF 244 million and CHF 263 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 2012, 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 eight months.

The net loss associated with cash flow hedges expected to be reclassified from AOCI within the next 12 months was CHF 7 million.

Fair value of derivative instruments

	Trading			Hedging [1]		
end of 2012	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	8,055.9	2.6	2.5	0.0	0.0	0.0
Swaps	29,159.0	635.8	630.1	58.0	3.8	1.3
Options bought and sold (OTC)	3,739.9	62.4	62.6	0.0	0.0	0.0
Futures	1,145.4	0.0	0.0	0.0	0.0	0.0
Options bought and sold (exchange-traded)	952.0	0.3	0.2	0.0	0.0	0.0
Interest rate products	**43,052.2**	**701.1**	**695.4**	**58.0**	**3.8**	**1.3**
Forwards	2,134.1	21.6	21.3	19.6	0.2	0.1
Swaps	1,336.4	32.1	46.6	0.0	0.0	0.0
Options bought and sold (OTC)	985.3	9.7	10.7	0.0	0.0	0.0
Futures	14.9	0.0	0.0	0.0	0.0	0.0
Options bought and sold (exchange-traded)	3.6	0.0	0.0	0.0	0.0	0.0
Foreign exchange products	**4,474.3**	**63.4**	**78.6**	**19.6**	**0.2**	**0.1**
Forwards	29.1	0.9	1.2	0.0	0.0	0.0
Options bought and sold (OTC)	32.3	0.6	0.6	0.0	0.0	0.0
Futures	0.9	0.0	0.0	0.0	0.0	0.0
Precious metals products	**62.3**	**1.5**	**1.8**	**0.0**	**0.0**	**0.0**
Forwards	5.5	0.6	0.0	0.0	0.0	0.0
Swaps	211.1	4.5	5.9	0.0	0.0	0.0
Options bought and sold (OTC)	215.1	11.5	11.1	0.0	0.0	0.0
Futures	74.4	0.0	0.0	0.0	0.0	0.0
Options bought and sold (exchange-traded)	338.2	13.7	14.1	0.0	0.0	0.0
Equity/index-related products	**844.3**	**30.3**	**31.1**	**0.0**	**0.0**	**0.0**
Credit derivatives [2]	**1,694.5**	**30.6**	**29.8**	**0.0**	**0.0**	**0.0**
Forwards	2.2	0.2	0.2	0.0	0.0	0.0
Swaps	55.3	3.6	3.1	0.0	0.0	0.0
Options bought and sold (OTC)	21.9	1.0	1.0	0.0	0.0	0.0
Futures	186.7	0.0	0.0	0.0	0.0	0.0
Options bought and sold (exchange-traded)	50.4	1.6	1.7	0.0	0.0	0.0
Other products [3]	**316.5**	**6.4**	**6.0**	**0.0**	**0.0**	**0.0**
Total derivative instruments	**50,444.1**	**833.3**	**842.7**	**77.6**	**4.0**	**1.4**

The notional amount for derivative instruments (trading and hedging) was CHF 50,521.7 billion as of December 31, 2012.

[1] Relates to derivative contracts that qualify for hedge accounting under US GAAP. [2] Primarily credit default swaps. [3] Primarily commodity, energy and emission products.

Fair value of derivative instruments (continued)

	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	28,760.7	658.2	650.3	67.9	3.7	2.1
Options bought and sold (OTC)	2,902.5	65.9	66.3	0.0	0.0	0.0
Futures	2,537.1	0.0	0.0	0.0	0.0	0.0
Options bought and sold (exchange-traded)	962.3	0.4	0.3	0.0	0.0	0.0
Interest rate products	**42,373.1**	**729.0**	**721.1**	**67.9**	**3.7**	**2.1**
Forwards	2,133.8	29.7	30.7	17.4	0.1	0.0
Swaps	1,231.7	34.0	51.4	0.0	0.0	0.0
Options bought and sold (OTC)	831.7	12.3	12.7	0.0	0.0	0.0
Futures	25.6	0.0	0.0	0.0	0.0	0.0
Options bought and sold (exchange-traded)	3.7	0.0	0.0	0.0	0.0	0.0
Foreign exchange products	**4,226.5**	**76.0**	**94.8**	**17.4**	**0.1**	**0.0**
Forwards	16.3	1.4	1.4	0.0	0.0	0.0
Options bought and sold (OTC)	34.7	0.9	1.0	0.0	0.0	0.0
Futures	0.1	0.0	0.0	0.0	0.0	0.0
Precious metals products	**51.1**	**2.3**	**2.4**	**0.0**	**0.0**	**0.0**
Forwards	4.1	0.9	0.0	0.0	0.0	0.0
Swaps	211.5	5.8	5.8	0.0	0.0	0.0
Options bought and sold (OTC)	241.5	14.5	14.9	0.2	0.0	0.0
Futures	57.8	0.0	0.0	0.0	0.0	0.0
Options bought and sold (exchange-traded)	366.0	18.2	21.2	0.0	0.0	0.0
Equity/index-related products	**880.9**	**39.4**	**41.9**	**0.2**	**0.0**	**0.0**
Credit derivatives [2]	**2,042.8**	**63.3**	**60.0**	**0.0**	**0.0**	**0.0**
Forwards	8.7	0.9	0.8	0.0	0.0	0.0
Swaps	63.6	8.3	7.8	0.0	0.0	0.0
Options bought and sold (OTC)	29.9	2.2	1.7	0.0	0.0	0.0
Futures	177.1	0.0	0.0	0.0	0.0	0.0
Options bought and sold (exchange-traded)	63.3	3.9	3.8	0.0	0.0	0.0
Other products [3]	**342.6**	**15.3**	**14.1**	**0.0**	**0.0**	**0.0**
Total derivative instruments	**49,917.0**	**925.3**	**934.3**	**85.5**	**3.8**	**2.1**

The notional amount for derivative instruments (trading and hedging) was CHF 50,002.5 billion as of December 31, 2011.

[1] Relates to derivative contracts that qualify for hedge accounting under US GAAP. [2] Primarily credit default swaps. [3] Primarily commodity, energy and emission products.

Fair value of derivative instruments (continued)

	2012		2011	
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	837.3	844.1	929.1	936.4
Counterparty netting [1]	(766.7)	(766.7)	(836.5)	(836.5)
Cash collateral netting [1]	(33.3)	(36.7)	(36.3)	(37.9)
Replacement values (trading and hedging) after netting agreements	**37.3**	**40.7**	**56.3**	**62.0**
of which recorded in trading assets (PRV) and trading liabilities (NRV)	33.4	39.6	52.7	60.2
of which recorded in other assets (PRV) and other liabilities (NRV)	3.9	1.1	3.6	1.8

[1] Netting was based on legally enforceable netting agreements.

Fair value hedges

in	2012	2011	2010
Gains/(losses) recognized in income on derivatives (CHF million)			
Interest rate products	849	634	576
Foreign exchange products	(13)	20	21
Total	**836**	**654**	**597**
Gains/(losses) recognized in income on hedged items (CHF million)			
Interest rate products	(894)	(672)	(559)
Foreign exchange products	13	(20)	(21)
Total	**(881)**	**(692)**	**(580)**
Details of fair value hedges (CHF million)			
Net gains/(losses) on the ineffective portion	(45)	(38)	17

Represents gains/(losses) recognized in trading revenues.

Cash flow hedges

in	2012	2011	2010
Gains/(losses) recognized in AOCI on derivatives (CHF million)			
Interest rate products	8	0	0
Foreign exchange products	0	(5)	54
Total	**8**	**(5)**	**54**
Gains/(losses) reclassified from AOCI into income (CHF million)			
Foreign exchange products [1]	0	31	27
Total	**0**	**31**	**27**

Represents gains/(losses) on effective portion.
[1] Included in commissions and fees.

Net investment hedges

in	2012	2011	2010
Gains/(losses) recognized in AOCI on derivatives (CHF million)			
Interest rate products	0	0	8
Foreign exchange products	(81)	280	1,563
Total	**(81)**	**280**	**1,571**
Gains/(losses) reclassified from AOCI into income (CHF million)			
Foreign exchange products [1]	75	4	(4)
Total	**75**	**4**	**(4)**

Represents gains/(losses) on effective portion.
[1] Included in other revenues.

The 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 a two-notch downgrade event, respectively. The table also includes derivative contracts with contingent credit risk features without credit support agreements that have accelerated termination event conditions. The current net exposure for derivative contracts with bilateral counterparties and contracts with accelerated termination event conditions is the aggregate fair value of derivative instruments that were in a net liability position. For SPEs, the current net exposure is the contractual amount that is used to determine the collateral payable in the event of a downgrade. The contractual amount could include both the NRV and a percentage of the notional value of the derivative.

Contingent credit risk

end of	Bilateral counterparties	Special purpose entities	Accelerated terminations	**Total**
2012 (CHF billion)				
Current net exposure	15.3	1.4	0.6	**17.3**
Collateral posted	13.4	1.4	–	**14.8**
Additional collateral required in a one-notch downgrade event	0.2	0.5	0.0	**0.7**
Additional collateral required in a two-notch downgrade event	0.4	1.5	0.5	**2.4**
2011 (CHF billion)				
Current net exposure	17.0	2.0	0.7	**19.7**
Collateral posted	14.8	1.8	–	**16.6**
Additional collateral required in a one-notch downgrade event	0.2	1.6	0.0	**1.8**
Additional collateral required in a two-notch downgrade event	0.4	3.0	0.5	**3.9**

Credit derivatives

Credit protection sold/purchased

The following tables do not include all credit derivatives and differ from the credit derivatives in the "Fair value of derivative instruments" table. This is due to the exclusion of certain credit derivative instruments under US GAAP, which defines a credit derivative as a derivative instrument (a) in which one or more of its underlyings are related to the credit risk of a specified entity (or a group of entities) or an index based on the credit risk of a group of entities and (b) that exposes the seller to potential loss from credit risk-related events specified in the contract.

Certain cash collateralized debt obligations (CDOs) and other instruments were excluded as they do not fall within the scope of US GAAP rules. Total return swaps (TRS) of CHF 6.0 billion and CHF 4.8 billion as of December 31, 2012 and 2011, respectively, were also excluded because a TRS does not expose the seller to potential loss from credit risk-related events specified in the contract. A TRS only provides protection against a loss in asset value and not against additional amounts as a result of specific credit events.

Credit protection sold/purchased

end of 2012	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]	(423.2)	407.6	(15.6)	67.8	2.3
Non-investment grade	(167.5)	160.0	(7.5)	18.1	0.8
Total single-name instruments	**(590.7)**	**567.6**	**(23.1)**	**85.9**	**3.1**
of which sovereigns	(119.4)	117.0	(2.4)	10.4	(0.7)
of which non-sovereigns	(471.3)	450.6	(20.7)	75.5	3.8
Multi-name instruments (CHF billion)					
Investment grade [2]	(193.6)	173.4	(20.2)	8.8	(0.5)
Non-investment grade	(30.7)	25.4 [3]	(5.3)	3.0	(2.8)
Total multi-name instruments	**(224.3)**	**198.8**	**(25.5)**	**11.8**	**(3.3)**
of which sovereigns	(13.5)	13.2	(0.3)	0.3	(0.1)
of which non-sovereigns	(210.8)	185.6	(25.2)	11.5	(3.2)
Total instruments (CHF billion)					
Investment grade [2]	(616.8)	581.0	(35.8)	76.6	1.8
Non-investment grade	(198.2)	185.4	(12.8)	21.1	(2.0)
Total instruments	**(815.0)**	**766.4**	**(48.6)**	**97.7**	**(0.2)**
of which sovereigns	(132.9)	130.2	(2.7)	10.7	(0.8)
of which non-sovereigns	(682.1)	636.2	(45.9)	87.0	0.6
end of 2011					
Single-name instruments (CHF billion)					
Investment grade [2]	(452.2)	432.4	(19.8)	55.6	(9.0)
Non-investment grade	(189.1)	179.4	(9.7)	16.7	(15.3)
Total single-name instruments	**(641.3)**	**611.8**	**(29.5)**	**72.3**	**(24.3)**
of which sovereigns	(134.8)	132.6	(2.2)	10.8	(8.1)
of which non-sovereigns	(506.5)	479.2	(27.3)	61.5	(16.2)
Multi-name instruments (CHF billion)					
Investment grade [2]	(278.2)	253.1	(25.1)	14.5	(15.5)
Non-investment grade	(71.9)	64.1 [3]	(7.8)	9.0	(1.7)
Total multi-name instruments	**(350.1)**	**317.2**	**(32.9)**	**23.5**	**(17.2)**
of which sovereigns	(18.4)	17.5	(0.9)	0.9	(1.5)
of which non-sovereigns	(331.7)	299.7	(32.0)	22.6	(15.7)
Total instruments (CHF billion)					
Investment grade [2]	(730.4)	685.5	(44.9)	70.1	(24.5)
Non-investment grade	(261.0)	243.5	(17.5)	25.7	(17.0)
Total instruments	**(991.4)**	**929.0**	**(62.4)**	**95.8**	**(41.5)**
of which sovereigns	(153.2)	150.1	(3.1)	11.7	(9.6)
of which non-sovereigns	(838.2)	778.9	(59.3)	84.1	(31.9)

[1] Represents credit protection purchased with identical underlyings and recoveries. [2] Based on internal ratings of BBB and above. [3] Includes the Clock Finance transaction.

The following table reconciles the notional amount of credit derivatives included in the table "Fair value of derivative instruments" to the table "Credit protection sold/purchased".

Credit derivatives

end of	**2012**	2011
Credit derivatives (CHF billion)		
Credit protection sold	815.0	991.4
Credit protection purchased	766.4	929.0
Other protection purchased	97.7	95.8
Other instruments [1]	15.4	26.6
Total credit derivatives	**1,694.5**	**2,042.8**

[1] Consists of certain cash collateralized debt obligations, total return swaps and other derivative instruments.

Maturity of credit protection sold

end of	Maturity less than 1 year	Maturity between 1 to 5 years	Maturity greater than 5 years	**Total**
2012 (CHF billion)				
Single-name instruments	130.3	351.6	108.8	590.7
Multi-name instruments	37.4	145.4	41.5	224.3
Total instruments	**167.7**	**497.0**	**150.3**	**815.0**
2011 (CHF billion)				
Single-name instruments	134.1	394.5	112.7	641.3
Multi-name instruments	58.7	202.4	89.0	350.1
Total instruments	**192.8**	**596.9**	**201.7**	**991.4**

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
2012 (CHF million)								
Credit guarantees and similar instruments	10,101	1,548	334	845	12,828	12,441	167	2,164
Performance guarantees and similar instruments	5,047	1,599	951	1,750	9,347	8,608	135	3,307
Securities lending indemnifications	12,211	0	0	0	12,211	12,211	0	12,211
Derivatives [2]	21,197	9,951	1,833	2,434	35,415	35,415	985	– [3]
Other guarantees	4,172	684	281	144	5,281	5,260	3	2,789
Total guarantees	**52,728**	**13,782**	**3,399**	**5,173**	**75,082**	**73,935**	**1,290**	**20,471**
2011 (CHF million)								
Credit guarantees and similar instruments	3,267	2,061	1,106	907	7,341	6,606	50	2,451
Performance guarantees and similar instruments	5,470	1,619	1,300	1,705	10,094	9,184	69	3,345
Securities lending indemnifications	15,005	0	0	0	15,005	15,005	0	15,005
Derivatives [2]	27,593	12,953	5,137	5,710	51,393	51,393	3,650	– [3]
Other guarantees	3,846	379	418	192	4,835	4,799	4	2,241
Total guarantees	**55,181**	**17,012**	**7,961**	**8,514**	**88,668**	**86,987**	**3,773**	**23,042**

[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 the compulsory liquidation of another deposit-taking bank, the Bank's contribution will be calculated based on its share of privileged deposits in proportion to total privileged deposits. Based on FINMA's estimate for the Bank, the Bank's share in the deposit insurance guarantee program for the period July 1, 2012 to June 30, 2013 is CHF 0.6 billion. These deposit insurance guarantees were reflected in other guarantees.

PAF2 transaction

The Bank's results are impacted by the risk of counterparty defaults and the potential for changes in counterparty credit spreads related to derivative trading activities of the Bank. In the first quarter of 2012, the Bank entered into the PAF2 transaction to hedge the counterparty credit risk of a referenced portfolio of derivatives and their credit spread volatility. The hedge covers the approximately USD 12 billion notional amount of expected positive exposure from counterparties of the Bank, and is addressed in three layers: (i) first loss (USD 0.5 billion), (ii) mezzanine (USD 0.8 billion) and (iii) senior (USD 11 billion). The first loss element is retained by the Bank and actively managed through normal credit procedures. The mezzanine layer was hedged by transferring the risk of default and counterparty credit spread movements to eligible employees in the form of PAF2 awards, as part of their deferred compensation granted in the annual compensation process.

The model used to value the PAF2 awards is the standard Gaussian copula valuation model used for synthetic CDO trades with adjustments necessary to incorporate the specific nature of the PAF2 transaction. The key model inputs are notional value, correlation assumption, credit spreads, liquidity and recovery rates of the portfolio, the Bank's own credit spread and the maturity of the trade. In the model, the credit spreads of the counterparties determine the respective probability of default. Such probability is used to compute the expected value of the cash flows contingent on survival and on default of the counterparties in the reference portfolio. The credit spreads are sourced using observable data from CDS on the specific reference entity. Where a specific reference entity curve does not exist for a reference name in the portfolio, a proxy curve is used. The expected value of the counterparty exposure on default determines the equivalent notional value for the given name. This is computed from the effective positive exposure which is the weighted average over time of the expected exposure used by the Bank for counterparty risk management. As of December 31, 2012, the carrying value of the PAF2 awards was CHF 625 million. The amount of the PAF2 awards compensation expense for the year ended December 31, 2012 was CHF 645 million and is included in the amount reflected in the "Deferred compensation expense" table in Note 26 – Employee deferred compensation, which includes deferred compensation expense for a smaller plan unrelated to the hedging aspects of this transaction.

The Bank has purchased protection on the senior layer to hedge against the potential for future counterparty credit spread volatility. This was executed through a CDS, accounted for at fair value, with a third-party entity. The value of the senior layer is calculated using the same model as for the PAF2 awards. As of December 31, 2012, the CDS had a positive replacement value of CHF 8 million and was reflected in credit derivatives in the "Fair value of derivative instruments" table in Note 30 – Derivatives and hedging activities. The Bank also has a credit support facility with this entity that allows the Bank to provide credit support in connection with other assets that are commonly financed through the issuance of commercial paper (CP) and, in connection with the CDS, to provide immediately available funding to this entity in certain circumstances. Among others, such circumstances include: (i) a disruption of the CP market such that the entity cannot issue or roll a CP to fund the CDS payment or repay a maturing CP; (ii) the interest payable on the CP exceeds certain thresholds and the Bank instructed the entity to draw on the facility instead of issuing a CP; (iii) a CP was issued by the entity to fund a CDS payment and subsequently the short-term rating of the facility provider is downgraded; or (iv) to repay any outstanding CP at the maturity date of the facility. Any funded amount may be settled by the assignment of the rights and obligations of the CDS to the Bank. The credit support facility is accounted for on an accrual basis and is reflected in credit guarantees and similar instruments in the "Guarantees" table. As of December 31, 2012, the carrying value of the credit support facility included in this table was CHF 7 million. The transaction overall is a four-year transaction, but can be extended to nine years. The Bank has the right to terminate the third-party transaction for certain reasons, including certain regulatory developments.

In December 2012, the Basel Committee on Banking Supervision (BCBS) published updated regulatory guidance that make the PAF2 transaction as currently structured ineligible for counterparty credit spread hedging under the Basel III framework. As a result of this new guidance, the Group now has the right to exercise the regulatory call to restructure or terminate the CDS and the credit support facility layer at par and terminate the mezzanine layer at fair value. The Group is evaluating restructuring the transaction in order for the PAF2 transaction as a whole to remain an eligible counterparty credit spread hedge under Basel III, or alternatively, the Group may decide to terminate the transaction in its entirety.

Representations and warranties on residential mortgage loans sold

In connection with Investment Banking's sale of US residential mortgage loans, the Bank 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, 2012 by counterparty type and the development of outstanding repurchase claims and provisions for outstanding repurchase claims during the period from January 1, 2012 to December 31, 2012, including realized losses from the repurchase of residential mortgage loans sold.

Residential mortgage loans sold

Residential mortgage loans sold from January 1, 2004 to December 31, 2012 (USD billion)	
Government-sponsored enterprises	8.2
Private investors [1]	22.6
Non-agency securitizations	130.1 [2]
Total	**160.9**

[1] Primarily banks. [2] The outstanding balance of residential mortgage loans sold was USD 27.6 billion as of December 31, 2012. The difference of the total balance of mortgage loans sold and the outstanding balance as of December 31, 2012 was attributable to borrower payments of USD 85.4 billion and losses of USD 17.1 billion due to loan defaults.

Residential mortgage loans sold – repurchase claims

	2012				2011 [1]			
	Government-sponsored enterprises	Private investors	Non-agency securiti-zations	**Total**	Government-sponsored enterprises	Private investors	Non-agency securiti-zations	**Total**
Outstanding repurchase claims (USD million)								
Balance at beginning of period	**68**	**432**	**243**	**743**	**60**	**487**	**1,084**	**1,631**
New claims	58	57	2,032	2,147	29	10	1,160	1,199
Claims settled through repurchases	(7)	0	(7)	(14) [2]	0	(1)	(4)	(5) [2]
Other settlements	(15)	(7)	(32)	(54) [3]	(8)	0	(3)	(11) [3]
Total claims settled	(22)	(7)	(39)	(68)	(8)	(1)	(7)	(16)
Claims rescinded	(37)	(18)	0	(55)	(13)	(64)	(28)	(105)
Transfers to/from arbitration and litigation, net [4]	0	0	(841)	(841)	0	0	(1,966)	(1,966)
Balance at end of period	**67**	**464**	**1,395**	**1,926**	**68**	**432**	**243**	**743**

[1] All related to period July 1, 2011 to December 31, 2011. [2] Settled at a repurchase price of USD 15 million and USD 5 million in 2012 and 2011, respectively. [3] Settled at USD 41 million and USD 9 million in 2012 and 2011, respectively. [4] Refer to "Note 35 – Litigation" for repurchase claims that are in arbitration or litigation.

Residential mortgage loans sold – provisions for outstanding repurchase claims

	2012	2011
Provisions for outstanding repurchase claims (USD million) [1]		
Balance at beginning of period	**59**	**29**
Increase/(decrease) in provisions, net	52	47
Realized losses [2]	(56) [3]	(17) [4]
Balance at end of period	**55** [5]	**59** [5]

[1] Excludes provisions for repurchase claims related to residential mortgage loans sold that are in arbitration or litigation. Refer to "Note 35 – Litigation" for further information. [2] Includes indemnifications paid to resolve loan repurchase claims. [3] Primarily related to government-sponsored enterprises and non-agency securitizations. [4] Primarily related to government-sponsored enterprises. [5] Substantially all related to government-sponsored enterprises.

Lease commitments

Lease commitments (CHF million)	
2013	673
2014	592
2015	514
2016	463
2017	411
Thereafter	3,502
Future operating lease commitments	**6,155**
Less minimum non-cancellable sublease rentals	353
Total net future minimum lease commitments	**5,802**

Rental expense for operating leases

in	2012	2011	2010
Rental expense for operating leases (CHF million)			
Minimum rental expense	629	549	620
Sublease rental income	(97)	(96)	(122)
Total net expenses for operating leases	**532**	**453**	**498**

Operating lease commitments

▸ Refer to "Note 31 – Guarantees and commitments" in V – Consolidated financial statements – Credit Suisse Group for further information.

Sale-leaseback transactions in 2012

In the first quarter of 2012, the Bank sold the office complex of its European headquarters at One Cabot Street in London to OCS Investment S.à.r.l. and leased back this property under an operating lease arrangement for 22 years, with two options to extend the lease by five years each. OCS Investment S.à.r.l. is a company wholly-owned by the Qatar Investment Authority, which is a minority shareholder of the Group.

In the fourth quarter of 2012, the Bank sold the Uetlihof office complex in Zurich, the Bank's principal office building worldwide, to Norges Bank Investment Management and leased back this property under an operating lease arrangement for 25 years, with the option to extend the lease by up to 15 years. Norges Bank Investment Management was acting as the buyer on behalf of the Norwegian Government Pension Fund Global, which is a minority shareholder of the Group.

During 2012, the Bank entered into several smaller sale-leaseback transactions in respect of own property, which were all recognized as operating lease arrangements with lease terms of between five and ten years. Total contractual rental expenses under these leases will amount to CHF 41 million.

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
2012 (CHF million)							
Irrevocable commitments under documentary credits	6,210	35	6	0	6,251	6,054	3,219
Loan commitments	166,259	23,574	37,688	6,384	233,905 [2]	228,433	151,616
Forward reverse repurchase agreements	45,556	0	0	0	45,556	45,556	45,556
Other commitments	906	863	171	575	2,515	2,515	131
Total other commitments	**218,931**	**24,472**	**37,865**	**6,959**	**288,227**	**282,558**	**200,522**
2011 (CHF million)							
Irrevocable commitments under documentary credits	5,638	3	40	0	5,681	5,201	2,371
Loan commitments	154,394	19,951	35,746	7,112	217,203 [2]	211,986	142,339
Forward reverse repurchase agreements	28,885	0	0	0	28,885	28,885	28,885
Other commitments	1,430	405	872	870	3,577	3,577	32
Total other commitments	**190,347**	**20,359**	**36,658**	**7,982**	**255,346**	**249,649**	**173,627**

[1] Total net amount is computed as the gross amount less any participations. [2] Included CHF 136,669 million and CHF 134,901 million of unused credit limits as of December 31, 2012 and 2011, respectively, which were revocable at the Bank's sole discretion upon notice to the client.

In November 2007, Banco de Investimentos Credit Suisse (Brasil) S.A., a wholly owned subsidiary of the Bank, acquired a majority interest (50% plus one share) in Credit Suisse Hedging-Griffo Investimentos S.A. (Hedging-Griffo) and entered into option arrangements in respect of the remaining equity interests in Hedging-Griffo. In the second quarter of 2012, the Bank acquired the remaining equity interests in Hedging-Griffo as contemplated under the existing option arrangements at a final purchase price of BRL 1,248 million (CHF 584 million), gaining full control and ownership of Hedging-Griffo.

- Refer to "Note 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 2012, 2011 and 2010 securitizations of financial assets that qualify for sale accounting and subsequent derecognition, along with the cash flows between the Bank and the SPEs used in any securitizations in which the Bank still has continuing involvement, regardless of when the securitization occurred.

Securitizations

in	**2012**	2011	2010
Gains and cash flows (CHF million)			
CMBS			
Net gain [1]	56	6	13
Proceeds from transfer of assets	6,156	974	523
Servicing fees	0	1	1
Cash received on interests that continue to be held	57	205	150
RMBS			
Net gain [1]	3	65	214
Proceeds from transfer of assets	15,143	30,695	52,308
Purchases of previously transferred financial assets or their underlying collateral	(25)	(4)	0
Servicing fees	3	3	6
Cash received on interests that continue to be held	554	382	488
Other asset-backed financings			
Net gain [1]	83	24	85
Proceeds from transfer of assets	591	1,268	4,376
Purchases of previously transferred financial assets or their underlying collateral [2]	(621)	(256)	(2,519)
Servicing fees	0	1	0
Cash received on interests that continue to be held	1,350	701	1,539

[1] Includes underwriting revenues, deferred origination fees, gains or losses on the sale of collateral to the SPE and gains or losses on the sale of newly issued securities to third parties, but excludes net interest income on assets prior to the securitization. The gains or losses on the sale of the collateral are the difference between the fair value on the day prior to the securitization pricing date and the sale price of the loans. [2] Represents market-making activity and voluntary repurchases at fair value where no repurchase obligations were present.

Continuing involvement in transferred financial assets

The 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 2012 and 2011, regardless of when the transfer of assets occurred.

Principal amounts outstanding and total assets of SPEs resulting from continuing involvement

end of	**2012**	2011
CHF million		
CMBS		
Principal amount outstanding	30,050	35,487
Total assets of SPE	45,407	52,536
RMBS		
Principal amount outstanding	58,112	91,242
Total assets of SPE	60,469	95,297
Other asset-backed financing activities		
Principal amount outstanding	32,805	35,233
Total assets of SPE	32,805	35,307

Principal amounts outstanding relate to assets transferred from the Bank and do not include principal amounts for assets transferred from third parties.

Fair value of beneficial interests

The fair value measurement of beneficial interests held at the time of transfer and as of the reporting date that result from any continuing involvement is determined using fair value estimation techniques, such as the present value of estimated future cash flows that incorporate assumptions that market participants customarily use in these valuation techniques. The fair value of the assets or liabilities that result from any continuing involvement does not include any benefits from financial instruments that the Bank may utilize to hedge the inherent risks.

Key economic assumptions at the time of transfer

- Refer to "Note 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

	2012		2011	
at time of transfer in	CMBS	RMBS	CMBS	RMBS
CHF million, except where indicated				
Fair value of beneficial interests	761	2,219	57	5,095
of which level 2	654	2,090	42	4,695
of which level 3	107	129	15	399
Weighted-average life, in years	8.4	5.0	7.2	5.4
Prepayment speed assumption (rate per annum), in % [1]	– [2]	0.1–34.9	– [2]	9.0–34.9
Cash flow discount rate (rate per annum), in % [3]	0.8–10.7	0.1–25.7	2.9–10.6	0.5–71.2
Expected credit losses (rate per annum), in %	0.5–9.0	0.0–25.1	1.2–9.3	0.3–71.0

Transfers of assets in which the Bank does not have beneficial interests are not included in this table.
[1] Prepayment speed assumption (PSA) is an industry standard prepayment speed metric used for projecting prepayments over the life of a residential mortgage loan. PSA utilizes the constant prepayment rate (CPR) assumptions. A 100% prepayment assumption assumes a prepayment rate of 0.2% per annum of the outstanding principal balance of mortgage loans in the first month. This increases by 0.2% thereafter during the term of the mortgage loan, leveling off to a CPR of 6% per annum beginning in the 30th month and each month thereafter during the term of the mortgage loan. 100 PSA equals 6 CPR. [2] To deter prepayment, commercial mortgage loans typically have prepayment protection in the form of prepayment lockouts and yield maintenances. [3] The rate was based on the weighted-average yield on the beneficial interests.

Sensitivity analysis

The following table provides the sensitivity analysis of key economic assumptions used in measuring the fair value of beneficial interests held in SPEs as of the end of 2012 and 2011.

Key economic assumptions used in measuring fair value of beneficial interests held in SPEs

			2012			2011
end of	CMBS [1]	RMBS	Other asset-backed financing activities [2]	CMBS [1]	RMBS	Other asset-backed financing activities [2]
CHF million, except where indicated						
Fair value of beneficial interests	274	1,929	692	342	2,960	1,754
of which non-investment grade	90	342	686	133	688	1,513
Weighted-average life, in years	4.0	5.2	3.6	4.1	5.3	2.5
Prepayment speed assumption (rate per annum), in % [3]	–	0.1–27.6	–	–	0.1–30.0	–
Impact on fair value from 10% adverse change	–	(38.5)	–	–	(44.2)	–
Impact on fair value from 20% adverse change	–	(74.3)	–	–	(86.6)	–
Cash flow discount rate (rate per annum), in % [4]	1.1–50.2	0.2–42.8	0.7–51.7	2.3–50.1	0.3–49.1	0.7–58.7
Impact on fair value from 10% adverse change	(14.8)	(62.8)	(1.0)	(30.5)	(94.4)	(8.2)
Impact on fair value from 20% adverse change	(19.9)	(93.5)	(1.8)	(36.2)	(151.9)	(15.9)
Expected credit losses (rate per annum), in %	0.9–49.5	0.9–42.8	0.3–51.4	1.9–49.0	0.9–48.9	5.4–31.8
Impact on fair value from 10% adverse change	(14.4)	(55.9)	(0.8)	(29.8)	(83.6)	(6.8)
Impact on fair value from 20% adverse change	(19.2)	(80.3)	(1.6)	(34.8)	(131.5)	(13.2)

[1] To deter prepayment, commercial mortgage loans typically have prepayment protection in the form of prepayment lockouts and yield maintenances. [2] CDOs within this category are generally structured to be protected from prepayment risk. [3] Prepayment speed assumption (PSA) is an industry standard prepayment speed metric used for projecting prepayments over the life of a residential mortgage loan. PSA utilizes the constant prepayment rate (CPR) assumptions. A 100% prepayment assumption assumes a prepayment rate of 0.2% per annum of the outstanding principal balance of mortgage loans in the first month. This increases by 0.2% thereafter during the term of the mortgage loan, leveling off to a CPR of 6% per annum beginning in the 30th month and each month thereafter during the term of the mortgage loan. 100 PSA equals 6 CPR. [4] The rate is based on the weighted-average yield on the beneficial interests.

Secured borrowings

The following table provides the carrying amounts of transferred financial assets and the related liabilities where sale treatment was not achieved as of the end of 2012 and 2011.

Carrying amounts of transferred financial assets and liabilities where sale treatment was not achieved

end of	**2012**	2011
CHF million		
CMBS		
Other assets	467	664
Liability to SPE, included in Other liabilities	(467)	(664)
RMBS		
Other assets	0	12
Liability to SPE, included in Other liabilities	0	(12)
Other asset-backed financing activities		
Trading assets	1,171	1,851
Other assets	913	1,475
Liability to SPE, included in Other liabilities	(2,084)	(3,326)

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 2012	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	1,534	27	0	125	44	20	1,750
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	0	117	0	0	0	0	117
Trading assets	1,064	196	14	1,861	565	997	4,697
Investment securities	0	23	0	0	0	0	23
Other investments	0	0	0	0	1,712	577	2,289
Net loans	0	4,360	859	0	405	429	6,053
Premises and equipment	0	0	0	0	474	72	546
Loans held-for-sale	7,324	0	3,110	0	71	0	10,505
Other assets	45	1,637	1	4	500	1,816	4,003
Total assets of consolidated VIEs	**9,967**	**6,360**	**3,984**	**1,990**	**3,771**	**3,911**	**29,983**
Liabilities of consolidated VIEs (CHF million)							
Customer deposits	0	0	0	0	0	247	247
Trading liabilities	20	0	0	0	4	101	125
Short-term borrowings	0	5,776	0	3	0	0	5,779
Long-term debt	9,944	14	3,608	500	38	428	14,532
Other liabilities	45	6	97	7	167	842	1,164
Total liabilities of consolidated VIEs	10,009	5,796	3,705	510	209	1,618	21,847

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

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 2012	CDO	Securi-tizations	Funds	Loans	Other	**Total**
Variable interest assets (CHF million)						
Trading assets	100	3,210	1,143	868	600	5,921
Net loans	8	111	2,048	3,572	1,668	7,407
Other assets	0	17	49	0	4	70
Total variable interest assets	**108**	**3,338**	**3,240**	**4,440**	**2,272**	**13,398**
Maximum exposure to loss (CHF million)						
Maximum exposure to loss	**108**	**14,123**	**3,475**	**4,906**	**3,039**	**25,651**
Non-consolidated VIE assets (CHF million)						
Non-consolidated VIE assets	**5,163**	**103,990**	**52,268**	**22,304**	**6,486**	**190,211**

			Financial intermediation			
end of 2011	CDO	Securi-tizations	Funds	Loans	Other	**Total**
Variable interest assets (CHF million)						
Trading assets	126	5,497	1,449	834	2,079	9,985
Net loans	0	123	1,302	4,742	3,257	9,424
Other assets	0	0	32	0	369	401
Total variable interest assets	**126**	**5,620**	**2,783**	**5,576**	**5,705**	**19,810**
Maximum exposure to loss (CHF million)						
Maximum exposure to loss	**153**	**7,056**	**3,180**	**6,051**	**6,075**	**22,515**
Non-consolidated VIE assets (CHF million)						
Non-consolidated VIE assets	**7,093**	**113,845**	**58,646**	**23,633**	**10,440**	**213,657**

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 2012	Level 1	Level 2	Level 3	Netting impact [1]	Total
Assets (CHF million)					
Cash and due from banks	0	569	0	0	569
Interest-bearing deposits with banks	0	627	0	0	627
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	0	113,664	0	0	113,664
Debt	92	350	0	0	442
of which corporates	0	320	0	0	320
Equity	29,585	18	0	0	29,603
Securities received as collateral	29,677	368	0	0	30,045
Debt	55,592	74,392	5,830	0	135,814
of which foreign governments	53,918	11,032	79	0	65,029
of which corporates	1	25,933	3,192	0	29,126
of which RMBS	0	30,392	724	0	31,116
of which CMBS	0	4,335	1,023	0	5,358
of which CDO	0	2,620	447	0	3,067
Equity	66,715	7,745	485	0	74,945
Derivatives	3,428	823,181	6,650	(799,843)	33,416
of which interest rate products	703	698,494	1,859	–	–
of which foreign exchange products	1	62,619	754	–	–
of which equity/index-related products	2,538	25,885	1,920	–	–
of which credit derivatives	0	29,274	1,294	–	–
Other	7,205	2,736	2,486	0	12,427
Trading assets	132,940	908,054	15,451	(799,843)	256,602
Debt	1,334	341	169	0	1,844
of which foreign governments	1,333	1	21	0	1,355
of which corporates	0	340	125	0	465
of which CDO	0	0	24	0	24
Equity	4	90	1	0	95
Investment securities	1,338	431	170	0	1,939
Private equity	0	0	3,855	0	3,855
of which equity funds	0	0	2,530	0	2,530
Hedge funds	0	470	165	0	635
of which debt funds	0	349	84	0	433
Other equity investments	271	69	2,244	0	2,584
of which private	0	61	2,245	0	2,306
Life finance instruments	0	0	1,818	0	1,818
Other investments	271	539	8,082	0	8,892
Loans	0	13,381	6,619	0	20,000
of which commercial and industrial loans	0	6,191	4,778	0	10,969
of which financial institutions	0	5,934	1,530	0	7,464
Other intangible assets (mortgage servicing rights)	0	0	43	0	43
Other assets	5,439	26,802	5,164	(146)	37,259
of which loans held-for-sale	0	14,899	4,463	0	19,362
Total assets at fair value	**169,665**	**1,064,435**	**35,529**	**(799,989)**	**469,640**
Less other investments – equity at fair value attributable to noncontrolling interests	(240)	(99)	(3,292)	0	(3,631)
Less assets consolidated under ASU 2009-17 [2]	0	(8,769)	(2,745)	0	(11,514)
Assets at fair value excluding noncontrolling interests and assets not consolidated under the Basel framework	**169,425**	**1,055,567**	**29,492**	**(799,989)**	**454,495**

[1] Derivative contracts are reported on a gross basis by level. The impact of netting represents legally enforceable netting agreements. [2] Assets of consolidated VIEs that are not risk-weighted assets under the Basel framework.

Assets and liabilities measured at fair value on a recurring basis (continued)

end of 2012	Level 1	Level 2	Level 3	Netting impact [1]	Total
Liabilities (CHF million)					
Due to banks	0	3,431	0	0	3,431
Customer deposits	0	4,601	25	0	4,626
Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions	0	108,784	0	0	108,784
Debt	92	350	0	0	442
of which corporates	0	320	0	0	320
Equity	29,585	18	0	0	29,603
Obligation to return securities received as collateral	29,677	368	0	0	30,045
Debt	25,782	7,015	196	0	32,993
of which foreign governments	25,624	1,476	0	0	27,100
of which corporates	0	5,030	196	0	5,226
Equity	18,109	389	6	0	18,504
Derivatives	3,174	834,413	5,154	(803,147)	39,594
of which interest rate products	628	693,525	1,357	–	–
of which foreign exchange products	1	76,988	1,648	–	–
of which equity/index-related products	2,305	27,749	1,003	–	–
of which credit derivatives	0	28,952	819	–	–
Trading liabilities	47,065	841,817	5,356	(803,147)	91,091
Short-term borrowings	0	4,389	124	0	4,513
Long-term debt	218	54,458	10,098	0	64,774
of which treasury debt over two years	0	10,567	0	0	10,567
of which structured notes over two years	0	22,545	6,189	0	28,734
of which non-recourse liabilities	218	11,006	2,551	0	13,775
Other liabilities	0	24,235	2,847	(283)	26,799
of which failed sales	0	2,523	1,160	0	3,683
Total liabilities at fair value	**76,960**	**1,042,083**	**18,450**	**(803,430)**	**334,063**

[1] Derivative contracts are reported on a gross basis by level. The impact of netting represents legally enforceable netting agreements.

Assets and liabilities measured at fair value on a recurring basis (continued)

end of 2011	Level 1	Level 2	Level 3	Netting impact [1]	Total
Assets (CHF million)					
Interest-bearing deposits with banks	0	405	0	0	405
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	0	157,469	1,204	0	158,673
Debt	94	3,895	112	0	4,101
of which corporates	0	3,835	112	0	3,947
Equity	25,958	51	81	0	26,090
Securities received as collateral	26,052	3,946	193	0	30,191
Debt	82,237	52,783	9,941	0	144,961
of which foreign governments	61,506	8,123	358	0	69,987
of which corporates	337	27,639	5,076	0	33,052
of which RMBS	19,331	5,848	1,786	0	26,965
of which CMBS	0	4,556	1,517	0	6,073
of which CDO	0	6,570	727	0	7,297
Equity	57,481	9,038	467	0	66,986
Derivatives	6,455	909,261	9,588	(872,569)	52,735
of which interest rate products	2,017	724,413	2,547	–	–
of which foreign exchange products	1	74,950	1,040	–	–
of which equity/index-related products	3,929	32,770	2,732	–	–
of which credit derivatives	0	61,120	2,172	–	–
Other	9,235	3,636	2,195	0	15,066
Trading assets	155,408	974,718	22,191	(872,569)	279,748
Debt	3,010	446	102	0	3,558
of which foreign governments	3,010	0	18	0	3,028
of which corporates	0	309	43	0	352
of which CDO	0	136	41	0	177
Equity	9	83	0	0	92
Investment securities	3,019	529	102	0	3,650
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	2,490	0	2,530
Life finance instruments	0	0	1,968	0	1,968
Other investments	403	282	8,867	0	9,552
Loans	0	13,851	6,842	0	20,693
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	**190,333**	**1,174,151**	**46,938**	**(872,774)**	**538,648**
Less other investments – equity at fair value attributable to noncontrolling interests	(295)	(99)	(3,944)	0	(4,338)
Less assets consolidated under ASU 2009-17 [2]	0	(9,304)	(4,003)	0	(13,307)
Assets at fair value excluding noncontrolling interests and assets not consolidated under the Basel framework	**190,038**	**1,164,748**	**38,991**	**(872,774)**	**521,003**

[1] Derivative contracts are reported on a gross basis by level. The impact of netting represents legally enforceable netting agreements. [2] Assets of consolidated VIEs that are not risk-weighted assets under the Basel framework.

Assets and liabilities measured at fair value on a recurring basis (continued)

end of 2011	Level 1	Level 2	Level 3	Netting impact [1]	Total
Liabilities (CHF million)					
Due to banks	0	2,737	0	0	2,737
Customer deposits	0	4,583	0	0	4,583
Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions	0	136,483	0	0	136,483
Debt	94	3,895	112	0	4,101
of which corporates	0	3,835	112	0	3,947
Equity	25,958	51	81	0	26,090
Obligation to return securities received as collateral	26,052	3,946	193	0	30,191
Debt	38,680	9,302	21	0	48,003
of which foreign governments	38,622	829	0	0	39,451
of which corporates	6	7,591	13	0	7,610
Equity	19,124	461	7	0	19,592
Derivatives	6,283	920,612	7,315	(873,996)	60,214
of which interest rate products	1,941	717,436	1,588	–	–
of which foreign exchange products	1	91,984	2,836	–	–
of which equity/index-related products	3,809	37,054	1,022	–	–
of which credit derivatives	0	58,497	1,520	–	–
Trading liabilities	64,087	930,375	7,343	(873,996)	127,809
Short-term borrowings	0	3,311	236	0	3,547
Long-term debt	122	55,199	12,715	0	68,036
of which treasury debt over two years	0	13,191	0	0	13,191
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	27,387	3,890	(335)	30,942
of which failed sales	0	3,821	1,909	0	5,730
Total liabilities at fair value	**90,261**	**1,164,021**	**24,377**	**(874,331)**	**404,328**

[1] Derivative contracts are reported on a gross basis by level. The impact of netting represents legally enforceable netting agreements.

Transfers between level 1 and level 2

2012	Transfers to level 1 out of level 2	Transfers out of level 1 to level 2
Assets (CHF million)		
Debt	318	23,632
Equity	209	650
Derivatives	5,510	20
Trading assets	**6,037**	**24,302**
Liabilities (CHF million)		
Debt	87	34
Equity	100	226
Derivatives	6,441	72
Trading liabilities	**6,628**	**332**

Assets and liabilities measured at fair value on a recurring basis for level 3

2012	Balance at beginning of period	Transfers in	Transfers out	Purchases
Assets (CHF million)				
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	1,204	0	0	0
Securities received as collateral	193	0	(188)	0
Debt	9,941	2,312	(5,035)	7,479
of which corporates	5,076	1,113	(3,609)	5,210
of which RMBS	1,786	831	(958)	937
of which CMBS	1,517	188	(262)	664
of which CDO	727	158	(121)	483
Equity	467	419	(100)	377
Derivatives	9,588	1,465	(2,175)	0
of which interest rate products	2,547	168	(686)	0
of which equity/index-related products	2,732	681	(844)	0
of which credit derivatives	2,172	592	(544)	0
Other	2,195	179	(366)	2,842
Trading assets	22,191	4,375	(7,676)	10,698
Investment securities	102	0	0	94
Equity	6,899	4	(61)	757
Life finance instruments	1,968	0	0	102
Other investments	8,867	4	(61)	859
Loans	6,842	605	(642)	509
of which commercial and industrial loans	4,559	537	(391)	275
of which financial institutions	2,179	64	(248)	218
Other intangible assets	70	0	0	11
Other assets	7,469	2,509	(2,949)	3,007
of which loans held-for-sale [2]	6,901	2,471	(2,948)	2,801
Total assets at fair value	**46,938**	**7,493**	**(11,516)**	**15,178**
Liabilities (CHF million)				
Customer deposits	0	0	0	0
Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions	0	0	0	0
Obligation to return securities received as collateral	193	0	(188)	0
Trading liabilities	7,343	1,294	(1,783)	94
of which interest rate derivatives	1,588	230	(754)	0
of which foreign exchange derivatives	2,836	3	(178)	0
of which equity/index-related derivatives	1,022	132	(262)	0
of which credit derivatives	1,520	700	(571)	0
Short-term borrowings	236	23	(96)	0
Long-term debt	12,715	2,616	(4,044)	0
of which structured notes over two years	7,576	789	(1,668)	0
of which non-recourse liabilities	3,585	1,701	(2,225)	0
Other liabilities	3,890	246	(315)	321
of which failed sales	1,909	136	(47)	302
Total liabilities at fair value	**24,377**	**4,179**	**(6,426)**	**415**
Net assets/liabilities at fair value	**22,561**	**3,314**	**(5,090)**	**14,763**

[1] For all transfers to level 3 or out of level 3, the Bank determines and discloses as level 3 events only gains or losses through the last day of the reporting period. [2] Includes unrealized gains recorded in trading revenues of CHF 307 million primarily related to sub-prime exposures in the RMBS and CMBS businesses and market movements across the wider loans held-for-sale portfolio.

			Trading revenues		Other revenues			
Sales	Issuances	Settlements	On transfers in / out [1]	On all other	On transfers in / out [1]	On all other	Foreign currency translation impact	**Balance at end of period**
0	0	(1,174)	0	(28)	0	0	(2)	0
0	0	0	0	0	0	0	(5)	0
(8,793)	0	0	72	129	(4)	0	(271)	5,830
(4,745)	0	0	49	278	(4)	0	(176)	3,192
(1,924)	0	0	18	60	0	0	(26)	724
(809)	0	0	(4)	(228)	0	0	(43)	1,023
(851)	0	0	(4)	67	0	0	(12)	447
(611)	0	0	0	(63)	0	0	(4)	485
0	1,007	(3,262)	60	163	0	0	(196)	6,650
0	303	(976)	47	515	0	0	(59)	1,859
0	346	(844)	(31)	(56)	0	0	(64)	1,920
0	161	(914)	43	(179)	0	0	(37)	1,294
(2,290)	0	0	2	(4)	0	0	(72)	2,486
(11,694)	1,007	(3,262)	134	225	(4)	0	(543)	15,451
(17)	0	0	0	0	0	0	(9)	170
(1,789)	0	0	0	2	0	620	(168)	6,264
(274)	0	0	0	72	0	0	(50)	1,818
(2,063)	0	0	0	74	0	620	(218)	8,082
(1,286)	4,490	(3,473)	15	(250)	0	0	(191)	6,619
(469)	3,084	(2,773)	15	76	0	0	(135)	4,778
(745)	1,078	(672)	(1)	(293)	0	0	(50)	1,530
(16)	0	0	0	0	0	(20)	(2)	43
(3,356)	298	(2,319)	128	580	0	0	(203)	5,164
(3,182)	298	(2,319)	127	486	0	0	(172)	4,463
(18,432)	**5,795**	**(10,228)**	**277**	**601**	**(4)**	**600**	**(1,173)**	**35,529**
0	25	0	0	0	0	0	0	25
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	(5)	0
(346)	853	(2,599)	151	505	0	0	(156)	5,356
0	115	(194)	75	340	0	0	(43)	1,357
0	1	(1,037)	24	48	0	0	(49)	1,648
0	537	(315)	(16)	(61)	0	0	(34)	1,003
0	88	(939)	79	(36)	0	0	(22)	819
0	288	(332)	(3)	14	0	0	(6)	124
0	4,015	(6,043)	182	989	(4)	0	(328)	10,098
0	1,925	(2,867)	32	604	(4)	0	(198)	6,189
0	1,473	(2,312)	144	275	0	0	(90)	2,551
(1,322)	2	(219)	(15)	74	0	278	(93)	2,847
(1,260)	0	0	0	153	0	0	(33)	1,160
(1,668)	**5,183**	**(9,193)**	**315**	**1,582**	**(4)**	**278**	**(588)**	**18,450**
(16,764)	**612**	**(1,035)**	**(38)**	**(981)**	**0**	**322**	**(585)**	**17,079**

Assets and liabilities measured at fair value on a recurring basis for level 3 (continued)

2011	Balance at beginning of period	Transfers in	Transfers out	Purchases
Assets (CHF million)				
Interest-bearing deposits with banks	0	0	(24)	27
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	1,196	0	(11)	0
Securities received as collateral	0	201	0	0
Debt	10,887	3,405	(3,043)	10,382
of which corporates	3,805	931	(706)	5,484
of which RMBS	3,265	1,704	(1,277)	2,820
of which CMBS	1,862	324	(237)	831
of which CDO	1,134	370	(625)	712
Equity	623	309	(515)	726
Derivatives	8,720	2,998	(2,311)	0
of which interest rate products	2,071	815	(142)	0
of which equity/index-related products	2,298	666	(796)	0
of which credit derivatives	2,724	1,216	(1,267)	0
Other	2,016	195	(434)	2,806
Trading assets	22,246	6,907	(6,303)	13,914
Investment securities	79	2	0	48
Equity	9,346	26	(74)	986
Life finance instruments	1,843	0	0	79
Other investments	11,189	26	(74)	1,065
Loans	6,256	1,560	(1,367)	1,335
of which commercial and industrial loans	3,559	1,411	(854)	447
of which financial institutions	2,195	149	(240)	836
Other intangible assets	66	0	0	23
Other assets	9,253	6,198	(6,988)	4,730
of which loans held-for-sale	8,933	5,988	(6,974)	4,426
Total assets at fair value	**50,285**	**14,894**	**(14,767)**	**21,142**
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	9,201	1,276	(2,062)	214
of which interest rate derivatives	1,342	91	(45)	0
of which foreign exchange derivatives	2,940	48	(135)	0
of which equity/index-related derivatives	2,939	113	(716)	0
of which credit derivatives	1,255	949	(1,072)	0
Short-term borrowings	123	64	(23)	0
Long-term debt	16,798	7,346	(8,522)	0
of which structured notes over two years	9,486	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	1,848	607	(345)	237
Total liabilities at fair value	**30,362**	**9,550**	**(11,283)**	**504**
Net assets/liabilities at fair value	**19,923**	**5,344**	**(3,484)**	**20,638**

[1] For all transfers to level 3 or out of level 3, the Bank determines and discloses as level 3 events only gains or losses through the last day of the reporting period.

			Trading revenues		Other revenues			
Sales	Issuances	Settlements	On transfers in / out [1]	On all other	On transfers in / out [1]	On all other	Foreign currency translation impact	**Balance at end of period**
0	0	0	(1)	(2)	0	0	0	0
0	55	(45)	0	4	0	0	5	1,204
0	0	(7)	0	0	0	0	(1)	193
(11,178)	0	0	1	(467)	0	0	(46)	9,941
(4,573)	0	0	34	49	0	0	52	5,076
(4,230)	0	0	(37)	(361)	0	0	(98)	1,786
(1,072)	0	0	(2)	(181)	0	0	(8)	1,517
(907)	0	0	16	33	0	0	(6)	727
(668)	0	0	35	(47)	0	0	4	467
0	778	(3,085)	22	2,436	0	0	30	9,588
0	133	(599)	13	266	0	0	(10)	2,547
0	272	(184)	(21)	455	0	0	42	2,732
0	86	(2,051)	31	1,452	0	0	(19)	2,172
(2,300)	0	(43)	(7)	(68)	0	0	30	2,195
(14,146)	778	(3,128)	51	1,854	0	0	18	22,191
(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	13	1,968
(4,688)	0	0	0	146	0	1,255	(52)	8,867
(978)	2,483	(2,338)	18	(122)	0	0	(5)	6,842
(521)	1,984	(1,494)	2	(2)	0	0	27	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	(58)	6,901
(25,364)	**4,886**	**(6,964)**	**(37)**	**1,719**	**0**	**1,237**	**(93)**	**46,938**
0	0	(199)	(4)	0	0	0	(11)	0
0	0	(7)	0	0	0	0	(1)	193
(290)	502	(1,929)	203	259	0	0	(31)	7,343
0	2	(194)	(4)	383	0	0	13	1,588
0	17	(704)	7	655	0	0	8	2,836
0	153	(348)	181	(1,236)	0	0	(64)	1,022
0	136	(414)	19	622	0	0	25	1,520
0	320	(229)	1	(24)	0	0	4	236
0	6,253	(8,383)	(166)	(490)	0	0	(121)	12,715
0	2,921	(3,566)	(55)	(932)	0	0	(80)	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	(4)	1,909
(727)	**7,092**	**(10,992)**	**(11)**	**(74)**	**0**	**128**	**(172)**	**24,377**
(24,637)	**(2,206)**	**4,028**	**(26)**	**1,793**	**0**	**1,109**	**79**	**22,561**

Gains and losses on assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (level 3)

			2012			2011
in	Trading revenues	Other revenues	**Total revenues**	Trading revenues	Other revenues	Total revenues
Gains and losses on assets and liabilities (CHF million)						
Net realized/unrealized gains/(losses) included in net revenues	(1,019)	322	**(697)** [1]	1,767	1,109	2,876 [1]
Whereof:						
Unrealized gains/(losses) relating to assets and liabilities still held as of the reporting date	(1,209)	(23)	**(1,232)**	546	(116)	430

[1] Excludes net realized/unrealized gains/(losses) attributable to foreign currency translation impact.

Quantitative information about level 3 assets at fair value

2012	Fair value	Valuation technique	Unobservable input	Minimum value	Maximum value
CHF million, except where indicated					
Debt	5,830				
of which corporates	3,192				
of which	754	Option model	Correlation, in %	(87)	97
			Buyback probability, in % [1]	50	100
of which	797	Market comparable	Price, in %	0	146
of which	1,231	Discounted cash flow	Credit spread, in bp	0	2,439
of which RMBS	724	Discounted cash flow	Discount rate, in %	2	50
			Prepayment rate, in %	0	55
			Default rate, in %	0	25
			Loss severity, in %	0	100
of which CMBS	1,023	Discounted cash flow	Capitalization rate, in %	5	12
			Internal rate of return, in %	9	15
			Discount rate, in %	2	35
			Prepayment rate, in %	0	10
			Default rate, in %	0	40
			Loss severity, in %	0	90
of which CDO	447				
of which	193	Vendor price	Price, in %	0	102
of which	123	Discounted cash flow	Discount rate, in %	2	35
			Prepayment rate, in %	0	40
			Default rate, in %	0	25
			Loss severity, in %	0	100
of which	78	Market comparable	Price, in %	80	93

[1] Estimate of the probability of corporate bonds being called by the issuer at its option over the remaining life of the financial instrument.

Quantitative information about level 3 assets at fair value (continued)

2012	Fair value	Valuation technique	Unobservable input	Minimum value	Maximum value
CHF million, except where indicated					
Equity	485				
of which	237	Market comparable	EBITDA multiple	3	12
of which	26	Discounted cash flow	Capitalization rate, in %	7	7
Derivatives	6,650				
of which interest rate products	1,859	Option model	Correlation, in %	17	100
			Prepayment rate, in %	2	45
			Volatility, in %	(5)	31
			Credit spread, in bp	34	157
of which equity/index-related products	1,920	Option model	Correlation, in %	(87)	97
			Volatility, in %	2	157
of which credit derivatives	1,294	Discounted cash flow	Credit spread, in bp	1	5,843
			Recovery rate, in %	0	75
			Discount rate, in %	2	35
			Default rate, in %	0	25
			Loss severity, in %	0	100
			Correlation, in %	30	97
			Prepayment rate, in %	0	40
Other	2,486				
of which	1,891	Market comparable	Price, in %	0	103
of which	564	Discounted cash flow	Life expectancy, in years	4	20
Trading assets	15,451				
Investment securities	170	–	–	–	–
Private equity	3,855	– [1]	– [1]	– [1]	– [1]
Hedge funds	165	– [1]	– [1]	– [1]	– [1]
Other equity investments	2,244				
of which private	2,245				
of which	759	Discounted cash flow	Credit spread, in bp	1,070	2,049
			Contingent probability, in %	50	50
of which	903	Market comparable	EBITDA multiple	2	13
Life finance instruments	1,818	Discounted cash flow	Life expectancy, in years	1	23
Other investments	8,082				
Loans	6,619				
of which commercial and industrial loans	4,778	Discounted cash flow	Credit spread, in bp	0	2,763
of which financial institutions	1,530	Discounted cash flow	Credit spread, in bp	0	888
Other intangible assets (mortgage servicing rights)	43	–	–	–	–
Other assets	5,164				
of which loans held-for-sale	4,463				
of which	2,031	Vendor price	Price, in %	0	103
of which	328	Discounted cash flow	Credit spread, in bp	20	1,458
of which	2,009	Market comparable	Price, in %	0	115
Total level 3 assets at fair value	**35,529**				

[1] Disclosure not required as balances are carried at unadjusted net asset value. Refer to "Fair value, unfunded commitments and term of redemption conditions" for further information.

Quantitative information about level 3 assets at fair value (continued)

2012	Fair value	Valuation technique	Unobservable input	Minimum value	Maximum value
CHF million, except where indicated					
Customer deposits	25	–	–	–	–
Trading liabilities	5,356				
of which interest rate derivatives	1,357	Option model	Basis spread, in bp	(28)	54
			Correlation, in %	17	100
			Mean reversion, in % [1]	(33)	5
			Prepayment rate, in %	4	45
of which foreign exchange derivatives	1,648	Option model	Correlation, in %	(10)	70
			Prepayment rate, in %	4	22
of which equity/index-related derivatives	1,003	Option model	Correlation, in %	(87)	97
			Skew, in %	56	128
			Volatility, in %	2	157
			Buyback probability, in % [2]	50	100
			Gap risk, in % [3]	0	4
of which credit derivatives	819	Discounted cash flow	Credit spread, in bp	0	5,843
			Discount rate, in %	2	35
			Default rate, in %	0	25
			Recovery rate, in %	0	77
			Loss severity, in %	0	100
			Correlation, in %	0	47
			Prepayment rate, in %	0	40
Short-term borrowings	124	–	–	–	–
Long-term debt	10,098				
of which structured notes over two years	6,189	Option model	Correlation, in %	(87)	97
			Volatility, in %	2	157
			Buyback probability, in % [2]	50	100
			Gap risk, in % [3]	0	12
of which non-recourse liabilities	2,551				
of which	2,255	Vendor price	Price, in %	0	103
of which	230	Market comparable	Price, in %	0	87
Other liabilities	2,847				
of which failed sales	1,160				
of which	646	Market comparable	Price, in %	0	100
of which	290	Discounted cash flow	Credit spread, in bp	0	1,532
Total level 3 liabilities at fair value	**18,450**				

[1] Management's best estimate of the speed at which interest rates will revert to the long-term average. [2] Estimate of the probability of structured notes being put back to the Bank at the option of the investor over the remaining life of the financial instruments. [3] Risk of unexpected large declines in the underlying values occuring between collateral settlement dates.

Fair value, unfunded commitments and term of redemption conditions

end of 2012	Non-redeemable	Redeemable	Total fair value	Unfunded commit-ments
Fair value and unfunded commitments (CHF million)				
Debt funds	127	38	165	0
Equity funds	52	3,810 [1]	3,862	0
Equity funds sold short	0	(111)	(111)	0
Total funds held in trading assets and liabilities	179	3,737	3,916	0
Debt funds	68	365	433	157
Equity funds	3	43	46	0
Others	4	152	156	46
Hedge funds	75	560 [2]	635	203
Debt funds	97	0	97	17
Equity funds	2,530	0	2,530	723
Real estate funds	382	0	382	131
Others	846	0	846	198
Private equity	3,855	0	3,855	1,069
Equity method investments	385	0	385	0
Total funds held in other investments	4,315	560	4,875	1,272
Total fair value	**4,494** [3]	**4,297** [4]	**8,791**	**1,272** [5]

[1] 57% of the redeemable fair value amount of equity funds is redeemable on demand with a notice period of less than 30 days, 17% is redeemable on an annual basis with a notice period primarily of more than 60 days, 13% is redeemable on a monthly basis with a notice period primarily of less than 30 days and 13% is redeemable on a quarterly basis with a notice period primarily of more than 45 days. [2] 66% of the redeemable fair value amount of hedge funds is redeemable on a quarterly basis with a notice period primarily of more than 60 days, 19% is redeemable on demand with a notice period primarily of less than 30 days and 11% is redeemable on an annual basis with a notice period of more than 60 days. [3] Includes CHF 1,958 million attributable to noncontrolling interests. [4] Includes CHF 107 million attributable to noncontrolling interests. [5] Includes CHF 418 million attributable to noncontrolling interests.

Fair value, unfunded commitments and term of redemption conditions (continued)

end of 2011	Non-redeemable	Redeemable	Total fair value	Unfunded commit-ments
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.

Nonrecurring fair value changes

end of	2012	2011
Assets held-for-sale recorded at fair value on a nonrecurring basis (CHF billion)		
Assets held-for-sale recorded at fair value on a nonrecurring basis	**0.5**	**0.7**
of which level 3	0.5	0.7

Difference between the aggregate fair value and the aggregate unpaid principal balances of loans and financial instruments

			2012			2011
end of	Aggregate fair value	Aggregate unpaid principal	Difference	Aggregate fair value	Aggregate unpaid principal	Difference
Loans (CHF million)						
Non-interest-earning loans	920	3,810	(2,890)	807	3,277	(2,470)
Financial instruments (CHF million)						
Interest-bearing deposits with banks	627	615	12	405	404	1
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	113,664	113,196	468	158,673	157,889	784
Loans	20,000	20,278	(278)	20,693	21,381	(688)
Other assets [1]	22,060	29,787	(7,727)	20,511	30,778	(10,267)
Due to banks and customer deposits	(531)	(493)	(38)	(610)	(620)	10
Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions	(108,784)	(108,701)	(83)	(136,483)	(136,396)	(87)
Short-term borrowings	(4,513)	(4,339)	(174)	(3,547)	(3,681)	134
Long-term debt	(64,774)	(66,434)	1,660	(68,036)	(77,000)	8,964
Other liabilities	(3,683)	(6,186)	2,503	(5,730)	(8,210)	2,480

[1] Primarily loans held-for-sale.

Gains and losses on financial instruments

	2012		2011		2010	
in	Net gains/ (losses)		Net gains/ (losses)		Net gains/ (losses)	
Financial instruments (CHF million)						
Cash and due from banks	(13)	[2]	–		–	
of which related to credit risk	(13)		–		–	
Interest-bearing deposits with banks	12	[1]	0		11	[1]
of which related to credit risk	3		0		0	
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	1,183	[1]	1,698	[1]	1,901	[1]
Other trading assets	10	[2]	10	[2]	46	[2]
Other investments	144	[3]	196	[2]	(225)	[3]
of which related to credit risk	34		(14)		(2)	
Loans	925	[1]	(1,105)	[2]	1,065	[1]
of which related to credit risk	318		(256)		707	
Other assets	2,641	[1]	476	[1]	5,896	[2]
of which related to credit risk	355		(332)		589	
Due to banks and customer deposits	(22)	[1]	(2)	[1]	(27)	[2]
of which related to credit risk	8		45		0	
Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions	(114)	[1]	(575)	[1]	(471)	[1]
Short-term borrowings	(350)	[2]	91	[2]	(51)	[2]
of which related to credit risk [4]	0		(2)		1	
Long-term debt	(7,709)	[2]	2,301	[2]	(6,313)	[2]
of which related to credit risk [4]	(2,365)		1,769		166	
Other liabilities	826	[2]	(286)	[2]	(232)	[2]
of which related to credit risk	912		(348)		(97)	

[1] Primarily recognized in net interest income. [2] Primarily recognized in trading revenues. [3] Primarily recognized in other revenues. [4] Changes in fair value related to credit risk are due to the change in the Bank's own credit spreads. Other changes in fair value are attributable to changes in foreign currency exchange rates and interest rates, as well as movements in the reference price or index for structured notes.

Carrying value and fair value of financial instruments not carried at fair value

end of 2012	Carrying value	Level 1	Level 2	Level 3	Fair value Total
Financial assets (CHF million)					
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	69,783	0	69,755	27	69,782
Loans	204,551	0	206,214	4,482	210,696
Other financial assets [1]	133,498	63,519	68,568	1,680	133,767
Financial liabilities (CHF million)					
Due to banks and deposits	320,208	193,288	126,798	9	320,095
Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions	23,937	0	23,939	0	23,939
Short-term borrowings	10,325	0	10,328	0	10,328
Long-term debt	82,223	0	79,032	4,546	83,578
Other financial liabilities [2]	89,275	0	88,035	1,170	89,205

[1] Primarily includes cash and due from banks, interest-bearing deposits with banks, brokerage receivables, loans held-for-sale, cash collateral on derivative instruments, interest and fee receivables and non-marketable equity securities. [2] Primarily includes brokerage payables, cash collateral on derivative instruments and interest and fee payables.

Carrying value and fair value of financial instruments not carried at fair value (continued)

end of 2011	Carrying value	Fair value
Financial assets (CHF million)		
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	78,262	78,262
Loans	195,813	199,657
Other financial assets [1]	188,755	188,793
Financial liabilities (CHF million)		
Due to banks and deposits	336,887	336,809
Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions	40,076	40,076
Short-term borrowings	22,569	22,570
Long-term debt	93,317	90,017
Other financial liabilities [2]	96,497	96,497

[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 and collateral

Assets pledged

The Bank pledges assets mainly for repurchase agreements and other securities financing. Certain pledged assets may be encumbered, meaning they have the right to be sold or repledged. The encumbered assets are parenthetically disclosed on the consolidated balance sheet.

end of	2012	2011
Assets pledged (CHF million)		
Total assets pledged or assigned as collateral	145,598	152,527
of which encumbered	90,745	96,922

Collateral

The Bank receives cash and securities in connection with resale agreements, securities borrowing and loans, derivative transactions and margined broker loans. A substantial portion of the collateral and securities received by the Bank was sold or repledged in connection with repurchase agreements, securities sold not yet purchased, securities borrowings and loans, pledges to clearing organizations, segregation requirements under securities laws and regulations, derivative transactions and bank loans.

end of	2012	2011
Collateral (CHF million)		
Fair value of collateral received with the right to sell or repledge	402,784	373,794
of which sold or repledged	292,531	332,878

Other information

end of	2012	2011
Other information (CHF million)		
Cash and securities restricted under foreign banking regulations	14,340	17,943
Swiss National Bank required minimum liquidity reserves	2,312	2,178

▸ Refer to “Note 34 – Assets pledged and collateral” in V – Consolidated financial statements – Credit Suisse Group for further information.

34 Capital adequacy

The Bank is subject to regulation by FINMA. The capital levels of the Bank are subject to qualitative judgments by regulators, including FINMA, about the components of capital, risk weightings and other factors. Since 2008, the Bank operated under the international capital adequacy standards known as Basel II set forth by the BCBS. These standards affected the measurement of both total eligible capital and risk-weighted assets. In January 2011, as required by FINMA, the 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 1.6 billion and CHF 3.2 billion of equity from SPEs which are deconsolidated under US GAAP as of December 31, 2012 and 2011, respectively.

As of December 31, 2012 and 2011, 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 – Basel II.5

end of	2012	2011
Eligible capital (CHF million)		
Tier 1 capital	39,660	35,098
of which core tier 1 capital	30,879	24,210
Tier 2 capital	8,092	13,292
Total eligible capital	**47,752**	**48,390**
Risk-weighted assets (CHF million)		
Credit risk	134,760	148,378
Market risk	29,338	40,571
Non-counterparty risk	5,873	7,564
Operational risk	45,125	36,088
Risk-weighted assets	**215,096**	**232,601**
Capital ratios (%)		
Core tier 1 ratio	14.4	10.4
Tier 1 ratio	18.4	15.1
Total capital ratio	22.2	20.8

Broker-dealer operations

Certain Bank broker-dealer subsidiaries are also subject to capital adequacy requirements. As of December 31, 2012 and 2011, 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, 2012 and 2011, 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, 2012				
	Credit Suisse AG			
100	AJP Cayman Ltd.	George Town, Cayman Islands	JPY	8,025.6
100	Banco Credit Suisse (Brasil) S.A.	São Paulo, Brazil	BRL	53.6
100	Banco Credit Suisse (México), S.A.	Mexico City, Mexico	MXN	1,716.7
100	Banco de Investimentos Credit Suisse (Brasil) S.A.	São Paulo, Brazil	BRL	164.8
100	Boston Re Ltd.	Hamilton, Bermuda	USD	2.0
100	CJSC Bank Credit Suisse (Moscow)	Moscow, Russia	USD	37.8
100	Column Financial, Inc.	Wilmington, United States	USD	0.0
100	Credit Suisse (Australia) Limited	Sydney, Australia	AUD	34.1
100	Credit Suisse (Brasil) Distribuidora de Titulos e Valores Mobiliários S.A.	São Paulo, Brazil	BRL	5.0
100	Credit Suisse (Brasil) S.A. Corretora de Titulos e Valores Mobiliários	São Paulo, Brazil	BRL	98.4
100	Credit Suisse (Deutschland) Aktiengesellschaft	Frankfurt, Germany	EUR	130.0
100	Credit Suisse (France)	Paris, France	EUR	52.9
100	Credit Suisse (Gibraltar) Limited	Gibraltar, Gibraltar	GBP	5.0
100	Credit Suisse (Guernsey) Limited	St. Peter Port, Guernsey	USD	6.1
100	Credit Suisse (Hong Kong) Limited	Hong Kong, China	HKD	6,135.9
100	Credit Suisse (Italy) S.p.A.	Milan, Italy	EUR	109.6
100	Credit Suisse (Monaco) S.A.M.	Monte Carlo, Monaco	EUR	18.0
100	Credit Suisse (Poland) Sp. z o.o	Warsaw, Poland	PLN	20.0
100	Credit Suisse (Qatar) LLC	Doha, Qatar	USD	20.0
100	Credit Suisse (Singapore) Limited	Singapore, Singapore	SGD	743.3
100	Credit Suisse (UK) Limited	London, United Kingdom	GBP	126.8
100	Credit Suisse (USA), Inc.	Wilmington, United States	USD	0.0
100	Credit Suisse Alternative Capital, LLC	Wilmington, United States	USD	81.6
100	Credit Suisse Asset Management Funds (UK) Limited	London, United Kingdom	GBP	15.5
100	Credit Suisse Asset Management Funds S.p.A. S.G.R.	Milan, Italy	EUR	5.0
100	Credit Suisse Asset Management (UK) Holding Limited	London, United Kingdom	GBP	144.2
100	Credit Suisse Asset Management Immobilien Kapitalanlagegesellschaft mbH	Frankfurt, Germany	EUR	6.1
100	Credit Suisse Asset Management International Holding Ltd	Zurich, Switzerland	CHF	20.0
100	Credit Suisse Asset Management Investments Ltd	Zurich, Switzerland	CHF	0.1
100	Credit Suisse Asset Management Limited	London, United Kingdom	GBP	45.0
100	Credit Suisse Asset Management, LLC	Wilmington, United States	USD	1,079.6
100	Credit Suisse Business Analytics (India) Private Limited	Mumbai, India	INR	40.0
100	Credit Suisse Capital (Guernsey) I Limited	St. Peter Port, Guernsey	USD	0.0
100	Credit Suisse Capital Funding, Inc.	Wilmington, United States	USD	0.0
100	Credit Suisse Capital LLC	Wilmington, United States	USD	737.6

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	356.6
100	Credit Suisse Fund Management S.A.	Luxembourg, Luxembourg	CHF	0.3
100	Credit Suisse Fund Services (Luxembourg) S.A.	Luxembourg, Luxembourg	CHF	1.5
100	Credit Suisse Funds AG	Zurich, Switzerland	CHF	7.0
100	Credit Suisse Hedging-Griffo Corretora de Valores S.A.	São Paulo, Brazil	BRL	29.6
100	Credit Suisse Holding Europe (Luxembourg) S.A.	Luxembourg, Luxembourg	CHF	32.6
100	Credit Suisse Holdings (Australia) Limited	Sydney, Australia	AUD	3.0
100 [1]	Credit Suisse Holdings (USA), Inc.	Wilmington, United States	USD	4,184.7
100	Credit Suisse Leasing 92A, L.P.	New York, United States	USD	43.9
100	Credit Suisse Life & Pensions AG	Vaduz, Liechtenstein	CHF	15.0
100	Credit Suisse Life (Bermuda) Ltd.	Hamilton, Bermuda	USD	1.0
100	Credit Suisse Loan Funding LLC	Wilmington, United States	USD	0.0
100	Credit Suisse Management LLC	Wilmington, United States	USD	894.5
100	Credit Suisse Principal Investments Limited	George Town, Cayman Islands	JPY	3,324.0
100	Credit Suisse Private Equity, LLC	Wilmington, United States	USD	42.2
100	Credit Suisse PSL GmbH	Zurich, Switzerland	CHF	0.0
100	Credit Suisse Securities (Canada), Inc.	Toronto, Canada	CAD	3.4
100	Credit Suisse Securities (Europe) Limited	London, United Kingdom	USD	2,859.3
100	Credit Suisse Securities (Hong Kong) Limited	Hong Kong, China	HKD	530.9
100	Credit Suisse Securities (India) Private Limited	Mumbai, India	INR	2,214.8
100	Credit Suisse Securities (Japan) Limited	Tokyo, Japan	JPY	78,100.0
100	Credit Suisse Securities (Johannesburg) (Proprietary) Limited	Johannesburg, South Africa	ZAR	0.0
100	Credit Suisse Securities (Malaysia) Sdn. Bhd.	Kuala Lumpur, Malaysia	MYR	100.0
100	Credit Suisse Securities (Moscow)	Moscow, Russia	RUB	97.1
100	Credit Suisse Securities (Singapore) Pte Limited	Singapore, Singapore	SGD	30.0
100	Credit Suisse Securities (Thailand) Limited	Bangkok, Thailand	THB	500.0
100	Credit Suisse Securities (USA) LLC	Wilmington, United States	USD	2,847.9
100	CS Non-Traditional Products Ltd.	Nassau, Bahamas	USD	0.1
100	DLJ Mortgage Capital, Inc.	Wilmington, United States	USD	0.0
100	J O Hambro Investment Management Limited	London, United Kingdom	GBP	0.0
100	Merban Equity AG	Zug, Switzerland	CHF	0.1
100	SPS Holding Corporation	Wilmington, United States	USD	0.1
100	Whist Equity Trading LLC	Wilmington, United States	USD	140.4
99	PT Credit Suisse Securities Indonesia	Jakarta, Indonesia	IDR	235,000.0
98	Credit Suisse Hypotheken AG	Zurich, Switzerland	CHF	0.1
98 [2]	Credit Suisse International	London, United Kingdom	USD	3,107.7
83	Asset Management Finance LLC	Wilmington, United States	USD	341.5
71	Credit Suisse Saudi Arabia	Riyadh, Saudia Arabia	SAR	300.0
58 [3]	Credit Suisse (Luxembourg) S.A.	Luxembourg, Luxembourg	CHF	150.0

[1] 43% of voting rights held by Credit Suisse Group AG, Guernsey Branch. [2] Remaining 2% held directly by Credit Suisse Group AG. 80% of voting rights and 98% of equity interest held by Credit Suisse AG. [3] 42% of voting rights held directly by Credit Suisse Group AG.

Significant equity method investments

Equity interest in %	Company name	Domicile
as of December 31, 2012		
	Credit Suisse AG	
33	Credit Suisse Founder Securities Limited	Beijing, China
25	E.L. & C. Baillieu Stockbroking (Holdings) Pty Ltd	Melbourne, Australia
20	ICBC Credit Suisse Asset Management Co., Ltd.	Beijing, China
5 [1]	York Capital Management Global Advisors, LLC	New York, United States

[1] 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, 2012, 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, 2012 using the criteria issued by the Committee of Sponsoring Organizations of the Treadway Commission in "Internal Control – Integrated Framework".

Based upon its review and evaluation, management, including the Bank CEO and CFO, has concluded that the Bank's internal control over financial reporting is effective as of December 31, 2012.

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, 2012, as stated in their report, which follows.

Changes in internal control over financial reporting

There were no changes in the Bank's internal control over financial reporting during the period covered by this report that have materially affected, or are reasonably likely to materially affect the Bank's internal control over financial reporting.

KPMG AG
Audit Financial Services
Badenerstrasse 172
CH-8004 Zurich
Postfach
CH-8026 Zurich
Telefon +41 58 249 31 31
Fax +41 58 249 44 06
Internet www.kpmg.ch

Report of the Independent Registered Public Accounting Firm to the General Meeting of Shareholders of

Credit Suisse AG, Zurich

We have audited Credit Suisse AG and subsidiaries' (the "Bank") internal control over financial reporting as of December 31, 2012, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The 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, 2012, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) and Swiss Auditing Standards, the consolidated balance sheets of the Bank as of December 31, 2012 and 2011, and the related consolidated statements of operations, changes in equity, comprehensive income and cash flows, and notes thereto, for each of the years in the three-year period ended December 31, 2012, and our report dated March 22, 2013 expressed an unqualified opinion on those consolidated financial statements.

KPMG AG

Simon Ryder
Licensed Audit Expert
Auditor in Charge

Anthony Anzevino
Global Lead Partner

Zurich, Switzerland
March 22, 2013

APPENDIX 6 — LEGAL PROCEEDINGS INFORMATION EXTRACTED FROM CREDIT SUISSE ANNUAL REPORT 2012

We are a wholly owned subsidiary of Credit Suisse Group AG. We have extracted the section headed "Litigation" from pages 357 to 363 of the Credit Suisse annual report 2012 in this appendix 6. References to page numbers in this appendix 6 are to the pages in the Credit Suisse annual report 2012 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 estimated fees and expenses of external lawyers and other service providers) and takes a charge to income in connection with certain proceedings when losses, additional losses or ranges of loss are probable and reasonably estimable. The Group reviews its legal proceedings each quarter to determine the adequacy of its litigation provisions and may increase or release provisions based on management's judgment and the advice of counsel. The establishment of additional provisions or releases of litigation provisions may be necessary in the future as developments in such proceedings warrant.

It is inherently difficult to determine whether a loss is probable or even reasonably possible or to estimate the amount of any loss or loss range for many of the Group's legal proceedings. Estimates, by their nature, are based on judgment and currently available information and involve a variety of factors, including, but not limited to, the type and nature of the proceeding, the progress of the matter, the advice of counsel, the Group's defenses and its experience in similar matters, as well as its assessment of matters, including settlements, involving other defendants in similar or related cases or proceedings. Factual and legal determinations, many of which are complex, must be made before a loss, additional losses or ranges of loss can be reasonably estimated for any proceeding.

Most matters pending against the Group seek damages of an indeterminate amount. While certain matters specify the damages claimed, such claimed amount may not represent the Group's reasonably possible losses. For certain of the proceedings discussed below the Group has disclosed the amount of damages claimed and certain other quantifiable information that is publicly available.

The following table presents a roll forward of the Group's aggregate litigation provisions.

Litigation provisions

	2012
CHF million	
Balance at beginning of period	**870**
Increase in litigation accruals	774
Decrease in litigation accruals	(87)
Decrease for settlements and other cash payments	(373)
Foreign exchange translation	(27)
Balance at end of period	**1,157**

The Group's aggregate litigation provisions include estimates of losses, additional losses or ranges of loss for proceedings for which such losses are probable and can be reasonably estimated. The Group does not believe that it can estimate an aggregate range of reasonably possible losses for certain of its proceedings because of their complexity, the novelty of some of the claims, the early stage of the proceedings, the limited amount of discovery that has occurred and/or other factors. The Group's estimate of the aggregate range of reasonably possible losses that are not covered by existing provisions for the proceedings discussed below for which the Group believes an estimate is possible is zero to CHF 1.7 billion.

After taking into account its litigation provisions, the Group believes, based on currently available information and advice of counsel, that the results of its legal proceedings, in the aggregate, will not have a material adverse effect on the Group's financial condition. However, in light of the inherent uncertainties of such proceedings, including those brought by regulators or other governmental authorities, the ultimate cost to the Group of resolving such proceedings may exceed current litigation provisions and any excess may be material to its operating results for any particular period, depending, in part, upon the operating results for such period.

Research-related litigation

Putative class action lawsuits were filed against Credit Suisse Securities (USA) LLC (CSS LLC) in the wake of publicity surrounding the 2002 industry-wide governmental and regulatory investigations into research analyst practices, with In re Credit Suisse – AOL Securities Litigation, filed in the US District Court for the District of Massachusetts, being the remaining outstanding matter. The case was brought on behalf of a class of purchasers of common shares of the former AOL Time Warner Inc. (AOL) who have alleged that CSS LLC's equity research coverage of AOL between January 2001 and July 2002 was false and misleading. The second amended complaint in this action asserted federal securities fraud and control person liability claims against CSS LLC and certain affiliates and former employees of CSS LLC. Plaintiffs estimated damages of approximately USD 3.9 billion. On January 13, 2012, the district court granted summary judgment in favor of the defendants upon its determination to preclude a plaintiff expert witness. On May 17, 2012, the court denied the plaintiffs' motion for reconsideration. On November 15, 2012, the plaintiffs filed an appeal and on January 7, 2013, the defendants filed an opposition to plaintiffs' motion. On February 4, 2013, plaintiffs filed their reply brief and oral argument on the motion was held on March 6, 2013.

Enron-related litigation

Two Enron-related actions remain pending against CSS LLC and certain of its affiliates, both in the US District Court for the Southern District of Texas. In these actions, plaintiffs assert they relied on Enron's financial statements, and seek to hold the defendants responsible for any inaccuracies in Enron's financial statements. In Connecticut Resources Recovery Authority v. Lay, et al., the plaintiff seeks to recover from multiple defendants, pursuant to the Connecticut Unfair Trade Practices Act and Connecticut state common law, approximately USD 130 million to USD 180 million in losses it allegedly suffered in a business transaction it entered into with Enron. A motion to dismiss is pending. In Silvercreek Management Inc. v. Citigroup, Inc., et al., the plaintiff seeks to assert federal and state law claims relating to its alleged USD 280 million in losses relating to its Enron investments. A motion to dismiss is pending.

NCFE-related litigation

Since February 2003, lawsuits have been pending against CSS LLC and certain of its affiliates with respect to services that it provided to National Century Financial Enterprises, Inc. and its affiliates (NCFE). From January 1996 to May 2002, CSS LLC acted as a placement agent for bonds issued by NCFE that were to be collateralized by health-care receivables and, in July 2002, as a placement agent for a sale of NCFE preferred stock. From December 2000 through November 2002, an affiliate of CSS LLC acted as administrative agent for, and entered into participation agreements in, an asset-backed liquidity facility issued by NCFE that was also to be collateralized by health care receivables. NCFE filed for bankruptcy protection in November 2002. In these lawsuits, which were consolidated as a Multi-District Litigation in the US District Court for the Southern District of Ohio (SDO) for pre-trial purposes, investors holding approximately USD 1.9 billion face amount of NCFE's bonds and approximately USD 12 million in preferred stock sued numerous defendants, including the founders and directors of NCFE, the trustees for the bonds, NCFE's auditors and law firm, the rating agencies that rated NCFE's bonds and NCFE's placement agents, including CSS LLC. The lawsuits asserted claims for breach of contract, negligence, fraud and violation of federal and state securities laws and generally alleged that CSS LLC and/or its affiliates knew or should have known that the health care receivables purportedly backing the bonds were either ineligible for the programs or non-existent. In April 2009, CSS LLC settled with the New York City Pension Fund bond investor plaintiffs for an amount covered by existing provisions. On September 25, 2012, venue for the bond investor lawsuits was transferred to the SDNY and on November 27, 2012 the suits were consolidated for trial. On October 26, 2012, the SDO issued a decision which granted CSS LLC's summary judgment motion to dismiss all the claims brought by the investor in NCFE preferred stock. On November 16, 2012, that equity investor filed a notice of appeal of that decision to the US Court of Appeals for the Sixth Circuit and on February 15, 2013 filed its appellant's brief and appendix. On November 28, 2012, the SDNY issued an order providing that trial of the bond investor cases would begin April 1, 2013. On December 28, 2012, the SDNY issued an order in the bond investor lawsuits directing all parties to engage in settlement discussions in advance of trial. On January 25, 2013, the SDNY issued an order in the bond investor lawsuits holding that in the event CSS LLC or its remaining affiliate in the litigation, and NCFE's former CEO Lance Poulsen, the only other remaining defendant, were ultimately found liable on certain of the claims at trial, the remaining defendants, including CSS LLC and/or its affiliate, would be jointly and severally liable for the losses relating to those claims, subject to an appropriate reduction for settlements entered into by the bond investors and former defendants. On March 13, 2013, CSS LLC and its affiliate entered into agreements to settle the bond investor lawsuits and resolve all remaining bond investor claims for an amount partially covered by existing provisions.

Refco-related litigation

In March 2008, CSS LLC was named, along with other financial services firms, accountants, lawyers, officers, directors and controlling persons, as a defendant in an action filed in New York State court by the Joint Official Liquidators of various SPhinX Funds and the trustee of the SphinX Trust, which holds claims that belonged to PlusFunds Group, Inc. (Plus-

Funds), the investment manager for the SPhinX Funds. The operative amended complaint in the suit asserted claims against CSS LLC for aiding and abetting breaches of fiduciary duty and aiding and abetting fraud by Refco's insiders in connection with Refco's August 2004 notes offering and August 2005 IPO. Plaintiffs sought to recover from defendants more than USD 800 million, consisting of USD 263 million that the SphinX Managed Futures Fund, a SPhinX fund, had on deposit and lost at Refco, several hundred million dollars in alleged additional "lost enterprise" damages of PlusFunds, and pre-judgment interest. In March 2008, CSS LLC and certain other defendants removed the action to the SDNY. In November 2008, CSS LLC filed a motion to dismiss the amended complaint. In February 2012, the court granted in part and denied in part CSS LLC's motion to dismiss. The court dismissed Plaintiffs' claim for aiding and abetting breach of fiduciary duty with prejudice. The court also granted the motion with respect to part of Plaintiffs' claim for aiding and abetting fraud, but denied the motion with respect to part of that claim. In August 2012, CSS LLC filed a motion for summary judgment with respect to the remaining part of Plaintiffs' aiding and abetting fraud claim. In December 2012, the court granted the motion, thus dismissing CSS LLC from the case. The court has not yet issued a final judgment as to CSS LLC, and the dismissal of the claims against CSS LLC will be subject to appeal.

Mortgage-related matters

CSS LLC and certain of its affiliates have received requests for information from certain regulators and/or government entities regarding the origination, purchase, securitization and servicing of subprime and non-subprime residential mortgages and related issues. CSS LLC and its affiliates are cooperating with such requests.

On November 16, 2012, CSS LLC and certain of its affiliates settled an administrative proceeding with the SEC, which involved potential claims against them relating to settlements of claims against originators involving loans included in a number of their securitizations, by agreeing to pay approximately USD 120 million. This settlement also covered allegations with respect to two RMBS issued in 2006 that CSS LLC and such affiliates made misstatements in SEC filings regarding when they would repurchase mortgage loans from trusts if borrowers missed the first payment due. CSS LLC and such affiliates agreed to an order, without admitting or denying the allegations, requiring them to cease and desist from violations of Section 17(a)(2) and (3) of the Securities Act of 1933 and requiring one such affiliate to cease and desist from violations of Section 15(d) of the Securities Exchange Act of 1934. A separate possible action, which involved potential claims against CSS LLC relating to due diligence conducted for two mortgage-backed securitizations and corresponding disclosures, formally was closed by the SEC, without any enforcement action, on November 19, 2012.

Following an investigation, on November 20, 2012, the New York Attorney General, on behalf of the State of New York, filed a civil action in the Supreme Court for the State of New York, New York County (SCNY) against CSS LLC and affiliated entities in their roles as issuer, sponsor, depositor and/or underwriter of RMBS transactions prior to 2008. The action, which references 64 RMBS issued, sponsored, deposited and underwritten by CSS LLC and its affiliates in 2006 and 2007, alleges that CSS LLC and its affiliates misled investors regarding the due diligence and quality control performed on the mortgage loans underlying the RMBS at issue, seeks an unspecified amount of damages, and is at an early procedural point.

CSS LLC and/or certain of its affiliates have also been named as defendants in various civil litigation matters related to their roles as issuer, sponsor, depositor, underwriter and/or servicer of RMBS transactions. These cases include class action lawsuits and putative class action lawsuits, actions by individual investors in RMBS, actions by monoline insurance companies that guaranteed payments of principal and interest for certain RMBS, and repurchase actions by RMBS trusts or investors on behalf of trustees. Although the allegations vary by lawsuit, plaintiffs in the class and putative class actions and individual investor actions generally allege that the offering documents of securities issued by various RMBS securitization trusts contained material misrepresentations and omissions, including statements regarding the underwriting standards pursuant to which the underlying mortgage loans were issued; monoline insurers allege that loans that collateralize RMBS they insured breached representations and warranties made with respect to the loans at the time of securitization; and repurchase action plaintiffs allege breached representations and warranties in respect of mortgage loans and failure to repurchase such mortgage loans as required under the applicable agreements. The amounts disclosed below do not reflect actual realized plaintiff losses to date or anticipated future litigation exposure. Rather, unless otherwise stated, these amounts reflect the original unpaid principal balance amounts as alleged in these actions and do not include any reduction in principal amounts since issuance. Further, amounts attributable to an "operative pleading" for the individual investor actions are not altered for settlements, dismissals or other occurrences, if any, that may have caused the amounts to change subsequent to the operative pleading. In addition to the mortgage-related actions discussed below, a number of other entities have threatened to assert claims against CSS LLC and/or its affiliates in connection with various RMBS issuances, and CSS LLC and/or its affiliates have entered into agreements with some of those entities to toll the relevant statutes of limitations.

Class action litigations

In class actions and putative class actions against CSS LLC as an underwriter of other issuers' RMBS offerings, CSS LLC generally has contractual rights to indemnification from the issuers. However, some of these issuers are now defunct, including affiliates of IndyMac Bancorp (IndyMac) and Thornburg Mortgage (Thornburg). With respect to IndyMac, CSS LLC is named as a defendant in two class actions pending in the SDNY brought on behalf of purchasers of securities in various IndyMac RMBS offerings. In one class action, In re IndyMac Mortgage-Backed Securities Litigation, CSS LLC is named along with numerous other underwriters and individual defendants related to approximately USD 9.0 billion of IndyMac RMBS offerings. CSS LLC served as an underwriter with respect to approximately 32% of the IndyMac RMBS at issue or approximately USD 2.9 billion. Certain investors seek to intervene in the action to assert claims with respect to additional RMBS offerings, including two RMBS offerings underwritten by CSS LLC. In those two offerings, CSS LLC underwrote RMBS with an aggregate principal amount of USD 912 million. The SDNY has denied these motions to intervene, and the proposed intervenors are now appealing that ruling. In addition, plaintiffs filed a motion for reconsideration of the court's June 21, 2010 decision on defendants' motion to dismiss. The motion sought to reinstate claims with respect to previously-dismissed RMBS offerings, including 18 additional RMBS offerings underwritten by CSS LLC, with an aggregate principal amount of approximately USD 6.0 billion for which CSS LLC served as an underwriter (of which USD 912 million also is subject to the appeal of the intervention motion). On November 16, 2012, the SDNY denied that motion without prejudice to renewal at a later date. In the other IndyMac-related class action, Tsereteli v. Residential Asset Securitization Trust 2006-A8, CSS LLC is the sole underwriter defendant related to a USD 632 million IndyMac RMBS offering, of which CSS LLC underwrote USD 603 million of certificates. On November 8, 2012, the Second Circuit decided to hear CSS LLC's interlocutory appeal of the SDNY order granting plaintiff's motion for class certification. With respect to Genesee County Employees' Retirement System v. Thornburg, CSS LLC is a named defendant in a putative class action pending in the US District Court for the District of New Mexico along with a number of other financial institutions that served as depositors and/or underwriters for approximately USD 5.5 billion of Thornburg RMBS offerings. CSS LLC served as an underwriter with respect to approximately 6.4% of the Thornburg RMBS at issue or approximately USD 354 million. All defendants have agreed to a settlement in principle in the aggregate amount of USD 11.25 million, which is subject to court approval. A further class action lawsuit pending in the SDNY against CSS LLC and certain affiliates and employees, New Jersey Carpenters Health Fund v. Home Equity Mortgage Trust 2006-5, relates to two RMBS offerings, totaling approximately USD 1.6 billion, sponsored and underwritten by the Credit Suisse defendants.

Individual investor actions

CSS LLC and, in some instances, its affiliates, as an RMBS issuer, underwriter and/or other participant, and in some instances its employees, along with other defendants, are defendants in: two actions brought by Cambridge Place Investment Management Inc. in Massachusetts state court, in which claims against CSS LLC, following the court's motion to dismiss ruling dismissing certain claims, relate to less than USD 525 million of the RMBS at issue, in an amount to be determined; one action brought by The Charles Schwab Corporation in California state court, in which claims against CSS LLC and its affiliates relate to USD 125 million of the RMBS at issue (approximately 9% of the USD 1.4 billion at issue against all defendants in the operative pleading); one action brought by the Federal Deposit Insurance Corporation (FDIC), as receiver for Citizens National Bank and Strategic Capital Bank in the SDNY, in which claims against CSS LLC and its affiliates relate to approximately USD 28 million of the RMBS at issue (approximately 20% of the USD 141 million at issue against all defendants in the operative pleading); four actions brought by the FDIC, as receiver for Colonial Bank: one action in the SDNY, in which claims against CSS LLC relate to approximately USD 92 million of the RMBS at issue (approximately 23% of the USD 394 million at issue against all defendants in the operative pleading), two actions in the US District Court for the Central District of California, in which claims against CSS LLC relate to approximately USD 58 million of the RMBS at issue (approximately 10% of the USD 553 million at issue against all defendants in the operative pleadings), and one action in the US District Court for the Middle District of Alabama, in which claims against CSS LLC and its affiliates relate to approximately USD 153 million of the RMBS at issue (approximately 49% of the USD 311 million at issue against all defendants in the operative pleading); seven individual actions brought by the Federal Home Loan Banks of Seattle, San Francisco, Chicago, Indianapolis and Boston in various state and federal courts, in which claims against CSS LLC and its affiliates relate to approximately USD 3.2 billion of the RMBS collectively at issue (approximately 9% of the USD 36 billion at issue against all defendants in the operative pleadings); five actions brought by the Federal Housing Finance Agency (FHFA), as conservator for Fannie Mae and Freddie Mac, in the SDNY, in which claims against CSS LLC and its affiliates and employees relate to approximately USD 19 billion of the RMBS at issue (approximately 29% of the USD 65 billion at issue against all defendants in the operative pleadings); one action brought by John Hancock Life Insurance Co. (U.S.A.) and affiliated entities in the US District Court for the District of Minnesota, in which claims against CSS LLC relate to an unstated amount of the RMBS at issue; two actions brought by Landesbank Baden-Württemberg and affiliated entities in the SDNY, in which claims against CSS LLC relate to approximately USD 200 million of the RMBS at issue (100% of the total amount at issue against all defendants in the operative pleadings); two actions brought by Massachusetts Mutual Life Insurance Company in the US District Court for the District of Massachusetts, in which claims against CSS LLC and its employee relate to approximately USD 107 million of the RMBS at issue (approximately 97% of the USD 110 million at issue against all defendants in the operative pleadings); one action brought by the National Credit Union Administration Board, as liquidating agent of the US Central Federal Credit Union, Western Corporate Federal Credit Union and Southwest Corporate Federal Credit Union in the US District Court for the District of Kansas, in which claims against CSS LLC and its affiliates relate to approximately USD 715 million of the RMBS at issue (100% of the total amount at issue against all defendants in the operative pleading); one action brought by Phoenix Light SF Ltd. and affiliated entities in the SCNY, in which claims against CSS LLC and its affiliates relate to approximately USD 362 million of the RMBS at issue (approximately 13% of the USD 2.8 billion at issue against all defendants in the operative pleading); one action brought by Royal Park Investments SA/NV in the SCNY, in which claims against CSS LLC and its affiliates relate to approximately USD 360 million of the RMBS at issue (approximately 4% of the USD 8.4 billion at issue against all defendants in the operative pleading); one action brought by Watertown Savings Bank in the SCNY, in which claims against CSS LLC and its affiliates relate to an unstated amount of the RMBS at issue; one action brought by the West Virginia Investment Management Board in West Virginia state court, in which claims against CSS LLC relate to approximately USD 6 million of the RMBS at issue (approximately 35% of the USD 17 million at issue against all defendants in the operative pleading); and one action brought by the Western & Southern Life Insurance Company and affiliated entities in Ohio state court, in which claims against CSS LLC and its affiliates relate to approximately USD 260 million of the RMBS at issue (approximately 94% of the USD 276 million at issue against all defendants in the operative pleading).

CSS LLC and certain of its affiliates and/or employees are the only defendants named in: one action brought by Allstate Insurance Company in the SCNY, in which claims against CSS LLC and its affiliates relate to approximately USD 232 million of RMBS; one action brought by Deutsche Zentral-Genossenschaftsbank AG, New York Branch in the SCNY, in which claims against CSS LLC and its affiliates relate to approximately USD 138 million of RMBS; one action brought by IKB Deutsche Industriebank AG and affiliated entities in the SCNY, in which claims against CSS LLC and its affiliates relate to approximately USD 97 million of RMBS; one action brought by Minnesota Life Insurance Company and affiliated entities in the US District Court for the District of Minnesota, in which claims against CSS LLC and its affiliates relate to approximately USD 43 million of RMBS; one action brought by The Prudential Insurance Company of America and affiliated entities in the US District Court for the District of New Jersey, in which claims against CSS LLC and its affiliates relate to approximately USD 466 million of RMBS; one action brought by Sealink Funding Limited in the SCNY, in which claims against CSS LLC and its affiliates relate to approximately USD 35 million of RMBS, following the March 1, 2013 filing of a complaint by the plaintiff which reduced the RMBS at issue by approximately USD 145 million; one action brought by Stichting Pensioenfonds ABP in the SCNY, in which claims against CSS LLC and its affiliates and employees relate to an unstated amount of RMBS; and one action brought by The Union Central Life Insurance Company and affiliated entities in the SDNY, in which claims against CSS LLC and its affiliates and employees relate to approximately USD 65 million of RMBS.

These actions are at early or intermediate procedural points.

Monoline insurer disputes

CSS LLC and certain of its affiliates are defendants in two pending actions commenced by monoline insurers MBIA Insurance Corp. (MBIA) and Assured Guaranty Corp., that guaranteed payments of principal and interest that in aggregate total approximately USD 1.3 billion of RMBS issued in seven different offerings sponsored by Credit Suisse. One theory of liability advanced by the monoline insurers is that an affiliate of CSS LLC must repurchase affected mortgage loans from the trusts at issue. In addition, MBIA alleges a claim for fraudulent inducement. To date, the monoline insurers have submitted repurchase demands for loans with an aggregate original principal balance of approximately USD 2.6 billion. These actions are pending in the SCNY. In each action, plaintiff claims that the vast majority of the underlying mortgage loans breach certain representations and warranties, and that CSS LLC and its affiliates have failed to repurchase the allegedly defective loans. Discovery in these actions is ongoing. On February 27, 2013, CSS LLC and its affiliate settled the action brought by Ambac Assurance Corp. in the SCNY for an amount covered by existing provisions. On March 8, 2013, CSS LLC settled an action brought by MBIA in California state court in which MBIA purported to be subrogated to the rights of certain RMBS holders who purchased RMBS underwritten by CSS LLC; that settlement was covered by existing provisions.

Repurchase litigations

DLJ Mortgage Capital, Inc. (DLJ) is a defendant in: one action brought by the FHFA, as conservator for Freddie Mac, on behalf of the Trustees of Home Equity Asset Trust 2006-5, Home Equity Asset Trust 2006-6 and Home Equity Asset Trust 2006-7, in which no damages amount is alleged; one action brought by Home Equity Mortgage Trust Series 2006-5, in which plaintiff alleges damages of not less than USD 497 million; one action brought by Asset Backed Securities Corporation Home Equity Loan Trust, Series 2006-HE7, in which no damages amount is alleged; one action brought by Home Equity Asset Trust, Series 2006-8, in which no damages amount is alleged; and one action brought by Home Equity Asset Trust 2007-1, in which no damages amount is alleged. DLJ and its affiliate Select Portfolio Servicing, Inc. (SPS), are defendants in: one action brought by Home Equity Mortgage Trust Series 2006-1, Home Equity Mortgage Trust Series 2006-3, and Home Equity Mortgage Trust Series 2006-4, in which plaintiffs allege damages of not less than USD 730 million, and allege that SPS obstructed the investigation into the full extent of the defects in the mortgage pools by refusing to afford the trustee reasonable access to certain origination files. These actions are brought in the SCNY and are at early procedural points.

Bank loan litigation

On January 3, 2010, the Bank and other affiliates were named as defendants in a lawsuit filed in the US District Court for the District of Idaho by homeowners in four real estate developments, Tamarack Resort, Yellowstone Club, Lake Las Vegas and Ginn Sur Mer. The Bank arranged, and was the agent bank for, syndicated loans provided for all four developments, which have been or are now in bankruptcy or foreclosure. Plaintiffs generally allege that the Bank and other affiliates committed fraud by using an unaccepted appraisal method to overvalue the properties with the intention to have the borrowers take out loans they could not repay because it would allow the Bank and other affiliates to later push the borrowers into bankruptcy and take 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 have demanded USD 24 billion in damages. Cushman & Wakefield, the appraiser for the properties at issue, is also named as a defendant. An amended complaint was filed against all of the defendants on January 25, 2010, adding six new homeowner plaintiffs in the same four real estate developments. On March 29, 2010, the Bank and its named affiliates moved to dismiss the amended complaint in its entirety. The Bank and its named affiliates argued that the claims against them fail because they had no relationship with the plaintiff homeowners, and made no representations to them, fraudulent or otherwise, so there is no legal basis for the plaintiffs' claims against them. The Bank and its affiliates also argued, among other things, that the plaintiffs failed to plead the necessary elements of the claims asserted against them in the amended complaint. On March 31, 2011, the court dismissed the RICO claim with prejudice and dismissed certain other claims with leave to replead. A third amended complaint was filed on April 21, 2011, adding a Consumer Protection Act claim. On May 5, 2011, the Bank and its affiliates moved to dismiss the third amended complaint. On July 22, 2011, two developers moved to intervene in the lawsuit. On March 30, 2012, the court dismissed the unjust enrichment, fiduciary duty and Consumer Protection Act claims and limited fraud and negligent misrepresentation claims to three named plaintiffs. On September 17, 2012, plaintiffs filed a motion for class certification. On December 12, 2012, the Bank opposed the motion and oral argument is scheduled to take place on April 19, 2013.

Auction Rate Securities

On May 27, 2009, Elbit Systems Ltd ("Elbit") filed a complaint against the Group in the US District Court for the Northern District of Illinois, seeking approximately USD 16 million related to the purchase of auction rate securities, alleging federal securities law claims and state law aiding and abetting fraud and unjust enrichment causes of action. The case was transferred to the SDNY, and the Group moved to dismiss the complaint for failure to state a claim and for being barred by a prior release. The motion to dismiss the complaint for being barred by a prior release was denied without prejudice, and the court ordered the parties to engage in limited discovery concerning the release. The parties exchanged discovery on that issue and the Group filed a motion for summary judgment. On February 7, 2012, the SDNY denied the Group's summary judgment motion holding that a genuine dispute exists as to whether the prior release bars Elbit's claims. On January 7, 2013, the SDNY denied the Group's motion to dismiss the complaint for failure to state a claim.

Tax matters

Credit Suisse has been responding to subpoenas and other requests for information from the United States Department of Justice (DOJ), SEC and other authorities involving historical Private Banking services provided on a cross-border basis to US persons. US authorities are investigating possible violations of US tax and securities laws. In particular, the DOJ is investigating whether US clients violated their US tax obligations and whether Credit Suisse and certain of its employees assisted such clients. The SEC is investigating whether certain of our relationship managers triggered obligations for Credit Suisse or the relationship managers in Switzerland to register with the SEC as a broker-dealer or investment advisor. A limited number of current or former employees have been indicted and one former employee pleaded guilty to conduct while employed at other financial institutions that did not involve Credit Suisse. Credit Suisse received a grand jury target letter from the DOJ. We understand that certain US authorities are also investigating other Swiss and non-US financial institutions. We have been conducting an internal investigation and are continuing to cooperate with the authorities both in the US and Switzerland to resolve this matter in a responsible manner that complies with our legal obligations.

LIBOR-related matters

Regulatory authorities in a number of jurisdictions, including the US, UK, EU and Switzerland, have for an extended period of time been conducting investigations into the setting of LIBOR and other reference rates with respect to a number of currencies, as well as the pricing of certain related derivatives. These ongoing investigations have included information requests from regulators regarding LIBOR-setting practices and reviews of the activities of various financial institutions, including the Group. The Group, which is a member of three LIBOR rate-setting panels (US Dollar LIBOR, Swiss Franc LIBOR and Euro LIBOR), is cooperating fully with these investigations.

In particular, it has been reported that regulators are investigating whether financial institutions engaged in an effort to manipulate LIBOR, either individually or in concert with other institutions, in order to improve market perception of these institutions' financial health and/or to increase the value of their proprietary trading positions. In response to regulatory inquiries, Credit Suisse commissioned a review of these issues. To date, Credit Suisse has seen no evidence to suggest that it is likely to have any material exposure in connection with these issues.

In addition, members of the US Dollar LIBOR panel, including Credit Suisse, have been named in various civil lawsuits filed in the US.

UK Financial Services Authority matter

On October 25, 2011, the UK Financial Services Authority announced a settlement with Credit Suisse (UK) Limited (CSUK) in respect of findings as to the adequacy of systems and controls relating to the suitability of sales of non-principal protected products in 2007 to 2009. Under the settlement, CSUK was fined GBP 5.95 million and was required to conduct a review of sales of such products in the relevant period to determine suitability. This review has now been completed and the regulatory action against CSUK in respect of this matter has concluded.

PARTIES

OUR REGISTERED OFFICE
Paradeplatz 8
8070 Zurich
Switzerland

REGISTRAR AND TRANSFER OFFICE
Credit Suisse (Hong Kong) Limited
Level 88
International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

LEGAL ADVISER
As to Hong Kong law
King & Wood Mallesons
13th Floor, Gloucester Tower
The Landmark, 15 Queen's Road Central
Central
Hong Kong

AUDITORS
KPMG AG
Badenerstrasse 172
8004 Zurich
Switzerland

THE SPONSOR AND MANAGER
Credit Suisse (Hong Kong) Limited
Level 88
International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong