CREDIT SUISSE AG
Form 20-F
March 22, 2013

As filed with the Securities and Exchange Commission on March 22, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 20-F

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2012.

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number: 001-15244
Credit Suisse Group AG

(Exact name of Registrant as specified in its charter)
Canton of Zurich, Switzerland
(Jurisdiction of incorporation or organization)
Paradeplatz 8, CH 8001 Zurich, Switzerland
(Address of principal executive offices)
David R. Mathers
Chief Financial Officer
Paradeplatz 8, CH 8001 Zurich, Switzerland
david.mathers@credit-suisse.com

Telephone: +41 44 333 6607
Fax: +41 44 333 1790
(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Commission file number: 001-33434
Credit Suisse AG

(Exact name of Registrant as specified in its charter)
Canton of Zurich, Switzerland
(Jurisdiction of incorporation or organization)
Paradeplatz 8, CH 8001 Zurich, Switzerland
(Address of principal executive offices)
David R. Mathers
Chief Financial Officer
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david.mathers@credit-suisse.com
Telephone: +41 44 333 6607
Fax: +41 44 333 1790
(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

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Securities registered or to be registered pursuant to Section 12(b) of the Act	Name of each exchange on which registered
Credit Suisse Group AG	
American Depositary Shares each representing one Share	New York Stock Exchange
Shares par value CHF 0.04*	New York Stock Exchange*
Credit Suisse AG	
Fixed to Floating Rate Tier 1 Capital Notes	New York Stock Exchange
Floating Rate Tier 1 Capital Notes	New York Stock Exchange
7.9% Tier 1 Capital Notes	New York Stock Exchange
Exchange Traded Notes due February 19, 2020 Linked to the Credit Suisse Long/Short Liquid Index (Net)	NYSE Arca
Exchange Traded Notes due April 20, 2020 Linked to the Cushing® 30 MLP Index	NYSE Arca
Exchange Traded Notes due October 6, 2020 Linked to the Credit Suisse Merger Arbitrage Liquid Index (Net)	NYSE Arca
Exchange Traded Notes due March 13, 2031 Linked on a Leveraged Basis to the Credit Suisse Merger Arbitrage Liquid Index (Net)	NYSE Arca
Market Neutral Equity ETN Linked to the HS Market Neutral Index Powered by HOLT™ due September 22, 2031	NYSE Arca
VelocityShares Daily Inverse VIX Short Term ETN Linked to the S&P 500 VIX Short-Term Futures™ Index due December 4, 2030	NYSE Arca
VelocityShares Daily Inverse VIX Medium Term ETN Linked to the S&P 500 VIX Mid-Term Futures™ Index due December 4, 2030	NYSE Arca
VelocityShares VIX Short Term ETN Linked to the S&P 500 VIX Short-Term Futures™ Index due December 4, 2030	NYSE Arca
VelocityShares VIX Medium Term ETN Linked to the S&P 500 VIX Mid-Term Futures™ Index due December 4, 2030	NYSE Arca
VelocityShares Daily 2x VIX Short Term ETN Linked to the S&P 500 VIX Short-Term Futures™ Index due December 4, 2030	NYSE Arca
VelocityShares Daily 2x VIX Medium Term ETN Linked to the S&P 500 VIX Mid-Term Futures™ Index due December 4, 2030	NYSE Arca
VelocitySharesTM 3x Long Gold ETN Linked to the S&P GSCI® Gold Index ER due October 14, 2031	NYSE Arca
VelocitySharesTM 3x Long Silver ETN Linked to the S&P GSCI® Silver Index ER due October 14, 2031	NYSE Arca
VelocitySharesTM 2x Long Platinum ETN Linked to the S&P GSCI® Platinum Index ER due October 14, 2031	NYSE Arca
VelocitySharesTM 3x Inverse Gold ETN Linked to the S&P GSCI® Gold Index ER due October 14, 2031	NYSE Arca
VelocitySharesTM 3x Inverse Silver ETN	

Linked to the S&P GSCI® Silver Index ER due October 14, 2031	NYSE Arca
VelocitySharesTM 2x Inverse Platinum ETN	
Linked to the S&P GSCI® Platinum Index ER due October 14, 2031	NYSE Arca
VelocitySharesTM 3x Long Brent Crude ETN	
Linked to the S&P GSCI® Brent Crude Index ER due February 9, 2032	NYSE Arca
VelocitySharesTM 3x Long Crude Oil ETN	
Linked to the S&P GSCI® Crude Oil Index ER due February 9, 2032	NYSE Arca
VelocitySharesTM 3x Long Natural Gas ETN	
Linked to the S&P GSCI® Natural Gas Index ER due February 9, 2032	NYSE Arca
VelocitySharesTM 3x Inverse Brent Crude ETN	
Linked to the S&P GSCI® Brent Crude Index ER due February 9, 2032	NYSE Arca
VelocitySharesTM 3x Inverse Crude Oil ETN	
Linked to the S&P GSCI® Crude Oil Index ER due February 9, 2032	NYSE Arca
VelocitySharesTM 3x Inverse Natural Gas ETN	
Linked to the S&P GSCI® Natural Gas Index ER due February 9, 2032	NYSE Arca
Credit Suisse Gold Shares Covered Call Exchange Traded Notes (ETNs) due February 2, 2033 Linked to the Credit Suisse NASDAQ Gold FLOWS™ 103 Index	The Nasdaq Stock Market

* Not for trading, but only in connection with the registration of the American Depositary Shares

Securities registered or to be registered pursuant to Section 12(g) of the Act:
None
Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: **None**
Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of December 31, 2012: 1,293,793,091 shares of Credit Suisse Group AG

Indicate by check mark if the Registrants are well-known seasoned issuers, as defined in Rule 405 of the Securities Act.

Yes No

If this report is an annual or transition report, indicate by check mark if the Registrants are not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes No

Indicate by check mark whether the Registrants (1) have filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrants were required to file such reports) and (2) have been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether Registrants have submitted electronically and posted on their corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (paragraph 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark whether the Registrants are large accelerated filers, accelerated filers, or non-accelerated filers. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check One):

Large accelerated filers Accelerated filers Non-accelerated filers

Indicate by check mark which basis of accounting the Registrants have used to prepare the financial statements included in this filing:

U.S. GAAP International Financial Reporting Standards as issued by the International Accounting Standards Board Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 Item 18

If this is an annual report, indicate by check mark whether the Registrants are shell companies (as defined in Rule 12b-2 of the Exchange Act)

Yes No

Definitions

For the purposes of this Form 20-F and the attached Annual Report 2012, unless the context otherwise requires, the terms “Credit Suisse Group,” “Credit Suisse,” “the Group,” “we,” “us” and “our” mean Credit Suisse Group AG and its consolidated subsidiaries and the term “the Bank” means Credit Suisse AG, the Swiss bank subsidiary of the Group, and its consolidated subsidiaries.

The business of the Bank is substantially similar to the Group and, except where noted or the context otherwise requires, information relating to the Group is also relevant to the Bank.

Abbreviations and selected terms are explained in the List of abbreviations and the Glossary in the back of the Annual Report 2012.

Sources

Throughout this Form 20-F and the attached Annual Report 2012, we describe the position and ranking of our various businesses in certain industry and geographic markets. The sources for such descriptions come from a variety of conventional publications generally accepted as relevant business indicators by members of the financial services industry. These sources include: Standard & Poor’s, Thomson Financial, Dealogic, the Loan Pricing Corporation, Institutional Investor, Lipper, Moody’s Investors Service and Fitch Ratings.

Cautionary statement regarding forward-looking information

For Credit Suisse and the Bank, please see Cautionary statement regarding forward-looking information on the inside page of the back cover of the attached Annual Report 2012.

Part I

Item 1. Identity of directors, senior management and advisers.

Not required because this Form 20-F is filed as an annual report.

Item 2. Offer statistics and expected timetable.

Not required because this Form 20-F is filed as an annual report.

Item 3. Key information.

A – Selected financial data.

For Credit Suisse and the Bank, please see Appendix – Selected five-year information – Group on page A-2 and – Bank on page A-3 of the attached Annual Report 2012. In addition, please see IX – Additional information – Other information – Foreign currency translation rates on page 540 of the attached Annual Report 2012.

B – Capitalization and indebtedness.

Not required because this Form 20-F is filed as an annual report.

C – Reasons for the offer and use of proceeds.

Not required because this Form 20-F is filed as an annual report.

D – Risk factors.

For Credit Suisse and the Bank, please see I – Information on the company – Risk factors on pages 37 to 45 of the attached Annual Report 2012.

Item 4. Information on the company.

A – History and development of the company.

For Credit Suisse and the Bank, please see I – Information on the company – Organizational and regional structure on pages 22 to 23, and IV – Corporate Governance and Compensation – Corporate Governance – Overview – Company on pages 154 to 156 of the attached Annual Report 2012. In addition, for Credit Suisse, please see Note 3 – Business developments and subsequent events in V – Consolidated financial statements – Credit Suisse Group on pages 244 to 245 of the attached Annual Report 2012 and, for the Bank, please see Note 3 – Business developments and subsequent events in VII – Consolidated financial statements – Credit Suisse (Bank) on page 414 of the attached Annual Report

2012.

B – Business overview.

For Credit Suisse and the Bank, please see I – Information on the company on pages 10 to 36 of the attached Annual Report 2012. In addition, for Credit Suisse, please see Note 5 – Segment information in V – Consolidated financial statements – Credit Suisse Group on pages 245 to 248 of the attached Annual Report 2012 and, for the Bank, please see Note 5 – Segment information in VII – Consolidated financial statements – Credit Suisse (Bank) on pages 415 to 416 of the attached Annual Report 2012.

C – Organizational structure.

For Credit Suisse and the Bank, please see I – Information on the company – Organizational and regional structure on pages 22 to 23 and II – Operating and financial review – Credit Suisse – Differences between Group and Bank on pages 53 to 54 of the attached Annual Report 2012. For a list of Credit Suisse's significant subsidiaries, please see Note 38 – Significant subsidiaries and equity method investments in V – Consolidated financial statements – Credit Suisse Group on pages 364 to 366 of the attached Annual Report 2012 and, for a list of the Bank's significant subsidiaries, please see Note 36 – Significant subsidiaries and equity method investments in VII – Consolidated financial statements – Credit Suisse (Bank) on pages 490 to 492 of the attached Annual Report 2012.

D – Property, plant and equipment.

For Credit Suisse and the Bank, please see IX – Additional information – Other information – Property and equipment on page 539 of the attached Annual Report 2012.

Information Required by Industry Guide 3.

For Credit Suisse and the Bank, please see IX – Additional information – Statistical information on pages 514 to 533 of the attached Annual Report 2012. In addition, for both Credit Suisse and the Bank, please see III – Treasury, Risk, Balance sheet and Off-balance sheet – Risk management – Credit risk – Loans – Impaired loans on pages 142 to 143 and – Provision for credit losses on page 144 of the attached Annual Report 2012.

Item 4A. Unresolved staff comments.

None.

Item 5. Operating and financial review and prospects.

A – Operating results.

For Credit Suisse and the Bank, please see II – Operating and financial review on pages 48 to 94 of the attached Annual Report 2012. In addition, for both Credit Suisse and the Bank, please see I – Information on the company – Regulation and supervision on pages 24 to 36 of the attached Annual Report 2012 and III – Treasury, Risk, Balance sheet and Off-balance sheet – Capital management – Additional information – Foreign exchange exposure and interest rate management on page 120.

B – Liquidity and capital resources.

For Credit Suisse and the Bank, please see III – Treasury, Risk, Balance sheet and Off-balance sheet – Liquidity and funding management and – Capital management on pages 96 to 120 of the attached Annual Report 2012. In addition, for Credit Suisse, please see Note 24 – Long-term debt in V – Consolidated financial statements – Credit Suisse Group on pages 270 to 271 and Note 35 – Capital adequacy in V – Consolidated financial statements – Credit Suisse Group on page 355 of the attached Annual Report 2012 and, for the Bank, please see Note 23 – Long-term debt in VII – Consolidated financial statements – Credit Suisse (Bank) on page 433 and Note 34 – Capital adequacy in VII – Consolidated financial statements – Credit Suisse (Bank) on page 489 of the attached Annual Report 2012.

C – Research and development, patents and licenses, etc.

Not applicable.

D – Trend information.

For Credit Suisse and the Bank, please see Item 5.A of this Form 20-F. In addition, for Credit Suisse and the Bank, please see I – Information on the Company – Our businesses on pages 13 to 21 of the attached Annual Report 2012.

E – Off-balance sheet arrangements.

For Credit Suisse and the Bank, please see III – Treasury, Risk, Balance sheet and Off-balance sheet – Balance sheet, off-balance sheet and other contractual obligations on pages 149 to 152 of the attached Annual Report 2012. In addition, for Credit Suisse, please see Note 30 – Derivatives and hedging activities, Note 31 – Guarantees and commitments and Note 32 – Transfers of financial assets and variable interest entities in V – Consolidated financial statements – Credit Suisse Group on pages 300 to 326 of the attached Annual Report 2012 and, for the Bank, please see Note 29 – Derivatives and hedging activities, Note 30 – Guarantees and commitments and Note 31 – Transfers of financial assets and variable interest entities in VII – Consolidated financial statements – Credit Suisse (Bank) on pages 455 to 471 of the attached Annual Report 2012.

F – Tabular disclosure of contractual obligations.

For Credit Suisse and the Bank, please see III – Treasury, Risk, Balance sheet and Off-balance sheet – Balance sheet, off-balance sheet and other contractual obligations – Contractual obligations and other commercial commitments on page 152 of the attached Annual Report 2012.

Item 6. Directors, senior management and employees.

A – Directors and senior management.

For Credit Suisse and the Bank, please see IV – Corporate Governance and Compensation – Corporate Governance – Board of Directors, – Board Committees, – Biographies of the Board Members, – Executive Board and – Biographies of the Executive Board Members on pages 161 to 183 of the attached Annual Report 2012.

B – Compensation.

For Credit Suisse and the Bank, please see IV – Corporate Governance and Compensation – Compensation on pages 187 to 220 of the attached Annual Report 2012. In addition, for Credit Suisse, please see Note 11 – Compensation and benefits in V – Consolidated financial statements – Credit Suisse Group on page 251, Note 27 – Employee deferred compensation in V – Consolidated financial statements – Credit Suisse Group on pages 278 to 286 and Note 29 – Pension and other post-retirement benefits in V – Consolidated financial statements – Credit Suisse Group on pages 290 to 300, and Note 3 – Compensation to members of the Executive Board and the Board of Directors in VI – Parent company financial statements – Credit Suisse Group on pages 387 to 396 of the attached Annual Report 2012 and, for the Bank, please see Note 11 – Compensation and benefits in VII – Consolidated financial statements – Credit Suisse (Bank) on page 419, Note 26 – Employee deferred compensation in VII – Consolidated financial statements – Credit Suisse (Bank) on pages 440 to 444 and Note 28 – Pension and other post-retirement benefits in VII – Consolidated financial statements – Credit Suisse (Bank) on pages 447 to 455 of the attached Annual Report 2012.

C – Board practices.

For Credit Suisse and the Bank, please see IV – Corporate Governance and Compensation – Corporate Governance on pages 154 to 185 of the attached Annual Report 2012.

D – Employees.

For Credit Suisse and the Bank, please see IV – Corporate Governance and Compensation – Corporate Governance – Overview – Employees on page 156. In addition, for both Credit Suisse and the Bank, please see II – Operating and financial review – Core Results on pages 55 to 67 of the attached Annual Report 2012.

E – Share ownership.

For Credit Suisse and the Bank, please see IV – Corporate Governance and Compensation – Compensation on pages 187 to 220 of the attached Annual Report 2012. In addition, for Credit Suisse, please see Note 27 – Employee deferred compensation in V – Consolidated financial statements – Credit Suisse Group on pages 278 to 286, and Note 3 – Compensation to members of the Executive Board and Board of Directors in VI – Parent company financial statements – Credit Suisse Group on pages 387 to 396 of the attached Annual Report 2012. For the Bank, please see Note 26 – Employee deferred compensation in VII – Consolidated financial statements – Credit Suisse (Bank) on pages 440 to 444 of the attached Annual Report 2012.

Item 7. Major shareholders and related party transactions.

A – Major shareholders.

For Credit Suisse, please see IV – Corporate Governance and Compensation – Corporate Governance – Shareholders on pages 157 to 161 of the attached Annual Report 2012. In addition, for Credit Suisse, please see Note 3 – Business developments and subsequent events in V – Consolidated financial statements – Credit Suisse Group on pages 244 to 245, Note 5 – Own shares held by the company and by group companies and Note 6 – Significant shareholders in VI – Parent company financial statements – Credit Suisse Group on page 396 of the attached Annual Report 2012. Credit Suisse's major shareholders do not have different voting rights. The Bank has 43,996,652 shares outstanding and is a wholly-owned subsidiary of Credit Suisse.

B – Related party transactions.

For Credit Suisse and the Bank, please see IV – Corporate Governance and Compensation – Compensation on pages 187 to 220 of the attached Annual Report 2012. In addition, for Credit Suisse, please see Note 28 – Related parties in V – Consolidated financial statements – Credit Suisse Group on pages 286 to 289 and Note 3 – Compensation to members of the Executive Board and the Board of Directors – Board of Directors loans in VI – Parent company financial statements – Credit Suisse Group on pages 387 to 396 of the attached Annual Report 2012 and, for the Bank, please see Note 27 – Related parties in VII – Consolidated financial statements – Credit Suisse (Bank) on pages 445 to 446 of the attached Annual Report 2012.

C – Interests of experts and counsel.

Not applicable because this Form 20-F is filed as an annual report.

Item 8. Financial information.

A – Consolidated statements and other financial information.

Please see Item 18 of this Form 20-F.

For a description of Credit Suisse's legal and arbitration proceedings, please see Note 37 – Litigation in V – Consolidated financial statements – Credit Suisse Group on pages 357 to 363 of the attached Annual Report 2012. For a description of the Bank's legal and arbitration proceedings, please see Note 35 – Litigation in VII – Consolidated financial statements – Credit Suisse (Bank) on page 490 of the attached Annual Report 2012.

For a description of Credit Suisse's policy on dividend distributions, please see III – Treasury, Risk, Balance sheet and Off-balance sheet – Capital management – Additional information – Dividends and dividend policy on pages 119 to 120 of the attached Annual Report 2012.

B – Significant changes.

None.

Item 9. The offer and listing.

A – Offer and listing details, C – Markets.

For information regarding the price history of Credit Suisse Group shares and the stock exchanges and other regulated markets on which they are listed or traded, please see IX – Additional information – Other information – Listing details on page 539 of the attached Annual Report 2012. Shares of the Bank are not listed.

B – Plan of distribution, D – Selling shareholders, E – Dilution, F – Expenses of the issue.

Not required because this Form 20-F is filed as an annual report.

Item 10. Additional information.

A – Share capital.

Not required because this Form 20-F is filed as an annual report.

B – Memorandum and Articles of Association.

For Credit Suisse, please see IV – Corporate Governance and Compensation – Corporate Governance – Overview, – Shareholders and – Board of Directors on pages 154 to 177 and – Additional information – Changes of control and defense measures on page 183 and – Liquidation on page 185 of the attached Annual Report 2012. In addition, for Credit Suisse, please see IX – Additional information – Other information – Exchange controls and – American Depositary Shares on page 534 of the attached Annual Report 2012. Shares of the Bank are not listed.

C – Material contracts.

Neither Credit Suisse nor the Bank has any contract that would constitute a material contract for the two years immediately preceding this Form 20-F.

D – Exchange controls.

For Credit Suisse and the Bank, please see IX – Additional information – Other information – Exchange controls on page 534 of the attached Annual Report 2012.

E – Taxation.

For Credit Suisse, please see IX – Additional information – Other information – Taxation on pages 534 to 537 of the attached Annual Report 2012. The Bank does not have any public shareholders.

F – Dividends and paying agents.

Not required because this Form 20-F is filed as an annual report.

G – Statement by experts.

Not required because this Form 20-F is filed as an annual report.

H – Documents on display.

Credit Suisse and the Bank file annual reports on Form 20-F and furnish or file quarterly and other reports on Form 6-K and other information with the SEC pursuant to the requirements of the Securities Exchange Act of 1934, as amended. These materials are available to the public over the Internet at the SEC's website at www.sec.gov and from the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549 (telephone 1-800-SEC-0330). SEC reports are also available for review at the offices of the New York Stock Exchange, 20 Broad Street, New York, NY 10005. Further, our reports on Form 20-F, Form 6-K and certain other materials are available on the Credit Suisse website at www.credit-suisse.com. Information contained on our website is not incorporated by reference into this Form 20-F.

In addition, Credit Suisse's parent company financial statements, together with the notes thereto, are set forth on pages 381 to 400 of the attached Annual Report 2012 and incorporated by reference herein. The Bank's parent company financial statements, together with the notes thereto, are set forth on pages 495 to 512 of the attached Annual Report 2012 and incorporated by reference herein.

I – Subsidiary information.

Not applicable.

Item 11. Quantitative and qualitative disclosures about market risk.

For Credit Suisse and the Bank, please see III – Treasury, Risk, Balance sheet and Off-balance sheet – Risk management on pages 121 to 148 of the attached Annual Report 2012.

Item 12. Description of securities other than equity securities.

A – Debt Securities, B – Warrants and Rights, C – Other Securities.

Not required because this Form 20-F is filed as an annual report.

D – American Depositary Shares.

For Credit Suisse, please see IV – Corporate Governance and Compensation – Corporate Governance – Additional information – American Depositary Share fees on page 185 of the attached Annual Report 2012. Shares of the Bank are not listed.

Part II

Item 13. Defaults, dividend arrearages and delinquencies.

None.

Item 14. Material modifications to the rights of security holders and use of proceeds.

None.

Item 15. Controls and procedures.

For Credit Suisse's management report and the related report from the Group's independent auditors, please see Controls and procedures and Report of the Independent Registered Public Accounting Firm in V – Consolidated financial statements – Credit Suisse Group on pages 379 to 380 of the attached Annual Report 2012. For the Bank's management report and the related report from the Bank's independent auditors, please see Controls and procedures and Report of the Independent Registered Public Accounting Firm in VII – Consolidated financial statements – Credit Suisse (Bank) on pages 493 to 494 of the attached Annual Report 2012.

Item 16A. Audit committee financial expert.

For Credit Suisse and the Bank, please see IV – Corporate Governance and Compensation – Corporate Governance – Board of Directors – Board committees – Audit Committee on pages 165 to 166 of the attached Annual Report 2012.

Item 16B. Code of ethics.

For Credit Suisse and the Bank, please see IV – Corporate Governance and Compensation – Corporate Governance – Overview – Corporate governance framework on page 155 of the attached Annual Report 2012.

Item 16C. Principal accountant fees and services.

For Credit Suisse and the Bank, please see IV – Corporate Governance and Compensation – Corporate Governance – Additional Information – Internal and external auditors on pages 183 to 184 of the attached Annual Report 2012.

Item 16D. Exemptions from the listing standards for audit committee.

None.

Item 16E. Purchases of equity securities by the issuer and affiliated purchasers.

For Credit Suisse, please see III – Treasury, Risk, Balance sheet and Off-balance sheet – Capital management – Additional information – Share repurchases on page 119 of the attached Annual Report 2012. The Bank does not have any class of equity securities registered pursuant to Section 12 of the Exchange Act.

Item 16F. Change in registrants' certifying accountant.

None.

Item 16G. Corporate governance.

For Credit Suisse, please see IV – Corporate Governance and Compensation – Corporate Governance – Overview – Complying with rules and regulations on pages 154 to 155 of the attached Annual Report 2012. Shares of the Bank are not listed.

Item 16H. Mine Safety Disclosure.

None.

Part III

Item 17. Financial statements.

Not applicable.

Item 18. Financial statements.

Credit Suisse's consolidated financial statements, together with the notes thereto and the Report of the Independent Registered Public Accounting Firm thereon, are set forth on pages 221 to 380 of the attached Annual Report 2012 and incorporated by reference herein. The Bank's consolidated financial statements, together with the notes thereto (and any notes or portions thereof in the consolidated financial statements of Credit Suisse Group referred to therein) and the Report of the Independent Registered Public Accounting Firm thereon, are set forth on pages 401 to 494 of the attached Annual Report 2012 and incorporated by reference herein.

Item 19. Exhibits.

1.1 Articles of association (Statuten) of Credit Suisse Group AG as of February 6, 2013.

1.2 Articles of association (Statuten) of Credit Suisse AG as of May 2, 2011 (incorporated by reference to Exhibit 1.2 of Credit Suisse Group AG's and Credit Suisse AG's annual report on Form 20-F for the year ended December 31, 2011 filed on March 23, 2012).

1.3 Organizational Guidelines and Regulations of Credit Suisse Group AG and Credit Suisse AG as of October 24, 2012.

2.1 Pursuant to the requirement of this item, we agree to furnish to the SEC upon request a copy of any instrument defining the rights of holders of long-term debt of us or of our subsidiaries for which consolidated or unconsolidated financial statements are required to be filed.

4.1 Agreement, dated February 13, 2011, among Competrol Establishment, Credit Suisse Group (Guernsey) II Limited and Credit Suisse Group AG (incorporated by reference to Exhibit 99.1 of Credit Suisse Group AG's and Credit Suisse AG's current report on Form 6-K filed March 12, 2013).

4.2 Agreement, dated February 13, 2011, among Qatar Holding LLC, Credit Suisse Group (Guernsey) II Limited and Credit Suisse Group AG (incorporated by reference to Exhibit 99.2 of Credit Suisse Group AG's and Credit Suisse AG's current report on Form 6-K filed March 12, 2013).

4.3 Amendment Agreement, dated July 18, 2012, among Competrol Establishment, Credit Suisse Group (Guernsey) II Limited, Credit Suisse Group AG and Credit Suisse AG, acting through its Guernsey Branch (incorporated by reference to Exhibit 99.3 of Credit Suisse Group AG's and Credit Suisse AG's current report on Form 6-K filed March 12, 2013).

4.4 Purchase and Underwriting Agreement, dated as of July 17, 2012, between Credit Suisse AG and Competrol Establishment.

4.5 Purchase and Underwriting Agreement, dated as of July 18, 2012, between Credit Suisse AG and Qatar Holding LLC.

7.1 Computations of ratios of earnings to fixed charges of Credit Suisse and of the Bank are set forth under IX – Additional Information – Statistical information – Ratio of earnings to fixed charges – Group and – Ratio of earnings to fixed charges – Bank on page 533 of the attached Annual Report 2012 and incorporated by reference herein.

8.1 Significant subsidiaries of Credit Suisse are set forth in Note 38 – Significant subsidiaries and equity method investments in V – Consolidated financial statements – Credit Suisse Group on pages 364 to 366, and significant subsidiaries of the Bank are set forth in Note 36 – Significant subsidiaries and equity method investments in VII – Consolidated financial statements – Credit Suisse (Bank) on pages 490 to 492 in the attached Annual Report 2012 and incorporated by reference herein.

9.1 Consent of KPMG AG, Zurich with respect to Credit Suisse Group AG consolidated financial statements.

9.2 Consent of KPMG AG, Zurich with respect to the Credit Suisse AG consolidated financial statements.

12.1 Rule 13a-14(a) certification of the Chief Executive Officer of Credit Suisse Group AG and Credit Suisse AG, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

12.2 Rule 13a-14(a) certification of the Chief Financial Officer of Credit Suisse Group AG and Credit Suisse AG, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

13.1 Certifications pursuant to 18 U.S.C. Section 1350, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 for Credit Suisse Group AG and Credit Suisse AG.

101.1 Interactive Data Files (XBRL-Related Documents).

SIGNATURES

Each of the registrants hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

CREDIT SUISSE GROUP AG

(Registrant)

Date: March 22, 2013

/s/ Brady W. Dougan	/s/ David R. Mathers
Name: Brady W. Dougan	Name: David R. Mathers
Title: Chief Executive Officer	Title: Chief Financial Officer

CREDIT SUISSE AG

(Registrant)

Date: March 22, 2013

/s/ Brady W. Dougan	/s/ David R. Mathers
Name: Brady W. Dougan	Name: David R. Mathers
Title: Chief Executive Officer	Title: Chief Financial Officer

Financial highlights

			in / end of		% change
	2012	2011	2010	12 / 11	11 / 10
Net income (CHF million)					
Net income attributable to shareholders	1,349	1,953	5,098	(31)	(62)
of which from continuing operations	1,349	1,953	5,117	(31)	(62)
Earnings per share (CHF)					
Basic earnings per share	0.82	1.37	3.91	(40)	(65)
Diluted earnings per share	0.81	1.36	3.89	(40)	(65)
Return on equity (%)					
Return on equity attributable to shareholders	3.9	6.0	14.4	–	–
Core Results (CHF million) [1]					
Net revenues	23,606	25,429	30,625	(7)	(17)
Provision for credit losses	170	187	(79)	(9)	–
Total operating expenses	21,557	22,493	23,904	(4)	(6)
Income from continuing operations before taxes	1,879	2,749	6,800	(32)	(60)
Core Results statement of operations metrics (%) [1]					
Cost/income ratio	91.3	88.5	78.1	–	–
Pre-tax income margin	8.0	10.8	22.2	–	–
Effective tax rate	26.4	24.4	22.8	–	–
Net income margin [2]	5.7	7.7	16.6	–	–
Assets under management and net new assets (CHF billion)					
Assets under management from continuing operations	1,250.8	1,185.2	1,205.3	5.5	(1.7)
Net new assets	10.8	46.6	62.4	(76.8)	(25.3)
Balance sheet statistics (CHF million)					
Total assets	924,280	1,049,165	1,032,005	(12)	2
Net loans	242,223	233,413	218,842	4	7
Total shareholders' equity	35,498	33,674	33,282	5	1
Tangible shareholders' equity [3]	26,866	24,795	24,385	8	2
Book value per share outstanding (CHF)					

Total book value per share	27.44	27.59	28.35	(1)	(3)
Tangible book value per share [3]	20.77	20.32	20.77	2	(2)
Shares outstanding (million)					
Common shares issued	1,320.8	1,224.3	1,186.1	8	3
Treasury shares	(27.0)	(4.0)	(12.2)	–	(67)
Shares outstanding	1,293.8	1,220.3	1,173.9	6	4
Market capitalization					
Market capitalization (CHF million)	29,402	27,021	44,683	9	(40)
Market capitalization (USD million)	32,440	28,747	47,933	13	(40)
BIS statistics (Basel II.5) [4]					
Risk-weighted assets (CHF million)	224,296	241,753	247,702	(7)	(2)
Tier 1 ratio (%)	19.4	15.2	14.2	–	–
Core tier 1 ratio (%)	15.5	10.7	9.7	–	–
Dividend per share (CHF)					
Dividend per share	0.75 [5]	0.75 [6]	1.30 [6]	–	–
Number of employees (full-time equivalents)					
Number of employees	47,400	49,700	50,100	(5)	(1)

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

Annual Report 2012

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

Annual Report

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

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

Corporate Responsibility Report and Company Profile

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

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

Message from the Chairman and the Chief Executive Officer

Dear shareholders, clients and colleagues

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

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

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

Significant progress in transforming our bank

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

– We further reduced our Basel III risk-weighted assets by CHF 55 billion, ending 2012 with Group-wide risk-weighted assets of CHF 284 billion. With that we are close to our target of less than CHF 280 billion in risk-weighted assets by year-end 2013.

– We strengthened our capital position by adding CHF 12.3 billion in pro-forma Look-through Swiss Core Capital** and our capital program is on track to achieve the end-2018 requirement of a 10% Swiss Core Capital ratio by mid-2013.

– We lowered our cost base by CHF 2.0 billion compared to the adjusted* annualized run-rate for the first half of 2011 and we are underway to achieve our CHF 4.4 billion run-rate reduction target by end-2015.

– We adapted the business models and organizational structure of our businesses. We created an integrated Private Banking & Wealth Management division with a strong global footprint that will continue to be a key revenue driver for the bank. We transformed our Investment Banking division to be Basel III compliant and remain focused on our market-leading, high-return businesses.

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

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Developments in our individual businesses

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

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

We have also adapted our Shared Services functions to the changing business priorities. Shared Services provides support in the areas of finance, operations, human resources, legal and compliance, risk management and IT. In 2012, we created a combined Finance, Operations and IT function that enables the bank to accelerate progress towards a common infrastructure, achieve greater coordination to partner with the business efficiently and improve client access to our industry-leading products. We also transferred further services to our Centers of Excellence around the globe. We expect the strategic importance of these centers to increase further in future.

Our performance in 2012

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

In Private Banking & Wealth Management, net revenues of CHF 13,541 million were stable compared to 2011, despite the adverse impacts of continued low transaction levels and the low interest rate environment. Total operating expenses of CHF 9,584 million decreased 8% compared to the prior year, and 3% excluding the litigation provisions of CHF 478 million in 2011 in connection with the German and US tax matters. The lower expenses reflect the efficiency measures we implemented throughout 2012, including the integration of Clariden Leu. Private Banking &

Wealth Management recorded net asset inflows of CHF 40.6 billion for the full year across all regions, particularly from emerging markets and the ultra-high-net-worth client segment. However, these inflows were partly offset by significant items, including an outflow of a single low-margin client mandate in the amount of CHF 14.7 billion in the first quarter of 2012, structural outflows of CHF 6.9 billion in Western Europe and outflows of CHF 7.5 billion relating to the integration of Clariden Leu. As a result, Private Banking & Wealth Management reported net new assets for the full year 2012 amounting to CHF 10.8 billion.

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

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

Creating value for our stakeholders

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

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

Yours sincerely,

Urs Rohner	Brady W. Dougan
Chairman of the	Chief Executive Officer
Board of Directors	

March 2013

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

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

	Core pre-tax income		Net income attributable to shareholders		Return on equity (%)	
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.

Credit Suisse at a glance

Credit Suisse

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

Private Banking & Wealth Management

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

Investment Banking

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

Strategy

An integrated global bank

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

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

Progress across key strategic pillars

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

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

Organizational alignment

In November 2012, we announced an alignment of our organization to further strengthen our focus and ensure a more comprehensive execution of our strategy. We integrated our former Private Banking and Asset Management divisions into a single, new Private Banking & Wealth Management division, including the majority of our securities trading and sales business in Switzerland, which was transferred from the Investment Banking division. We evolved certain responsibilities on our Executive Board so that the four heads of our two business divisions are each also responsible for one of our four regions. The modified management structure allows for efficient cross-regional and cross-divisional collaboration to better realize revenue opportunities with more effective alignment between legal entities and their management structure, which also meets regulatory expectations.

Private Banking & Wealth Management

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

Investment Banking

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

Group cost efficiencies

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

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

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

Group priorities

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

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

Client focus

We put our clients' needs first. We aspire to be a consistent, reliable, flexible and long-term partner focused on clients with complex and multi-product needs, such as >>>UNHWI, large and mid-sized companies, entrepreneurs, institutional clients and hedge funds. By listening attentively to their needs and offering superior solutions, we empower our clients to make better financial decisions. Against the backdrop of significant changes within our industry, we strive to consistently enable our clients to realize their goals and thrive. We continue to strengthen the coverage of our key clients by dedicated teams of senior executives who can deliver our integrated business model. We have a strong capital position and high levels of client satisfaction and brand recognition, and our strong client momentum is well recognized. We were named "Best Private Bank Globally", "Best Investment Bank in Switzerland" and "Best Emerging Markets and Western Europe M&A House" in Euromoney's Awards for Excellence in 2012.

Employees

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

Collaboration

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

Capital and risk management

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

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

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

Efficiency

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

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

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

Industry trends and competition

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

> Refer to "Our businesses – Private Banking & Wealth Management" and "Our businesses – Investment Banking" for further information.

Corporate responsibility and Code of Conduct

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

Our businesses

Private Banking & Wealth Management

Business profile

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

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

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

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

Key data – Private Banking & Wealth Management

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

Industry trends and competition

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

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

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

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

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

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

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

Strategy

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

Wealth Management Clients

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

– Advice at the core

– Global growth

– Productivity management

– Regulatory transformation

– Integrated bank

– Best people

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

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

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

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

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

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

Corporate & Institutional Clients

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

Asset Management

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

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

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

– Alternative investment strategies, which includes hedge fund strategies, alternative beta, commodities and credit investments;

– Core investments, which includes multi asset class solutions, equities, fixed income, real estate and index mandates; and

– Legacy, which includes businesses identified for sale and other private equity interests that are not considered part of our scalable, capital-light alternative investment strategies.

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

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

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

Products and services

Wealth Management Clients

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

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

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

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

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

Corporate & Institutional Clients

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

Asset Management

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

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

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

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

Investment Banking

Business profile

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

Key data – Investment Banking

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

Industry trends and competition

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

Strategy

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

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

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

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

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

> Refer to “Regulation and supervision” for further information on regulatory developments.

Significant transactions

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

– **Debt capital markets**: We arranged key financings for a diverse set of clients, including RedPrairie (privately held supply chain, workforce and all-channel commerce software provider), Rank Group (privately owned investment company), Fortescue Metal Group (world’s fourth largest iron ore producer based in Australia), Wideopenwest (privately owned cable, Internet and phone company) and Kinetic Concepts Inc. (global medical technology company).

– **Equity capital markets**: We executed a follow-on offering for Cobalt International Energy, Inc. (independent oil-focused exploration and production company), a rights issue and offering for UniCredit Group (European banking services organization), a rights offering for Fondiaria SAI (Italian financial services company focusing on insurance) and were an active bookrunner on the initial public offering (IPO) of The Carlyle Group (global alternative asset manager).

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

Market share momentum

– We have advanced to become the second-largest prime broker worldwide, as reported in the 2012 global survey of prime brokerage assets conducted by *Hedge Fund Intelligence*.

– We were recognized for our leading equities program trading and electronic trading capabilities by US and European institutions in recent surveys conducted by *Greenwich Associates*.

– In the 2012 fixed income trading survey for North America by *Greenwich Associates*, we increased our overall rank to top five in 2012 from number seven in 2011, increased or maintained market share in a majority of key businesses and significantly improved our market share in investment grade credit trading.

– We advanced to number four globally and increased our market share to 14.4% in global completed M&As for 2012, compared to 13.8% market share in 2011, according to *Dealogic*. We also finished 2012 at number one in US IPOs according to *Dealogic.*

– We maintained our share of wallet according to *Dealogic* in Asia Pacific (excluding Japan) at first place in 2012 with a 7.4% market share. In the Americas, we maintained our number five ranking and increased our share of wallet to 6.4% in 2012 from 5.9% in 2011, according to *Dealogic*.

Products and services

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

Investment banking

Equity and debt underwriting

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

Advisory services

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

Global securities

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

Fixed income

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

– Foreign exchange: Foreign exchange provides market making in products such as spot and options for currencies in developed markets. The foreign exchange product suite also includes proprietary market leading technology to provide clients with electronic trading solutions.

– Credit: Credit products offers a full range of fixed income products and instruments to clients across investment grade and high yield credits, ranging from standard debt issues and credit research to fund-linked products, derivatives instruments and structured solutions that address specific client needs. We are a leading dealer in flow trading of single-name >>>credit default swap (CDS) on individual credits, credit-linked notes and index swaps. Investment grade trades domestic corporate and sovereign debt, non-convertible preferred stock and short-term securities such as floating rate notes and commercial paper. Leveraged finance provides capital raising and advisory services and core leveraged credit products such as bank loans, bridge loans and high yield debt for non-investment grade corporate and financial sponsor-backed companies.

– Securitized products: Securitized products trades, securitizes, syndicates, underwrites and provides research for various forms of securities, primarily >>>residential mortgage-backed securities and asset-backed securities. Both the mortgage- and asset-backed securities are based on underlying pools of assets, and include both government- and agency-backed, as well as private label loans.

– Emerging markets: Emerging markets offers a full range of fixed income products and instruments, including sovereign and corporate securities, local currency derivative instruments and tailored emerging market investment products.

– Commodities: Commodities trades oil, gas and other energy products as well as base, precious and minor metals. The Commodities product suite also includes benchmark indices developed by Credit Suisse Commodities.

Equity

– Cash equities provides a comprehensive suite of offerings as described below:

– Equity sales uses research, offerings and other products and services to meet the needs of clients including mutual funds, investment advisors, banks, pension funds, hedge funds, insurance companies and other global financial institutions.

– Sales trading links sales and position trading teams. Sales traders are responsible for managing the order flow between our client and the marketplace and provide clients with research, trading ideas and capital commitments and identify trends in the marketplace in order to obtain the best and most effective execution.

– Trading executes client and proprietary orders and makes markets in listed and >>>over-the-counter (OTC) cash securities, exchange-traded funds and programs, providing liquidity to the market through both capital commitments and risk management.

– >>>Advanced execution services (AES®) is a sophisticated suite of algorithmic trading strategies, tools and analytics operated by Credit Suisse to facilitate global equity trading. By employing algorithms to execute client orders and limit volatility, AES® helps institutions and hedge funds reduce market impact. AES® is a recognized leader in its field and provides access to exchanges in more than 35 countries worldwide via more than 45 leading trading platforms.

– Equity derivatives: Equity derivatives provides a full range of equity-related products, investment options and financing solutions, as well as sophisticated hedging and risk management expertise and comprehensive execution capabilities to financial institutions, hedge funds, asset managers and corporations.

– Convertibles: Convertibles trading involves both secondary trading and market making and the trading of credit default and asset swaps and distributing market information and research. The global convertibles business is a leading originator of new issues throughout the world.

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

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

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

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

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

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

Organizational and regional structure

Organizational structure

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

– The Chief Financial Officer (CFO) area covers many diverse functions, including Corporate Development, Information Technology, Corporate Real Estate & Services, Efficiency Management, Financial Accounting, Group Insurance, Group Finance, Investor Relations, New Business, Global Operations, Product Control, Tax and Treasury.

– The General Counsel area provides legal and compliance support to help protect the reputation of Credit Suisse. It does so by giving legal and regulatory advice and providing employees with the tools and expertise to comply with applicable internal policies and external laws, rules and regulations.

– The Chief Risk Officer (CRO) area comprises strategic risk management, credit risk management, risk analytics and reporting, and operational risk oversight activities, which cooperate closely to maintain a strict risk control environment and to help ensure that our risk capital is deployed wisely.

– The Talent, Branding and Communications area comprises human resources, corporate communications, corporate branding and advertising. Human Resources strives to attract, retain and develop staff, while also creating a stimulating working environment for all employees. Corporate Communications provides support in media relations, crisis management, executive and employee communications, branding and corporate sponsorship.

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

The Chief Executive Officers (CEOs) of the divisions and regions report directly to the Group CEO, and, together with the CFO, CRO, General Counsel and Chief Talent, Branding and Communications Officer, they formed the Executive Board of Credit Suisse in 2012.

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

Market regions

Switzerland

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

EMEA

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

Americas

We have operations in the US, Canada, the Caribbean and Latin America with 11,300 employees working in 42 cities spanning 14 countries. In the US, our emphasis is on our core client-focused and >>>flow-based businesses in Investment Banking, and on building on the market share gains we have achieved in a capital-efficient manner. In Private Banking & Wealth Management, we see considerable potential to leverage our cross-divisional capabilities, as we further develop our onshore wealth management platform in the US, Brazil and Mexico. In Latin America, particularly in our key markets of Brazil and Mexico, we continue to focus on providing clients with a full range of cross-divisional services.

Asia Pacific

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

Regulation and supervision

Overview

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

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

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

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

> Refer to “Risk factors” for further information on risks that may arise relating to regulation.

Recent regulatory developments and proposals

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

Basel framework

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

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

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

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

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

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

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

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

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

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

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

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

Switzerland

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

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

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

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

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

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

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

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

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

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

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

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

In October 2012, FINMA published a new Banking Insolvency Ordinance–FINMA (Banking Insolvency Ordinance) that entered into force on November 1, 2012. The ordinance governs bankruptcy and resolution procedures of Swiss banks and is based on the previously amended Swiss Federal Law on Banks and Savings Banks of November 8, 1934, as amended (Bank Law), to streamline the procedure for restructuring troubled banks and provide FINMA with significantly increased resolution authority. Instead of prescribing a particular resolution concept, the ordinance provides for various resolution tools from which FINMA may choose in any given case. Under the ordinance, FINMA may open resolution procedures, and if it decides to do so shall appoint a resolution authority (unless it assumes this role itself), and is required to approve a resolution plan for troubled banks. FINMA has discretion to take decisive action in the resolution of a bank, including by taking out existing shareholders, forcing a debt-to-equity swap, reducing a bank's credit claims, and staying or terminating finance contracts. The ordinance, however, requires that FINMA first cancel all equity capital and that all contingent convertible bonds (such as our Buffer Capital Notes) be converted into equity prior to ordering a debt-to-equity conversion or debt reduction. Taking any such measures with respect to debt instruments must be prioritized first to subordinated claims not qualifying as regulatory capital, then to other claims that are not excluded from conversion, and lastly to customer deposits in excess of privileged amounts.

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

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

On December 19, 2012, the Swiss Federal Council adopted an overview of its financial market policy. The policy's stated aims include combating financial crime by implementing the revised Financial Action Task Force recommendations and ensuring the competitiveness of Switzerland as a financial center. The Federal Council also reiterated its support for entering into withholding tax agreements, administrative and mutual assistance in line with international standards, and additional due diligence requirements for financial intermediaries as effective means to prevent tax abuses.

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

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

On March 3, 2013, Swiss citizens approved the so-called "Minder Initiative" intended to strengthen shareholder rights. The initiative requires legislation be passed to impose board and executive compensation related requirements on Swiss public companies, including requiring a binding (rather than advisory) shareholder vote on total board and total executive management compensation and prohibiting severance payments, salary prepayments and payments related to the acquisition or disposal of companies. The initiative also provides that the board members, the board chairperson and the compensation committee members be directly elected by shareholders annually. Further, the initiative calls for criminal sanctions in case of noncompliance. The Federal Council will have one year to issue a transitional ordinance which will be applicable until the Swiss Parliament passes the new law. Timing for the final implementation of the initiative is currently undetermined.

US

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

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

The Dodd-Frank Act also provides regulators with tools to impose greater capital, leverage and liquidity requirements and other prudential standards, particularly for financial institutions that pose significant systemic risk. In December 2012, the Fed proposed a rule under the Dodd-Frank Act that would create a new framework for regulation of the US operations of foreign banking organizations. The proposal would require Credit Suisse to create a single US intermediate holding company (IHC) to hold all of its US subsidiaries; this would not apply to Credit Suisse AG’s New York branch (New York Branch). The IHC would be subject to local risk-based capital and leverage requirements. In addition, both the IHC itself and the combined US operations of Credit Suisse (including the IHC and the New York Branch) would be subjected to other new prudential requirements, including with respect to liquidity risk management, separate liquidity buffers for each of the IHC and the New York Branch, limits on credit exposures to any single counterparty, stress testing, and other prudential standards. The combined US operations of Credit Suisse would also become subject to an early remediation regime which could be triggered by capital, leverage, stress tests, liquidity, risk management and market indicators. Under the proposal, the framework’s prudential requirements and early remediation requirements would become effective on July 1, 2015. The Dodd-Frank Act furthermore creates an extensive framework for the regulation of OTC derivatives and requires broader regulation of hedge funds and private equity funds, as well as credit agencies.

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

In addition, the Dodd-Frank Act requires issuers with listed securities to establish a claw-back policy to recoup erroneously awarded compensation in the event of an accounting restatement, although it is currently unclear if this requirement will apply to foreign private issuers, like the Group.

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

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

On December 31, 2012, Credit Suisse International, the entity through which we conduct a majority of our swap trading business, registered with the CFTC as a swap dealer and became subject to these new rules. As a non-US swap dealer, Credit Suisse International is exempt on an interim basis from certain of these requirements pursuant to an exemptive order issued by the CFTC on December 21, 2012. In addition, the application of these rules to Credit Suisse International is subject to several industry-wide, temporary CFTC no-action letters intended to enable the industry to work through practical or technical challenges and interpretive uncertainties and develop the infrastructure necessary for compliance. If this relief expires prior to the development of that infrastructure by Credit Suisse International, this could cause significant disruptions in the entity's ability to trade OTC derivatives with US persons. Credit Suisse International also expects to apply to the CFTC for substituted compliance, which would allow Credit Suisse International to be deemed in compliance with certain CFTC rules through compliance with comparable European regulations. However, as the CFTC has not yet provided final guidance on how it will assess comparability and because not all of the comparable European regulations have been finalized, it is not yet clear which of these CFTC rules, if any, would ultimately apply to Credit Suisse International. If substituted compliance is not permitted or is finalized in a manner less favorable than expected or the exemptive order expires without being renewed, Credit Suisse International could be subject to duplicative or conflicting requirements across multiple jurisdictions, which could cause significant disruptions, and cause it to incur additional costs and administrative burdens, in our OTC derivatives business.

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

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

The Foreign Account Tax Compliance Act (FATCA) became law in the US on March 18, 2010. The legislation requires Foreign Financial Institutions (FFIs) (such as Credit Suisse) to enter into an FFI agreement and agree to identify and provide the US Internal Revenue Service (IRS) with information on accounts held by US persons and certain US-owned foreign entities, or otherwise face 30% withholding tax on withholdable payments. In addition, FFIs that have entered into an FFI agreement will be required to withhold on such payments made to FFIs that have not entered into an FFI agreement, account holders who fail to provide sufficient information to classify an account as a US or non-US account, and US account holders who do not agree to the FFI reporting their account to the IRS. In 2012, the US Treasury expressed the intent to enter into intergovernmental agreements to implement the reporting and withholding tax provisions of FATCA. Following the issuance of the final US regulations in January 2013, Switzerland and the US signed such an agreement in February 2013 which will enable FFIs in Switzerland to comply with FATCA while remaining in compliance with Swiss law. Under the agreement, US authorities may ask Swiss authorities for administrative assistance in connection with group requests where consent to provide information regarding potential US accounts is not provided to the FFI. In order for the terms of the agreement to apply to FFIs in Switzerland before FATCA enters into force on January 1, 2014, the agreement must be approved and ratified by the Swiss Parliament by such date. Complying with the required identification, withholding and reporting obligations requires significant investment in an FFI's compliance and reporting framework. We are continuing to follow developments regarding FATCA closely and are coordinating with all relevant authorities.

EU

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

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

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

In March 2012, a regulation that bans uncovered sovereign >>>CDS and restricts short selling of stocks and government bonds (known as the Short Selling Regulation) was adopted by the EU. The regulation came into force on November 1, 2012.

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

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

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

In September 2012, the European Commission published a proposal for a regulation that would empower the European Central Bank (ECB) as a single supervisor for banks in the 17 eurozone countries, a communication explaining its plans to create a European banking union, and a proposal for a regulation that would define the role of the European Banking Authority under the new supervisory arrangements. The Single Supervisory Mechanism designating the ECB as the lead prudential supervisor for certain eurozone banking groups was agreed to by EU finance ministers in December 2012. The ECB is expected to assume its prudential supervisory duties during 2014.

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

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

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

Regulatory framework

Switzerland

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

US

Our banking operations are subject to extensive federal and state regulation and supervision in the US. Our direct US offices are composed of our New York Branch and representative offices in California. Each of these offices is licensed with, and subject to examination and regulation by, the state banking authority in the state in which it is located.

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

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

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

US federal banking laws provide that a state-licensed branch (such as the New York Branch) or agency of a foreign bank may not, as a general matter, engage as principal in any type of activity that is not permissible for a federally licensed branch or agency of a foreign bank unless the Fed has determined that such activity is consistent with sound banking practice. US federal banking laws also subject a state branch or agency to single borrower lending limits based on the capital of the entire foreign bank. Under the Dodd-Frank Act, lending limits will take into account credit exposure arising from derivative transactions, securities borrowing and lending transactions and >>>repurchase and >>>reverse repurchase agreements with counterparties. The OCC published an interim final lending limit rule implementing the Dodd-Frank Act changes in June 2012. Under the interim rule, banks have until July 1, 2013 to comply with the changes directed by the Dodd-Frank Act, unless the compliance date is extended. In addition, regulations which the FSOC and the Fed may adopt could affect the nature of the activities which the Bank (including the New York Branch) may conduct, and may impose restrictions and limitations on the conduct of such activities.

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

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

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

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

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

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

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

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

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

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

EU

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

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

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

UK

The UK FSA is the principal statutory regulator of financial services activity in the UK, deriving its powers from the Financial Services and Markets Act 2000 (FSMA). The FSA regulates banking, insurance, investment business and the activities of mortgage intermediaries. The FSA generally adopts a risk-based approach, supervising all aspects of a firm’s business, including capital resources, systems and controls and management structures, the conduct of its business, anti-money laundering and staff training. The FSA has wide investigatory and enforcement powers, including the power to require information and documents from financial services businesses, appoint investigators, apply to the court for injunctions or restitution orders, prosecute criminal offenses, impose financial penalties, issue public statements or censures and vary, cancel or withdraw authorizations it has granted. In June 2010, the UK government announced that the FSA will be replaced by three new agencies: the Prudential Regulation Authority, a subsidiary of the Bank of England, which will be responsible for the micro-prudential regulation of banks and larger investment firms; the Financial Conduct Authority, which will regulate markets, the conduct of business of all financial firms, and the prudential regulation of firms not regulated by the Prudential Regulation Authority; and the Financial Policy Committee of the Bank of England, which will be responsible for macro-prudential regulation. The FSA will officially transition fully to these successor supervisory entities in April 2013.

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

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

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

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

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

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

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

Risk factors

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

Liquidity risk

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

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

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

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

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

Our businesses rely significantly on our deposit base for funding

Our businesses benefit from short-term funding sources, including primarily demand deposits, inter-bank loans, time deposits and cash bonds. Although deposits have been, over time, a stable source of funding, this may not continue. In that case, our liquidity position could be adversely affected and we might be unable to meet deposit withdrawals on demand or at their contractual maturity, to repay borrowings as they mature or to fund new loans, investments and businesses.

Changes in our ratings may adversely affect our business

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

Market risk

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

Although we continued to reduce our balance sheet and accelerated the implementation of our client-focused, capital-efficient strategy in 2012, we continue to maintain large trading and investment positions and hedges in the debt, currency and equity markets, and in private equity, hedge funds, real estate and other assets. These positions could be adversely affected by volatility in financial and other markets, that is, the degree to which prices fluctuate over a particular period in a particular market, regardless of market levels. To the extent that we own assets, or have net long positions, in any of those markets, a downturn in those markets could result in losses from a decline in the value of our net long positions. Conversely, to the extent that we have sold assets that we do not own or have net short positions in any of those markets, an upturn in those markets could expose us to potentially significant losses as we attempt to cover our net short positions by acquiring assets in a rising market. Market fluctuations, downturns and volatility can adversely affect the >>>fair value of our positions and our results of operations. Adverse market or economic conditions or trends have caused, and in the future may cause, a significant decline in our net revenues and profitability.

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

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

Adverse market and economic conditions continue to create a challenging operating environment for financial services companies. In particular, the impact of interest and foreign currency exchange rates, the risk of geopolitical events, fluctuations in commodity prices, the European sovereign debt crisis and the US federal debt crisis have affected financial markets and the economy. In recent years, movements in interest rates have affected our net interest income and the value of our trading and non-trading fixed income portfolios. In addition, movements in equity markets, together with lower industry-wide capital issuance levels, have affected the value of our trading and non-trading equity portfolios, while the strength of the Swiss franc has adversely affected our revenues and net income.

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

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

Adverse market or economic conditions have also negatively affected our private equity investments since, if a private equity investment substantially declines in value, we may not receive any increased share of the income and gains from such investment (to which we are entitled in certain cases when the return on such investment exceeds certain threshold returns), may be obligated to return to investors previously received excess carried interest payments and may lose our pro rata share of the capital invested. In addition, it could become more difficult to dispose of the investment, as even investments that are performing well may prove difficult to exit in weak IPO markets.

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

We may incur significant losses in the real estate sector

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

Holding large and concentrated positions may expose us to large losses

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

We have significant risk concentration in the financial services industry as a result of the large volume of transactions we routinely conduct with broker-dealers, banks, funds and other financial institutions, and in the ordinary conduct of our business we may be subject to risk concentration with a particular counterparty. We, like other financial institutions, continue to adapt our practices and operations in consultation with our regulators to better address an evolving understanding of our exposure to, and management of, systemic risk and risk concentration to financial institutions. Regulators continue to focus on these risks, and there are numerous new regulations and government proposals, and significant ongoing regulatory uncertainty, about how best to address them. There can be no assurance that the changes in our industry, operations, practices and regulation will be effective in managing this risk.

> Refer to “Regulation and supervision” for further information.

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

Our hedging strategies may not prevent losses

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

Market risk may increase the other risks that we face

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

Credit risk

We may suffer significant losses from our credit exposures

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

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

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

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

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

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

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

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

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

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

Risks from estimates and valuations

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

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

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

Risks relating to off-balance sheet entities

We enter into transactions with special purpose entities (SPEs) in our normal course of business, and certain SPEs with which we transact business are not consolidated and their assets and liabilities are off-balance sheet. The accounting requirements for consolidation, initially and if certain events occur that require us to reassess whether consolidation is required, can require the exercise of significant management judgment. Accounting standards relating to consolidation, or their interpretation, have changed and may continue to change. If we are required to consolidate an SPE, its assets and liabilities would be recorded on our consolidated balance sheets and we would recognize related gains and losses in our consolidated statements of operations, and this could have an adverse impact on our results of operations and capital and leverage ratios.

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

Cross-border and foreign exchange risk

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

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

We may face significant losses in emerging markets

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

Currency fluctuations may adversely affect our results of operations

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

Operational risk

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

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

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

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

We may suffer losses due to employee misconduct

Our businesses are exposed to risk from potential non-compliance with policies, employee misconduct or negligence and fraud, which could result in regulatory sanctions and serious reputational or financial harm. In recent years, a number of multinational financial institutions have suffered material losses due to the actions of “rogue traders” or other employees. It is not always possible to deter employee misconduct and the precautions we take to prevent and detect this activity may not always be effective.

Risk management

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

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

Legal and regulatory risks

Our exposure to legal liability is significant

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

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

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

It is inherently difficult to predict the outcome of many of the legal, regulatory and other adversarial proceedings involving our businesses, particularly those cases in which the matters are brought on behalf of various classes of claimants, seek damages of unspecified or indeterminate amounts or involve novel legal claims. Management is required to establish, increase or release reserves for losses that are probable and reasonably estimable in connection with these matters.

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

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

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

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

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

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

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

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

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

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

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

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

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

We may be materially affected not only by regulations applicable to us as a financial services company, but also by regulations of general application and changes in enforcement practices. Our business could be affected by, among other things, existing and proposed tax legislation, antitrust and competition policies, corporate governance initiatives and other governmental regulations and policies, and changes in the interpretation or enforcement of existing laws and rules that affect business and the financial markets. For example, focus on tax compliance and changes in enforcement practices could lead to asset outflows (primarily from customers in mature Western European markets) from our Wealth Management Clients business in Switzerland.

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

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

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

Competition

We face intense competition

We face intense competition in all financial services markets and for the products and services we offer. Consolidation through mergers, acquisitions, alliances and cooperation, including as a result of financial distress, has increased competitive pressures. Competition is based on many factors, including the products and services offered, pricing, distribution systems, customer service, brand recognition, perceived financial strength and the willingness to use capital to serve client needs. Consolidation has created a number of firms that, like us, have the ability to offer a wide range of products, from loans and deposit-taking to brokerage, investment banking and asset management services. Some of these firms may be able to offer a broader range of products than we do, or offer such products at more competitive prices. Current market conditions have resulted in significant changes in the competitive landscape in our industry as many institutions have merged, altered the scope of their business, declared bankruptcy, received government assistance or changed their regulatory status, which will affect how they conduct their business. In addition, current market conditions have had a fundamental impact on client demand for products and services. Although we expect the increasing consolidation and changes in our industry to offer opportunities, we can give no assurance that our results of operations will not be adversely affected.

Our competitive position could be harmed if our reputation is damaged

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

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

We must recruit and retain highly skilled employees

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

We face competition from new trading technologies

Our businesses face competitive challenges from new trading technologies, which may adversely affect our commission and trading revenues, exclude our businesses from certain transaction flows, reduce our participation in the trading markets and the associated access to market information and lead to the creation of new and stronger competitors. We have made, and may continue to be required to make, significant additional expenditures to develop and support new trading systems or otherwise invest in technology to maintain our competitive position.

Risks relating to our strategy

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

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

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

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

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Operating environment

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

Economic environment

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

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

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

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

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

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

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

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

Market volumes (growth in % year on year)

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

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

Sector environment

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

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

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

Credit Suisse

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

Results

			in / end of		% change
	2012	2011	2010	12 / 11	11 / 10
Statements of operations (CHF million)					
Net interest income	7,150	6,433	6,541	11	(2)
Commissions and fees	13,073	12,952	14,078	1	(8)
Trading revenues	1,195	5,020	9,338	(76)	(46)
Other revenues	2,548	1,820	1,429	40	27
Net revenues	**23,966**	**26,225**	**31,386**	(9)	(16)
Provision for credit losses	**170**	**187**	**(79)**	(9)	–
Compensation and benefits	12,530	13,213	14,599	(5)	(9)
General and administrative expenses	7,310	7,372	7,231	(1)	2
Commission expenses	1,775	1,992	2,148	(11)	(7)
Total other operating expenses	9,085	9,364	9,379	(3)	0
Total operating expenses	**21,615**	**22,577**	**23,978**	(4)	(6)
Income from continuing operations before taxes	**2,181**	**3,461**	**7,487**	(37)	(54)
Income tax expense	496	671	1,548	(26)	(57)
Income from continuing operations	**1,685**	**2,790**	**5,939**	(40)	(53)
Income/(loss) from discontinued operations	0	0	(19)	–	100
Net income	**1,685**	**2,790**	**5,920**	(40)	(53)
Less net income attributable to noncontrolling interests	336	837	822	(60)	2
Net income/(loss) attributable to shareholders	**1,349**	**1,953**	**5,098**	(31)	(62)
of which from continuing operations	1,349	1,953	5,117	(31)	(62)
	0	0	(19)	–	100

of which from discontinued operations					
Earnings per share (CHF)					
Basic earnings per share from continuing operations	0.82	1.37	3.93	(40)	(65)
Basic earnings per share	0.82	1.37	3.91	(40)	(65)
Diluted earnings per share from continuing operations	0.81	1.36	3.91	(40)	(65)
Diluted earnings per share	0.81	1.36	3.89	(40)	(65)
Return on equity (%)					
Return on equity attributable to shareholders	3.9	6.0	14.4	–	–
Return on tangible equity attributable to shareholders [1]	5.2	8.1	19.8	–	–
Number of employees (full-time equivalents)					
Number of employees	47,400	49,700	50,100	(5)	(1)

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

Credit Suisse and Core Results

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

Statement of operations metrics (%)									
Cost/income ratio	91.3	88.5	78.1	–	–	–	90.2	86.1	76.4
Pre-tax income margin	8.0	10.8	22.2	–	–	–	9.1	13.2	23.9
Effective tax rate	26.4	24.4	22.8	–	–	–	22.7	19.4	20.7
Net income margin [1]	5.7	7.7	16.6	–	–	–	5.6	7.4	16.2

1 Based on amounts attributable to shareholders.

Credit Suisse reporting structure and Core Results

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

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Differences between Group and Bank

Except where noted, the business of the Bank is substantially the same as the business of Credit Suisse Group, and substantially all of the Bank's operations are conducted through the Private Banking & Wealth Management and Investment Banking segments. These segment results are included in Core Results. Certain other assets, liabilities and results of operations are managed as part of the activities of the two segments. However, since they are legally owned by the Group, they are not included in the Bank's financial statements. These related principally to the activities of Neue Aargauer Bank and BANK-now, which are managed as part of Private Banking & Wealth Management, and hedging activities relating to share-based compensation awards. Core Results also includes certain Corporate Center activities of the Group that are not applicable to the Bank.

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

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

Differences between Group and Bank businesses

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

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

Comparison of consolidated statements of operations

			Group			Bank
in	2012	2011	2010	2012	2011	2010
Statements of operations (CHF million)						
Net revenues	**23,966**	**26,225**	**31,386**	**23,533**	**25,187**	**30,533**
Total operating expenses	**21,615**	**22,577**	**23,978**	**21,472**	**22,563**	**24,118**
Income from continuing operations before taxes	**2,181**	**3,461**	**7,487**	**1,973**	**2,501**	**6,536**
Income tax expense	496	671	1,548	478	459	1,307
Income from continuing operations	**1,685**	**2,790**	**5,939**	**1,495**	**2,042**	**5,229**
Income/(loss) from discontinued operations	0	0	(19)	0	0	(19)
Net income	**1,685**	**2,790**	**5,920**	**1,495**	**2,042**	**5,210**

Less net income/(loss) attributable to noncontrolling interests	336	837	822	(600)	901	802
Net income attributable to shareholders	**1,349**	**1,953**	**5,098**	**2,095**	**1,141**	**4,408**

Comparison of consolidated balance sheets

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

Capitalization and indebtedness

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

Capital adequacy – Basel II.5

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

Dividends of the Bank to the Group

end of	2012	2011
Per share issued (CHF)		
Dividend [1, 2]	0.23[3]	0.23

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

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

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Core Results

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

Results

			in / end of		% change
	2012	2011	2010	12 / 11	11 / 10
Statements of operations (CHF million)					
Net interest income	7,133	6,405	6,474	11	(1)
Commissions and fees	13,100	12,984	14,131	1	(8)
Trading revenues	1,161	4,921	9,328	(76)	(47)
Other revenues	2,212	1,119	692	98	62
Net revenues	**23,606**	**25,429**	**30,625**	(7)	(17)
Provision for credit losses	**170**	**187**	**(79)**	(9)	–
Compensation and benefits	12,494	13,151	14,562	(5)	(10)
General and administrative expenses	7,288	7,350	7,194	(1)	2
Commission expenses	1,775	1,992	2,148	(11)	(7)
Total other operating expenses	9,063	9,342	9,342	(3)	–
Total operating expenses	**21,557**	**22,493**	**23,904**	(4)	(6)
Income from continuing operations before taxes	**1,879**	**2,749**	**6,800**	(32)	(60)
Income tax expense	496	671	1,548	(26)	(57)
Income from continuing operations	**1,383**	**2,078**	**5,252**	(33)	(60)
Income/(loss) from discontinued operations	0	0	(19)	–	100
Net income	**1,383**	**2,078**	**5,233**	(33)	(60)
Less net income attributable to noncontrolling interests	34	125	135	(73)	(7)

Net income/(loss) attributable to shareholders	**1,349**	**1,953**	**5,098**	(31)	(62)
of which from continuing operations	1,349	1,953	5,117	(31)	(62)
of which from discontinued operations	0	0	(19)	–	100
Statement of operations metrics (%)					
Cost/income ratio	91.3	88.5	78.1	–	–
Pre-tax income margin	8.0	10.8	22.2	–	–
Effective tax rate	26.4	24.4	22.8	–	–
Net income margin [1]	5.7	7.7	16.6	–	–
Number of employees (full-time equivalents)					
Number of employees	47,400	49,700	50,100	(5)	(1)

1 Based on amounts attributable to shareholders.

Core Results reporting by division

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

Investment Banking	2,002	(593)	3,594	–	–
Corporate Center	(3,898)	381	(936)	–	–
Income from continuing operations before taxes	**1,879**	**2,749**	**6,800**	(32)	(60)

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

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

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

> Refer to “Format of presentation and changes in reporting” in Information and developments for further information.

Core Results reporting by region

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

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

Results overview

2012 versus 2011

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

In **Private Banking & Wealth Management**, net revenues of CHF 13,541 million were stable compared to 2011, with lower recurring commissions and fees offset by higher other revenues. Transaction- and performance-based revenues and net interest income were stable. Lower recurring commissions and fees mainly reflected lower investment product management fees and lower discretionary mandate management fees. Other revenues of CHF 448 million were higher compared to 2011, mainly reflecting a gain of CHF 384 million on the sale of our remaining ownership interest in Aberdeen in 2012, partially offset by lower investment-related gains and impairments related to Asset Management Finance LLC (AMF).

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

Overview of results

	Private Banking & Wealth Management			Investment Banking			Corporate Center			
in / end of	2012	2011	2010	2012	2011	2010	2012	2011	2010	2012
Statements of operations (CHF million)										
Net revenues	**13,541**	**13,447**	**14,580**	**12,558**	**10,460**	**15,873**	**(2,493)**	**1,522**	**172**	**23,606**
Provision for credit losses	**182**	**111**	**17**	**(12)**	**76**	**(96)**	**0**	**0**	**0**	**170**
Compensation and benefits	5,561	5,729	6,041	6,070	6,471	7,811	863	951	710	12,494
General and administrative expenses	3,219	3,818	3,502	3,551	3,388	3,369	518	144	323	7,288
Commission expenses	804	828	878	947	1,118	1,195	24	46	75	1,775
Total other operating expenses	4,023	4,646	4,380	4,498	4,506	4,564	542	190	398	9,063
Total operating expenses	**9,584**	**10,375**	**10,421**	**10,568**	**10,977**	**12,375**	**1,405**	**1,141**	**1,108**	**21,557**
Income/(loss) from continuing operations before taxes	**3,775**	**2,961**	**4,142**	**2,002**	**(593)**	**3,594**	**(3,898)**	**381**	**(936)**	**1,879**
Income tax expense	–	–	–	–	–	–	–	–	–	496
Income from continuing operations	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,383**
Income/(loss) from discontinued operations	–	–	–	–	–	–	–	–	–	0
Net income	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,383**
Less net income attributable to noncontrolling interests	–	–	–	–	–	–	–	–	–	34
	–	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,349**

Net income attributable to shareholders										
Statement of operations metrics (%)										
Cost/income ratio	70.8	77.2	71.5	84.2	104.9	78.0	–	–	–	91.3
Pre-tax income margin	27.9	22.0	28.4	15.9	(5.7)	22.6	–	–	–	8.0
Effective tax rate	–	–	–	–	–	–	–	–	–	26.4
Income margin from continuing operations	–	–	–	–	–	–	–	–	–	5.9
Net income margin	–	–	–	–	–	–	–	–	–	5.7
Utilized economic capital and return										
Average utilized economic capital (CHF million)	9,981	10,115	9,934	18,729	18,882	19,586	2,530[2]	1,798[2]	1,124[2]	31,218
Pre-tax return on average utilized economic capital (%)[3]	38.5	29.9	42.4	11.4	(2.6)	19.0	–	–	–	6.7
Balance sheet statistics (CHF million)										
Total assets	407,329	392,201	383,902	658,622	790,167	783,266	(145,777)[4]	(137,952)[4]	(142,018)[4]	920,174
Net loans	207,702	196,268	182,880	34,501	37,134	35,970	20	11	(8)	242,223
Goodwill	2,409	2,471	2,481	5,980	6,120	6,104	–	–	–	8,389
Number of employees (full-time equivalents)										
Number of employees	27,300	28,100	28,700	19,800	20,700	20,500	300	900	900	47,400

1 Core Results include the results of our integrated banking business, excluding revenues and expenses in respect of noncontr benefit. 3 Calculated using a return excluding interest costs for allocated goodwill. 4 Under the central treasury model, G elimination of these assets and liabilities occurs in the Corporate Center.

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

M&A activity.

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

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

Provision for credit losses reflected net provisions of CHF 170 million, with net provisions of CHF 182 million in Private Banking & Wealth Management and releases of CHF 12 million in Investment Banking.

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

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

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

Assets under management of CHF 1,250.8 billion were CHF 65.6 billion higher compared to the end of 2011, driven primarily by positive market movements and by net new assets of CHF 10.8 billion, partially offset by adverse foreign exchange-related movements. Wealth Management Clients contributed net new assets of CHF 19.0 billion with inflows particularly from emerging markets and from the >>>ultra-high-net-worth individual (UHNWI) client segment, partially offset by outflows in Western Europe and outflows relating to the integration of Clariden Leu. Corporate & Institutional Clients reported net new assets of CHF 1.5 billion. Asset Management reported net asset outflows of CHF 9.0 billion primarily from multi-asset class solutions which included redemptions of CHF 14.7 billion from a single fixed income mandate, partially offset by inflows in index strategies and credit products. Assets under management continued to reflect a risk-averse asset mix, with investments in less complex, lower-margin products and a significant portion of assets in cash and money market products.

Impact from movements in own credit spreads

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

Beginning in the first quarter of 2012, we fully reflect the fair value impact from movements in credit spreads on our long-term vanilla debt and DVA on certain structured notes liabilities in the Corporate Center and discontinued the amortization in the segments of the past fair value gains on long-term vanilla debt. DVA on certain structured notes liabilities was previously recorded in the Investment Banking segment and is now recorded in the Corporate Center in order to aggregate all credit-spread impacts on our funding instruments and to reflect that these impacts are driven by the creditworthiness of the Group rather than our Investment Banking segment or the issuer. Prior periods have been reclassified to conform to the current presentation and such reclassifications had no impact on the Group's net income/(loss) or total shareholders' equity.

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

in	2012	2011	2010
Net income/(loss) attributable to shareholders, excluding impact from movements in credit spreads (CHF million)	**3,610**	**802**	**4,929**

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

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

2011 versus 2010

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

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

In **Investment Banking**, net revenues were CHF 10,460 million, compared to CHF 15,873 million in 2010. Results in many of our businesses in 2011 were negatively impacted by significantly lower levels of client activity and a volatile trading environment compared to 2010. In light of increasing regulatory and capital requirements and continued challenging market and economic conditions, we announced a refinement of our Investment Banking strategy in November 2011, including an accelerated risk-weighted asset reduction plan. In 2011, we reduced our Basel III risk-weighted assets by USD 80 billion, or 25%, to USD 242 billion. Fixed income sales and trading revenues were significantly lower in 2011, reflecting challenging trading conditions, subdued client activity levels across most businesses and the execution of our risk reduction strategy. We incurred losses of CHF 512 million from businesses we are exiting and from the reduction of risk-weighted assets in 2011. Our equity sales and trading results declined primarily due to lower levels of client activity in cash equities. Prime services revenues declined, reflecting the foreign exchange translation impact. In US dollars, we had record prime services results due to higher client activity and higher client balances. We also had weak results in derivatives, reflecting reduced customer flow. In 2011, we maintained our market share and leading market share rankings in cash equities and prime services. Underwriting and advisory results were lower in 2011, reflecting a decline in industry-wide capital issuance levels and a decrease in our completed M&A market share from 2010, respectively.

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

CHF 847 million of costs consisting primarily of severance and other compensation expenses relating to the accelerated Group-wide cost efficiency initiatives.

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

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

The **Core Results effective tax rate** was 24.4% in 2011, compared to 22.8% in 2010. The effective tax rate for full-year 2011 was mainly impacted by the geographical mix of results, an increase in deferred tax balances in Switzerland and the US and the release of tax contingency accruals. The effective tax rate also reflected an increase in valuation allowances against deferred tax assets in the UK and Asia and a write-down of deferred tax assets reflecting legislation in the UK and Japan that decreased the corporate income tax rate. Overall, net deferred tax assets decreased CHF 495 million to CHF 8,510 million during 2011.

> Refer to “Note 26 – Tax” in V – Consolidated financial statements – Credit Suisse Group for further information.

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

Information and developments

Format of presentation and changes in reporting

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

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

> Refer to “Impact from movements in own credit spreads” for further information.

In the second quarter 2012, we made a number of changes to the presentation of our results, mainly related to the legal merger of Clariden Leu into the Bank, and the integration of our Private Banking and Investment Banking operations into a single function. We also performed a review of our policies regarding the measurement of assets under management and net new assets. As a result of this review we adopted a more restrictive definition of these metrics, leading to a decrease in assets under management of CHF 45 billion for the Group at the end of the second quarter 2012.

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

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

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

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

Subsequent event

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

> Refer to “Note 37 – Litigation” in V – Consolidated financial statements – Credit Suisse Group for further information.

Key performance indicators

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

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

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

Key performance indicators

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

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

In our Private Banking & Wealth Management division, we will target net new asset growth of 6% for both the Wealth Management Clients and the Asset Management businesses. We will also target an underlying divisional cost/income ratio of 65%.

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

Collaboration revenues

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

Capital trends and capital distribution proposal

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

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

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

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

Cost savings and strategy implementation

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

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

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

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

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

Share Issuances

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

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

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

Risk trends

The prudent taking of risk in line with our strategic priorities is fundamental to our business as a leading global bank and remained a critical focus throughout 2012. Over the course of 2012, we took significant steps to adapt our businesses and our organization to the new regulatory requirements, which predominantly impacted the risk profile of Investment Banking. During 2012, we reduced our Group risk profile and shifted our portfolio toward less capital intense businesses. We continued to invest significantly in our IT infrastructure and further refined our risk appetite framework to ensure an appropriate balance of return and assumed risk, stability of earnings and capital levels we seek to maintain. In 2012, overall position risk decreased 1%, utilized economic capital decreased 8% and average >>>risk management VaR in US dollars for our trading books decreased 31%.

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

Board of Directors and management changes

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

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

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

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

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

As of November 30, 2012, Osama Abbasi stepped down from the Executive Board and his position as CEO of the Asia Pacific region, Walter Berchtold stepped down from the Executive Board and his position as Chairman Private Banking and Fawzi Kyriakos-Saad stepped down from the Executive Board and his position as CEO of the EMEA region.

Regulatory developments and proposals

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

> Refer to “Regulation and supervision” in I – Information on the company for further information on regulatory developments and proposals.

Compensation and benefits

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

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

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

Allocations and funding

Revenue sharing and cost allocation

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

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

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

Funding

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

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

Fair valuations

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

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

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

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

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

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

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

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

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

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

Personnel

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

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

Private Banking & Wealth Management

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

Results

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

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

Results (continued)

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

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

affluent, high-net-worth and ultra-high-net-worth individual clients.

Results overview

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

Provision for credit losses in 2012 was CHF 182 million compared to CHF 111 million in 2011 on a net loan portfolio of CHF 208 billion, including higher new provisions and lower releases in 2012 compared to 2011.

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

Assets under management of CHF 1,250.8 billion were CHF 65.6 billion higher compared to the end of 2011, driven primarily by positive market movements and by net new assets of CHF 10.8 billion, partially offset by adverse foreign exchange-related movements. Wealth Management Clients contributed net new assets of CHF 19.0 billion with inflows particularly from emerging markets and from our >>>UHNWI client segment, partially offset by outflows in Western Europe and outflows relating to the integration of Clariden Leu. Corporate & Institutional Clients reported net new assets of CHF 1.5 billion. Asset Management reported net asset outflows of CHF 9.0 billion primarily from multi-asset class solutions which included redemptions of CHF 14.7 billion from a single fixed income mandate, partially offset by inflows in index strategies and credit products. Assets under management continued to reflect a risk-averse asset mix, with investments in less complex, lower-margin products and a significant portion of assets in cash and money market products.

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

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

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

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

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

Assets under management – Private Banking & Wealth Management

		in / end of		% change	
	2012	2011	2010	12 / 11	11 / 10
Assets under management by business (CHF billion)					
Wealth Management Clients	798.5	750.2	763.1	6.4	(1.7)
Corporate & Institutional Clients	223.8	203.0	195.9	10.2	3.6
Asset Management	371.6	365.2	382.0	1.8	(4.4)
Assets managed across businesses [1]	(143.1)	(133.2)	(135.7)	7.4	(1.8)
Assets under management	**1,250.8**	**1,185.2**	**1,205.3**	5.5	(1.7)

Average assets under management (CHF billion)					
Average assets under management	1,224.7	1,187.1	1,204.6	3.2	(1.5)
Net new assets by business (CHF billion)					
Wealth Management Clients	19.0	37.4	40.6	(49.2)	(7.9)
Corporate & Institutional Clients	1.5	5.3	8.0	(71.7)	(33.8)
Asset Management	(9.0)	5.2	20.2	–	(74.3)
Assets managed across businesses [1]	(0.7)	(1.3)	(6.4)	(46.2)	(79.7)
Net new assets	**10.8**	**46.6**	**62.4**	(76.8)	(25.3)

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

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Results detail

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

> Refer to “Key performance indicators” in Core Results – Information and developments for further information.

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

Net revenues

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

2012 vs 2011: Stable at CHF 13,541 million
Net revenues were stable, with lower recurring commissions and fees offset by higher other revenues. Transaction- and performance-based revenues and net interest income were stable. Lower recurring commissions and fees mainly reflected lower investment product management fees, driven by lower fund management fees, and lower discretionary mandate management fees. Other revenues of CHF 448 million mainly reflected a CHF 384 million gain from the sales of our remaining ownership interest in Aberdeen, a CHF 45 million gain from the sale of Wincasa and a CHF 41 million gain related to the sale of a non-core business, partially offset by lower investment-related gains, which included losses of CHF 82 million in connection with the planned sale of certain private equity investments, impairment charges of CHF 61 million related to AMF and impairments of a joint venture investment. Transaction- and performance-based revenues were stable with higher performance fees from our Hedging-Griffo subsidiary, single manager hedge funds and credit strategies, higher revenues from integrated solutions and gains related to a change in life insurance accounting, offset by lower brokerage and product issuing fees and lower equity participations income. Net interest income was stable, as the impact of lower deposit margins, reflecting the continued low interest rate environment, and stable loan margins were offset by higher average deposit and loan volumes.

2011 vs 2010: Down 8% from CHF 14,580 million to CHF 13,447 million
The decrease was driven by lower revenues across all revenue categories and an adverse foreign translation impact of CHF 1,071 million. Recurring commissions and fees declined due to lower revenues across most categories, mainly reflecting the adverse foreign exchange translation impact, including the impact on average assets under management. Net interest income decreased due to lower deposit margins on lower average volumes and lower loan margins on slightly higher average volumes. Lower deposit margins reflected the low interest environment with a relatively flat interest curve. Transaction- and performance-based revenues were lower, mainly due to significantly lower brokerage and product issuing fees, particularly from equities and bonds, and lower trading and sales income, both reflecting lower client activity and lower transaction-based volumes. Lower other revenues reflected gains in 2010 on the sale of securities purchased from our money market funds, and lower investment-related gains in 2011, partially offset by

lower equity participations losses and a decrease in fair value losses on the Clock Finance transactions.

Provision for credit losses

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

2012 vs 2011: Up 64% from CHF 111 million to CHF 182 million
Provision for credit losses of CHF 182 million was up CHF 71 million compared to 2011, including 14% higher new provisions and 19% lower releases of provisions compared to

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

2011 vs 2010: Up from CHF 17 million to CHF 111 million
Provision for credit losses of CHF 111 million was up CHF 94 million compared to 2010, driven by 39% lower releases of provisions compared to 2010. New provisions were 4% lower. Provisions for credit losses reflected net provisions of CHF 78 million in Wealth Management Clients and CHF 33 million in Corporate & Institutional Clients.

Operating expenses

Compensation and benefits
2012 vs 2011: Down 3% from CHF 5,729 million to CHF 5,561 million
Compensation and benefits decreased slightly, driven by lower salary expense, reflecting lower headcount, and lower discretionary performance-related compensation.

2011 vs 2010: Down 5% from CHF 6,041 million to CHF 5,729 million
The decrease reflected a favorable foreign exchange translation impact and lower discretionary performance-related compensation expense.

General and administrative expenses
2012 vs 2011: Down 16% from CHF 3,818 million to CHF 3,219 million
The decrease primarily reflected 2011 litigation provisions of CHF 478 million in connection with the German and US tax matters. Excluding these litigation provisions, general and administrative expenses decreased CHF 121 million, reflecting our cost efficiency measures, including lower marketing and travel and entertainment expenses.

2011 vs 2010: Up 9% from CHF 3,502 million to CHF 3,818 million
The increase primarily reflected the litigation provisions in 2011. 2010 included CHF 44 million of provisions related to auction rate securities. Excluding these litigation provisions, general and administrative expenses decreased slightly.

Results – Wealth Management Clients

			in	% change	
	2012	2011	2010	12 / 11	11 / 10
Statements of operations (CHF million)					
Net revenues	**8,952**	**9,085**	**10,039**	(1)	(10)
Provision for credit losses	**110**	**78**	**69**	41	13
Total operating expenses	**6,821**	**7,561**	**7,365**	(10)	3
Income before taxes	**2,021**	**1,446**	**2,605**	40	(44)
Statement of operations metrics (%)					
Cost/income ratio	76.2	83.2	73.4	–	–
Pre-tax income margin	22.6	15.9	25.9	–	–
Net revenue detail (CHF million)					

Net interest income	3,344	3,327	3,631	1	(8)
Recurring commissions and fees	3,106	3,309	3,540	(6)	(7)
Transaction- and performance-based revenues	2,461	2,449	2,868	0	(15)
Other revenues	41 [1]	0	0	–	–
Net revenues	**8,952**	**9,085**	**10,039**	(1)	(10)
Gross margin on assets under management (bp) [2]					
Net interest income	42	45	47	–	–
Recurring commissions and fees	40	44	46	–	–
Transaction- and performance-based revenues	31	33	37	–	–
Other revenues	1	0	0	–	–
Gross margin	**114**	**122**	**130**	–	–

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

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Wealth Management Clients

Net revenues

Net interest income
2012 vs 2011: Stable at CHF 3,344 million
Stable net interest income reflected lower deposit margins and stable loan margins on higher average volumes.

2011 vs 2010: Down 8% from CHF 3,631 million to CHF 3,327 million
The decrease primarily reflected lower deposit margins on lower average volumes, and lower loan margins on slightly higher average volumes.

Recurring commissions and fees
2012 vs 2011: Down 6% from CHF 3,309 million to CHF 3,106 million
The decrease reflected lower revenues across all major revenue categories, primarily lower investment product management fees, driven by lower fund management fees, and lower discretionary mandate management fees.

2011 vs 2010: Down 7% from CHF 3,540 million to CHF 3,309 million
The decrease reflected lower revenues in investment product management fees, discretionary mandate management fees and banking services fees, partially offset by higher investment account and services fees. Overall the decrease was driven by lower average assets under management, mainly due to adverse market movements and the strengthening of the average exchange rate of the Swiss franc against major currencies compared to 2010.

Transaction- and performance-based revenues
2012 vs 2011: Stable at CHF 2,461 million
Stable transaction- and performance-based revenues reflected lower brokerage and product issuing fees, primarily in equities and mutual funds, and lower foreign exchange fees from client transactions, offset by gains of CHF 35 million in 2012 related to a change in life insurance accounting, higher performance fees from Hedging-Griffo and higher revenues from integrated solutions.

2011 vs 2010: Down 15% from CHF 2,868 million to CHF 2,449 million
The decline was driven by substantially lower brokerage and product issuing fees, primarily in equities and bonds, and lower trading and sales income, both reflecting significantly lower client activity and lower transaction-based volumes.

Gross margin

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

Assets under management – Wealth Management Clients

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

Results – Corporate & Institutional Clients

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

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

Corporate & Institutional Clients

Net revenues

Net interest income
2012 vs 2011: Up 2% from CHF 1,185 million to CHF 1,207 million
The slight increase reflected lower deposit margins and slightly lower loan margins on higher average volumes.

2011 vs 2010: Stable at CHF 1,185 million
Stable net interest income reflected slightly higher deposit margins on higher average volumes and lower loan margins on slightly higher average volumes.

Recurring commissions and fees
2012 vs 2011: Up 7% from CHF 421 million to CHF 450 million
The increase was driven by higher banking services fees and higher investment account and services fees, primarily from custody services, partially offset by lower investment product management fees, mainly from lower fund

management fees.

2011 vs 2010: Down 6% from CHF 446 million to CHF 421 million
The decline was mainly driven by lower investment account and services fees and lower banking services fees.

Transaction- and performance-based revenues
2012 vs 2011: Stable at CHF 479 million
Stable transaction- and performance-based revenues reflected higher trading and sales income and higher revenues from integrated solutions, primarily offset by lower brokerage and product issuing fees, mainly from interest rate swaps.

2011 vs 2010: Up 7% from CHF 445 million to CHF 476 million
The increase was driven by higher foreign exchange fees from client transactions, higher brokerage and product issuing fees and higher revenues from integrated solutions, partially offset by lower trading and sales income.

Results – Asset Management

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

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

Asset Management

Net revenues

Fee-based revenues
2012 vs 2011: Up 1% from CHF 1,957 million to CHF 1,981 million
The increase primarily reflected higher performance fees offset by lower carried interest on private equity gains and lower equity participations income. Higher performance fees were recognized from Hedging-Griffo, credit strategies, single-manager hedge funds and from the management of the 2008 Partner Asset Facility (PAF). Carried interest from realized private equity gains in 2012 was lower than a strong 2011, which included the sale of a portfolio company in the healthcare sector. Equity participations income was lower due to the sale of our ownership interest in Aberdeen and from lower revenues in single-manager hedge funds. The decrease in placement, transaction and other fees mainly reflected lower private equity placement fees. Asset management fees decreased slightly as a result of lower average assets under management in traditional products and hedge fund of funds and from the closure and restructuring of certain product lines and private equity investment sales in 2011, partially offset by higher fees from a new secondary private equity fund and from asset inflows into index products.

2011 vs 2010: Down 1% from CHF 1,985 million to CHF 1,957 million
The decrease primarily reflected a decrease in asset management fees and performance fees offset by higher carried interest on realized private equity gains, private equity placement fees and equity participations income. The decrease in asset management fees resulted from the adverse foreign exchange translation impact, the spin-off of our real estate private equity fund and our credit hedge fund in 2010, the end of our agreement to service Aberdeen assets on a transitional basis and lower fees in traditional products and hedge fund of funds.

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

Investment-related gains/(losses)
2012 vs 2011: Down 49% from CHF 305 million to CHF 155 million
In 2012, the gains of CHF 155 million reflected gains in hedge fund investments and gains in private equity investments mainly in the energy, healthcare and transportation sectors, partially offset by losses in private equity investments in the technology sector, and losses of CHF 82 million in connection with the planned sale of certain private equity investments. In 2011, the gains of CHF 305 million reflected gains in private equity investments mainly in the healthcare, industrial, commodities and transportation sectors, partially offset by losses in the technology sector.

2011 vs 2010: Down 29% from CHF 432 million to CHF 305 million
In 2011, the gains of CHF 305 million reflected gains in private equity investments mainly in the healthcare, industrial, commodities and transportation sectors, partially offset by losses in the technology sector. In 2010, the gains of CHF 432 million reflected gains in private equity investments mainly in the energy, industrial and commodities sectors, and in credit-related investments.

Equity participations and other gains/(losses)
2012 vs 2011: Up from CHF 3 million to CHF 361 million
In 2012, we recognized a gain of CHF 384 million from the sales of our remaining 19.8% ownership interest in Aberdeen and a gain of CHF 45 million from the sale of Wincasa, partially offset by impairment charges of CHF 61 million related to AMF and impairments of a joint venture investment. The gain in 2011 reflected the partial sale of our ownership interest in Aberdeen, reducing our interest in Aberdeen to 19.8% from 21.0%, partially offset by an impairment of the same joint venture investment.

2011 vs 2010: Up from CHF (105) million to CHF 3 million
The gain in 2011 reflected the partial sale of our ownership interest in Aberdeen partially offset by the impairment of the joint venture investment. The losses in 2010 resulted from impairments related to AMF and a reduction in our ownership interest in Aberdeen due to an issuance of shares by Aberdeen.

Assets under management – Asset Management

		in / end of		% change	
	2012	2011	2010	12 / 11	11 / 10
Assets under management (CHF billion)					
Hedge funds	25.1	24.9	27.3	0.8	(8.8)
Private equity	27.9	28.4	30.8	(1.8)	(7.8)
Real estate & commodities	48.6	47.1	43.4	3.2	8.5
Credit	23.8	19.0	18.3	25.3	3.8
ETF	16.1	14.6	14.6	10.3	0.0
Index strategies	64.0	51.5	54.2	24.3	(5.0)
Multi-asset class solutions	105.4	116.0	122.2	(9.1)	(5.1)
Fixed income & equities	55.2	57.4	63.4	(3.8)	(9.5)
Other	5.5	6.3	7.8	(12.7)	(19.2)
Assets under management [1]	**371.6**	**365.2**	**382.0**	1.8	(4.4)
Average assets under management (CHF billion)					
Average assets under management	366.8	376.2	384.5	(2.5)	(2.2)
Assets under management by currency (CHF billion)					
USD	96.5	93.5	100.8	3.2	(7.2)
EUR	47.4	59.0	58.7	(19.7)	0.5
CHF	199.1	190.7	201.3	4.4	(5.3)
Other	28.6	22.0	21.2	30.0	3.8
Assets under management	**371.6**	**365.2**	**382.0**	1.8	(4.4)
Growth in assets under management (CHF billion)					
Net new assets [2]	(9.0)	5.2	20.2	–	–
Other effects	15.4	(22.0)	(11.5)	–	–
of which market movements	26.2	(10.6)	10.8	–	–
of which currency	(5.7)	(3.3)	(26.0)	–	–
of which other	(5.1)	(8.1) [3]	3.7	–	–
Growth in assets under management	**6.4**	**(16.8)**	**8.7**	–	–
Growth in assets under management (%)					
Net new assets	(2.5)	1.4	5.4	–	–
Other effects	4.3	(5.8)	(3.1)	–	–
Growth in assets under management	**1.8**	**(4.4)**	**2.3**	–	–
Principal investments (CHF billion)					

Principal investments [4]	2.9	3.4	3.4	(14.7)	–

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

Investment Banking

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

Results

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

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

Results (continued)

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

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

Results overview

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

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

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

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

Underwriting and advisory results were higher compared to 2011, due to strong debt underwriting revenues, particularly in leveraged finance, partially offset by lower equity underwriting revenues. Additionally, M&A fees increased as market share gains in completed M&A transactions more than offset lower industry-wide completed M&A activity.

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

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

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

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

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

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

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

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

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

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

Results detail

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

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

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

Net revenues

Debt underwriting
2012 vs 2011: Up 15% from CHF 1,404 million to CHF 1,617 million
The increase was primarily due to higher results in leveraged finance, reflecting significantly higher industry-wide high yield issuance volumes. We also had higher investment grade revenues, driven by higher industry-wide issuance volumes that more than offset a modest decline in market share.

2011 vs 2010: Down 28% from CHF 1,960 million to CHF 1,404 million
The decrease was primarily due to weaker results in leveraged finance, reflecting reduced industry-wide high yield issuance volumes. We also had lower results in investment grade issuance, driven by slightly lower market share.

Equity underwriting
2012 vs 2011: Down 23% from CHF 713 million to CHF 552 million
The decrease was due to lower revenues from follow-on offerings as lower market share more than offset higher industry-wide issuance volumes. We also had lower revenues from initial public offerings (IPOs), reflecting lower industry-wide issuance volumes compared to 2011.

2011 vs 2010: Down 20% from CHF 894 million to CHF 713 million
The decrease was primarily driven by lower revenues from IPOs, reflecting lower industry-wide issuance volumes compared to 2010. We also had lower results from convertibles and follow-on offerings.

Advisory and other fees
2012 vs 2011: Up 22% from CHF 856 million to CHF 1,042 million
The increase reflected substantially higher M&A fees and other advisory fees, driven by higher completed M&A market share, more than offsetting lower completed M&A industry-wide activity. We also had higher private placement fees, reflecting a large Private Investment in Public Equity transaction in the energy sector in 3Q12.

2011 vs 2010: Down 21% from CHF 1,089 million to CHF 856 million
The decrease reflected lower M&A fees and other advisory fees, driven by a slight decline in completed M&A market share.

Fixed income sales and trading
2012 vs 2011: Up 60% from CHF 3,341 million to CHF 5,349 million
The increase was primarily due to significantly improved results in securitized products compared to a weak performance in 2011. The weak 2011 results reflected valuation reductions on client inventory, including >>>commercial mortgage-backed securities (CMBS) and >>>residential mortgage-backed securities (RMBS), losses on sales of client inventory as we reduced risk-weighted assets, and subdued client flow. In 2012, we had higher revenues in global credit products due to improved market conditions and increased client appetite for high-yielding

products. Substantial inventory reductions in securitized products and global credit products in late 2011 and early 2012 resulted in lower revenue volatility in 2012. In addition, we had higher results in emerging markets, reflecting strong performance in Latin America. Revenues from corporate lending and foreign exchange also increased. These increases were offset by lower revenues in global rates due to subdued client activity. In addition, we incurred losses of CHF 589 million from businesses we are exiting in 2012 compared to losses of CHF 387 million in 2011. At the end of 2012, fixed income >>>Basel III >>>risk-weighted assets totaled USD 122 billion, a reduction of USD 54 billion, or 31% from a year ago, while revenues increased significantly.

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

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

Equity sales and trading
2012 vs 2011: Up 1% from CHF 4,279 million to CHF 4,330 million
The increase was due to significantly higher revenues in convertibles driven by improved market conditions. We also had improved derivatives results compared to weak performance in 2011. We had resilient results in prime services with increased market share ranking and higher client balances that more than offset lower hedge fund activity and leverage levels. These revenue increases were offset by lower results in cash equities due to muted client activity and lower trading volumes compared to 2011.

2011 vs 2010: Down 25% from CHF 5,683 million to CHF 4,279 million
The decrease was due to lower cash equities results, driven by reduced client trading activity. Prime services revenues declined, reflecting the foreign exchange translation impact. In US dollars, we had record prime services results due to higher client activity and higher client balances. We also had weak results in derivatives, reflecting reduced customer flow. In 2011, we maintained our market share and leading market share rankings in cash equities and prime services.

Provision for credit losses

2012 vs 2011: From CHF 76 million to CHF (12) million
The change reflected significantly higher provisions in 2011 from a guarantee provided to a third-party bank, and higher releases in 2012.

2011 vs 2010: From CHF (96) million to CHF 76 million
The change reflected higher provisions, mainly against a guarantee provided in a prior year to a third-party bank, and lower releases and recoveries.

Operating expenses

Compensation and benefits
2012 vs 2011: Down 6% from CHF 6,471 million to CHF 6,070 million
The decrease was primarily driven by lower deferred compensation expense from prior-year awards, lower salaries and other employee benefits, reflecting lower headcount, and lower discretionary performance-related compensation expense.

2011 vs 2010: Down 17% from CHF 7,811 million to CHF 6,471 million
The decrease was primarily driven by lower deferred compensation expense from prior-year awards, lower discretionary performance-related compensation expense, reflecting the lower results, and lower salary expense.

General and administrative expenses
2012 vs 2011: Up 5% from CHF 3,388 million to CHF 3,551 million
The increase reflected the foreign exchange translation impact. In US dollars, expenses decreased 1%, reflecting lower professional service fees and other expenses, primarily offset by higher litigation provisions incurred during the year.

2011 vs 2010: Stable from CHF 3,369 million to CHF 3,388 million
General and administrative expenses reflected the foreign exchange translation impact. In US dollars, expenses increased 18%. The increase reflected an accrual for the UK bank levy of CHF 115 million, increases in IT investments, higher litigation provisions and an increase in risk management costs.

Corporate Center

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

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

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

> Refer to “Impact from movements in own credit spreads” in Core Results for further information.

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

Income/(loss) from continuing operations before taxes

2012 vs 2011: From CHF 381 million to CHF (3,898) million
The decrease from a gain to a loss primarily reflected fair value losses on our long-term vanilla debt of CHF 1,663 million, DVA losses on certain structured notes liabilities of CHF 958 million and fair value losses on stand-alone derivatives of CHF 318 million, resulting in overall losses on such items of CHF 2,939 million. The fair value losses reflected the narrowing of credit spreads on senior and subordinated debt across most currencies. In 2011, results included fair value gains from movements in own credit spreads of CHF 1,616 million. The 2012 losses also included business realignment costs of CHF 680 million, consisting primarily of severance and other compensation expenses relating to the Group-wide cost efficiency initiatives, additional litigation provisions of CHF 227 million from the settlement of NCFE-related litigation and gains from the sale of real estate of CHF 533 million.

2011 vs 2010: From CHF (936) million to CHF 381 million
The increased income primarily reflected fair value gains on our long-term vanilla debt of CHF 1,210 million, DVA gains on certain structured notes liabilities of CHF 697 million and fair value losses on stand-alone derivatives of CHF 291 million, resulting in overall gains on such items of CHF 1,616 million. The fair value gains reflected the widening of credit spreads across all currencies, including senior and subordinated debt. In 2010, results included fair value gains from movements in own credit spreads of CHF 269 million. The 2011 result also included CHF 847 million of costs consisting primarily of severance and other compensation expenses relating to the accelerated Group-wide cost efficiency initiatives.

Results

			in	% change	
	2012	2011	2010	12 / 11	11 / 10
Statements of operations (CHF million)					

Net revenues	**(2,493)**	**1,522**	**172**	–	–
Provision for credit losses	**0**	**0**	**0**	–	–
Compensation and benefits	863	951	710	(9)	34
General and administrative expenses	518	144	323	260	(55)
Commission expenses	24	46	75	(48)	(39)
Total other operating expenses	542	190	398	185	(52)
Total operating expenses	**1,405**	**1,141**	**1,108**	23	3
Income/(loss) from continuing operations before taxes	**(3,898)**	**381**	**(936)**	–	–

Assets under management

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

Assets under management

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

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

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

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

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

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

Assets under management and client assets

			end of		% change
	2012	2011	2010	12 / 11	11 / 10
Assets under management (CHF billion)					
Wealth Management Clients	798.5	750.2	763.1	6.4	(1.7)
Corporate & Institutional Clients	223.8	203.0	195.9	10.2	3.6

Asset Management [1]	371.6	365.2	382.0	1.8	(4.4)
Assets managed across businesses [2]	(143.1)	(133.2)	(135.7)	7.4	(1.8)
Assets under management	**1,250.8**	**1,185.2**	**1,205.3**	5.5	(1.7)
of which discretionary assets	407.6	390.2	408.0	4.5	(4.4)
of which advisory assets	843.2	795.0	797.3	6.1	(0.3)
Assets under management	**1,250.8**	**1,185.2**	**1,205.3**	5.5	(1.7)
Client assets (CHF billion)					
Wealth Management Clients	913.8	854.2	868.6	7.0	(1.7)
Corporate & Institutional Clients	323.1	305.2	300.1	5.9	1.7
Asset Management [1]	371.6	365.2	382.0	1.8	(4.4)
Assets managed across businesses [2]	(143.1)	(133.2)	(135.7)	7.4	(1.8)
Client assets	**1,465.4**	**1,391.4**	**1,415.0**	**5.3**	**(1.7)**

1 Excludes our portion of assets under management from our former investment in Aberdeen. 2 Assets managed by Asset Management for Wealth Management Clients and
Corporate & Institutional Clients.

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Growth in assets under management

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

of which Asset Management	4.3	(5.8)	(3.1)
of which assets managed across businesses [2]	6.9	(2.8)	(1.2)
Total growth in assets under management	5.5	(1.7)	1.7
of which Wealth Management Clients	6.4	(1.7)	0.4
of which Corporate & Institutional Clients	10.2	3.6	7.3
of which Asset Management [1]	1.8	(4.4)	2.3
of which assets managed across businesses [2]	7.4	(1.8)	3.7

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

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

Client assets

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

Net new assets

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

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

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

Critical accounting estimates

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

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

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

Fair value

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

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

We have availed ourselves of the simplification in accounting offered under the fair value option guidance in Accounting Standards Codification (ASC) Topic 825 – Financial Instruments, primarily in Investment Banking and in Private Banking & Wealth Management's Asset Management business. This has been accomplished generally by electing the fair value option, both at initial adoption and for subsequent transactions, on items impacted by the hedge accounting requirements of US GAAP. For instruments for which there was an inability to achieve hedge accounting and for which we are economically hedged, we have elected the fair value option. Where we manage an activity on a fair value basis but previously have been unable to achieve fair value accounting, we have utilized the fair value option to align our financial accounting to our risk management reporting.

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

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

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

Variable interest entities

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

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

Contingencies and loss provisions

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

Litigation contingencies

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

> Refer to “Note 37 – Litigation” in V – Consolidated financial statements – Credit Suisse Group for further information on legal proceedings.

Allowance and provision for credit losses

As a normal part of our business, we are exposed to credit risk through our lending relationships, commitments and letters of credit as well as counterparty risk on >>>derivatives, foreign exchange and other transactions. Credit risk is the possibility of a loss being incurred as a result of a borrower or counterparty failing to meet its financial obligations or as a result of deterioration in the credit quality of the borrower or counterparty. In the event of a default, we generally incur a loss equal to the amount owed by the debtor, less any recoveries resulting from foreclosure, liquidation of collateral or the restructuring of the debtor company. The allowance for loan losses is considered a reasonable estimate of credit losses existing at the dates of the consolidated balance sheets. This allowance is for probable credit losses inherent in existing exposures and credit exposures specifically identified as impaired.

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

Inherent loan loss allowance

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

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

Significant judgment is exercised in the evaluation of these factors. For example, estimating the amount of potential loss requires an assessment of the period of the underlying data. Data that does not capture a complete credit cycle may compromise the accuracy of loss estimates. Determining which external data relating to default probabilities should be used and when it should be used also requires judgment. The use of market indices and ratings that do not sufficiently correlate to our specific exposure characteristics could also affect the accuracy of loss estimates. Evaluating the impact of uncertainties regarding macroeconomic and political conditions, currency devaluations on cross-border exposures, changes in underwriting criteria, unexpected correlations among exposures and other factors all require significant judgment. Changes in our estimates of probable loan losses inherent in the portfolio could have an impact on the provision and result in a change in the allowance.

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

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

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

Goodwill impairment

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

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

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

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

Circumstances that could trigger an initial qualitative assessment or the first step of the goodwill impairment test include, but are not limited to: (i) macroeconomic conditions such as a deterioration in general economic conditions or other developments in equity and credit markets; (ii) industry and market considerations such as a deterioration in the environment in which the entity operates, an increased competitive environment, a decline in market-dependent multiples or metrics (considered in both absolute terms and relative to peers), and regulatory or political developments; (iii) other relevant entity-specific events such as changes in management, key personnel or strategy; (iv) a more-likely-than-not expectation of selling or disposing all, or a portion, of a reporting unit; (v) results of testing for recoverability of a significant asset group within a reporting unit; (vi) recognition of a goodwill impairment in the financial statements of a subsidiary that is a component of a reporting unit; and (vii) a sustained decrease in share price (considered in both absolute terms and relative to peers).

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

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

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

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

An estimated balance sheet for each reporting unit is prepared on a quarterly basis. If the second step of the goodwill impairment test is required, the implied fair value of the relevant reporting unit's goodwill is compared with the carrying value of that goodwill. If the carrying value exceeds the implied fair value of the goodwill, an impairment loss is recognized in an amount equal to that excess. The loss recognized as a goodwill impairment cannot exceed the carrying value of that goodwill. The implied fair value of goodwill is calculated in the same manner as the amount of goodwill recognized in a business combination and, as such, the current fair value of a reporting unit is assigned to all of the assets and liabilities of that unit (including any unrecognized intangible assets, but excluding goodwill) as if the reporting unit had been acquired in a business combination. An independent valuation expert would likely be engaged to assist in the valuation of the reporting unit's unrecognized intangible assets.

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

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

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

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

Taxes

Uncertainty of income tax positions

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

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

> Refer to “Note 26 – Tax” in V – Consolidated financial statements – Credit Suisse Group for further information on income tax positions.

Deferred tax valuation allowances

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

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

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

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

> Refer to “Note 26 – Tax” in V – Consolidated financial statements – Credit Suisse Group for further information on deferred tax assets.

Pension plans

The Group

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

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

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

The funded status of our defined benefit pension and other post-retirement defined benefit plans are recorded in the consolidated balance sheets. The impacts from re-measuring the funded status (reflected in actuarial gains or losses) and from amending the plan (reflected in prior service cost or credits) are recognized in equity as a component of accumulated other comprehensive income/(loss) (AOCI).

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

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

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

The discount rate used in determining the benefit obligation is based either upon high-quality corporate bond rates or government bond rates plus a premium in order to approximate high-quality corporate bond rates. In estimating the discount rate, we take into consideration the relationship between the corporate bonds and the timing and amount of the future cash outflows from benefit payments. The discount rate used for Swiss plans decreased 0.6 percentage point from 2.8% as of December 31, 2011, to 2.2% as of December 31, 2012, mainly due to a decrease in Swiss bond market rates. The average discount rate used for international plans decreased 0.3 percentage point from 4.8% as of December 31, 2011, to 4.5% as of December 31, 2012, mainly due to a decrease in bond market rates in the EU, the UK and the US. The discount rate affects both the pension expense and the PBO. For the year ended December 31, 2012, a one percentage point decline in the discount rate for the Swiss plans would have resulted in an increase in the PBO of CHF 1,796 million and an increase in pension expense of CHF 134 million, and a one percentage point increase in the discount rate would have resulted in a decrease in the PBO of CHF 1,581 million and a decrease in the pension expense of CHF 127 million. A one percentage point decline in the discount rate for the international plans as of December 31, 2012 would have resulted in an increase in the PBO of CHF 578 million and an increase in pension expense of CHF 53 million, and a one percentage point increase in the discount rate would have resulted in a decrease in the PBO of CHF 468 million and a decrease in the pension expense of CHF 46 million.

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

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

The Bank

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

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

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

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

The discount rate used in determining the benefit obligation is based either upon high-quality corporate bond rates or government bond rates plus a premium in order to approximate high-quality corporate bond rates. For the year ended December 31, 2012, if the Bank had accounted for the Group plan as a defined benefit plan, the discount rate used in the measurement of the benefit obligation and net periodic pension cost would have been 2.2% and 2.8%, respectively. For the year ended December 31, 2012, the weighted-average discount rates used in the measurement of the benefit obligation and the net periodic pension costs for the international single-employer defined benefit pension plans were 4.5% and 4.8%, respectively. A one percentage point decline in the discount rate for the international single-employer plans would have resulted in an increase in PBO of CHF 578 million and an increase in pension expense of CHF 53 million, and a one percentage point increase in the discount rate would have resulted in a decrease in PBO of CHF 468 million and a decrease in pension expense by CHF 46 million.

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

Liquidity and funding management

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

Overview

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

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

Regulatory framework

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

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

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

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

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

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

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

Liquidity risk management framework

Our approach to liquidity risk management

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

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

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

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

– A multiple-notch downgrade in the Bank's long-term debt credit ratings, which would require additional funding as a result of certain contingent off-balance sheet obligations;

– Significant withdrawals from private banking client deposits;

– Potential cash outflows associated with the prime brokerage business;

– Availability of secured funding is subject to significant over-collateralization;

– Capital markets, certificates of deposit and >>>commercial paper (CP) markets will not be available;

– Other money market access will be significantly reduced;

– A loss in funding value of unencumbered assets;

– The inaccessibility of assets held by subsidiaries due to regulatory, operational and other constraints;

– The possibility of providing non-contractual liquidity support in times of market stress, including purchasing our unsecured debt;

– Monitoring the concentration in sources of wholesale funding and thus encourage funding diversification;

– Monitoring the composition and analysis of the unencumbered assets;

– Restricted availability of foreign currency swap markets; and

– Other scenarios as deemed necessary from time to time.

Governance

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

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

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

Contingency planning

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

Liquidity pool

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

All securities, including those obtained from reverse repurchase agreements, are subject to a stress level >>>haircut that we apply for stress scenarios to reflect the risk that emergency funding may not be available at market value.

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

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

Funding sources and uses

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

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

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

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

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

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

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

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

We also use collateralized financings, including >>>repurchase agreements and securities lending agreements. The level of our repurchase agreements fluctuates, reflecting market opportunities, client needs for highly liquid collateral, such as US treasuries and agency securities, and the impact of balance sheet and >>>risk-weighted asset (RWA) limits. In addition, matched book trades, under which securities are purchased under agreements to resell and are simultaneously sold under agreements to repurchase with comparable maturities, earn spreads, are relatively risk-free and are generally related to client activity.

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

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

Debt issuances and redemptions

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

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

In 2012, we issued CHF 1.4 billion of domestic covered bonds, CHF 3.3 billion of international covered bonds and CHF 0.4 billion of senior debt, while CHF 1.1 billion of domestic covered bonds and CHF 10.8 billion of senior debt matured or were redeemed. In connection with our tender offer in July 2012, we repurchased CHF 1.7 billion of senior debt. As of December 31, 2012, we had CHF 15.2 billion of domestic and international covered bonds outstanding.

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

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

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

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

Funds transfer pricing

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

Cash flows from operating, investing and financing activities

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

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

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

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

Credit ratings

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

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

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

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

> Refer to “Investor information” in the Appendix for further information on Group and Bank credit ratings.

Capital management

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

Capital strategy and framework

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

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

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

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

The improvement of our regulatory capital position over the last few years has left us well positioned to meet the stricter capital requirements under the >>>Basel III framework and the Swiss >>>"Too Big to Fail" legislation. In July 2012, we announced a number of measures to accelerate the strengthening of our capital position in light of the current regulatory and market environment.

> Refer to "July 2012 capital measures" below for a detailed description of our capital measures announced in July 2012.

Regulatory capital framework

Overview

There continue to be substantial changes to the regulatory environment under which Credit Suisse operates, bringing ever more conservative standards of measurement and increases in mandatory capital ratios.

Since 2008, we operated under the international capital adequacy standards known as >>>Basel II set forth by the >>>BCBS as implemented by >>>FINMA, with some additional requirements for large Swiss banks known as “Swiss Finish”. Basel II provides the framework for measuring capital adequacy and the minimum standards to be applied by local regulators, affecting the measurement of both >>>RWA and total eligible capital. Beginning in January 2011, as required by FINMA, Credit Suisse implemented BCBS’s “Revisions to the Basel II market risk framework” (>>>Basel II.5) for FINMA regulatory capital purposes, with some additional requirements for large Swiss banks known as “Swiss Finish”, which was applicable until December 31, 2012.

The Basel framework is based on three pillars, which are viewed as mutually reinforcing:

– Pillar 1: Minimum Capital Requirements – requires an institution to hold sufficient capital to cover its credit, market and operational risks.

– Pillar 2: Supervisory Review Process – discusses the role of supervisors in ensuring that institutions have in place a proper process for assessing and maintaining their capital ratios above the minimum requirements.

– Pillar 3: Market Discipline – sets out disclosure requirements, especially for those institutions seeking approval to use their own internal models to calculate their capital requirements. Information required under Pillar 3 relating to capital adequacy is available at *www.credit-suisse.com/pillar3*.

The Basel framework describes a range of options for determining capital requirements in order to provide banks and supervisors the ability to select approaches that are most appropriate for their operations and their financial market infrastructure. In general, Credit Suisse has adopted the most advanced approaches, which align with the way that risk is internally managed and provide the greatest risk sensitivity.

For measuring credit risk, we received approval from FINMA to use the >>>advanced internal ratings-based approach (A-IRB). Under the A-IRB for measuring credit risk, risk weights are determined by using internal risk parameters for >>>probability of default (PD), >>>loss given default (LGD) and transactional maturity. The exposure at default is either derived from balance sheet values or by using models.

For calculating the capital requirements for market risk, the >>>internal models approach, the standardized measurement method and the standardized approach are used.

Non-counterparty risk arises from holdings of premises and equipment, real estate and investments in real estate entities.

Under the Basel framework, operational risk is included in RWA and we received approval from FINMA to use the >>>advanced measurement approach (AMA). Under the AMA for measuring operational risk, we identified key scenarios that describe our major operational risks using an event model.

Effective January 1, 2013, the Basel II.5 framework under which we operated in 2012 was replaced by the >>>Basel III framework. In 2010, the BCBS issued the Basel III framework, with higher minimum capital requirements and conservation and countercyclical buffers, revised risk-based capital measures, a leverage ratio and liquidity standards.

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

> Refer to “New capital framework in 2013” and “Regulation and supervision” in I – Information on the company for further information on the Basel III framework and the Swiss “Too Big to Fail” legislation.

Risk measurement models

Within the Basel II.5 framework for FINMA regulatory capital purposes, we implemented new risk measurement models, including an >>>incremental risk charge and >>>stressed Value-at-Risk (VaR). The incremental risk charge is a regulatory capital charge for default and migration risk on positions in the trading books and is intended to complement additional standards being applied to the >>>VaR modeling framework, including stressed VaR. Stressed VaR replicates a VaR calculation on the Group’s current portfolio taking into account a one-year observation period relating to significant financial stress and helps reduce the pro-cyclicality of the minimum capital requirements for market risk.

FINMA, in line with Bank for International Settlements (BIS) requirements, uses a multiplier to impose an increase in market risk capital for every >>>regulatory VaR >>>backtesting exception over four in the prior rolling 12-month period. For the purposes of this measurement, backtesting exceptions are calculated using a subset of actual daily trading revenues that includes only the impact of daily movements in financial market variables such as interest rates, equity prices and foreign exchange rates on the previous night’s positions. In 2012, our market risk capital multiplier remained at FINMA and BIS minimum levels and we did not experience an increase in market risk capital.

With FINMA approval, we have implemented a Comprehensive Risk Measure framework to calculate a capital charge covering all price risks (default, spread and correlation risk) within the credit correlation products within our trading book portfolio.

> Refer to "Market risk" in Risk management for further information on Credit Suisse's risk measurement models and backtesting exceptions.

Capital structure

Total eligible capital as defined under Basel II.5 as implemented by FINMA is outlined in the following table and text.

Tier 1 capital

BIS tier 1 capital consists of total shareholders' equity, qualifying noncontrolling interests and hybrid tier 1 capital instruments.

Qualifying noncontrolling interests include common shares in majority-owned and consolidated banking and finance subsidiaries held by third parties as well as participation securities of the Bank issued to a third-party SPE (tier 1 capital securities). The third-party SPE issued perpetual, non-cumulative notes secured by the tier 1 capital securities of the Bank and preferred securities issued by a subsidiary of the Group that are guaranteed on a subordinated basis by the Bank. Payments of dividends on the tier 1 capital securities and preferred securities are subject to adequacy of distributable profits, no regulatory prohibition on payments on the tier 1 capital securities or the preferred securities and compliance with capital adequacy and liquidity requirements. The redemption of the tier 1 capital securities or the preferred securities is subject to capital adequacy, solvency requirements and prior approval of FINMA.

Hybrid tier 1 capital instruments include preferred securities, which are issued by SPEs, and capital notes issued directly by the Bank. These hybrid tier 1 instruments are unsecured, perpetual, non-cumulative, deeply subordinated instruments senior only to common shares and qualifying noncontrolling interests. We are obligated to pay interest or dividends on hybrid tier 1 instruments only if we pay dividends on common shares and qualifying noncontrolling interests. These hybrid tier 1 instruments are risk-bearing on a comparable basis with common shares and qualifying noncontrolling interests and can, up to a 15% limit, have step-ups in the coupon in conjunction with call options only after a minimum of five years from the issue date. Payment of interest or dividends on these instruments is subject to adequacy of distributable profits, compliance with capital adequacy requirements and solvency. The redemption of these instruments is subject to capital adequacy, solvency requirements and prior approval of FINMA.

Hybrid tier 1 instruments are subject to a limit of 50% of tier 1 capital. The following categories and maximum values determine the extent to which these hybrid tier 1 instruments can be attributed to tier 1 capital:

– A maximum of 15% of tier 1 capital can be in the form of "innovative instruments" that either have a fixed maturity or an incentive to repay, such as a step-up in the coupon if the instrument is not redeemed when callable.

– A maximum of 35% of tier 1 capital, less the instruments subject to the 15% limit, can be in the form of other hybrid tier 1 instruments that have no fixed maturity and no incentive for repayment.

– A maximum of 50% of tier 1 capital, less the instruments subject to the 15% and 35% limits, can be in the form of instruments that include a predefined mechanism that converts them into tier 1 capital, such as mandatory convertible bonds convertible into common shares.

To derive tier 1 capital, certain deductions are made from total shareholders' equity as follows:

– goodwill and other intangible assets;

– participations in insurance entities, investments in certain bank and finance entities, and certain securitization exposures (equally deducted from tier 1 and tier 2 capital); and

– other adjustments, including cumulative >>>fair value adjustments on Credit Suisse debt, net of tax, anticipated but not yet declared dividends, the net long position in own treasury shares in the trading book and an adjustment for the accounting treatment of pension plans.

Tier 2 capital

Tier 2 capital consists of upper and lower tier 2 instruments. Upper tier 2 instruments are unsecured, perpetual, subordinated instruments that are senior only to tier 1 instruments. Interest payments are deferrable, but we are obligated to pay interest (including deferred interest) on these upper tier 2 instruments if we pay dividends on tier 1 capital or on redemption. These upper tier 2 instruments can have moderate step-ups in conjunction with call options only after a minimum of five years from the issue date. The redemption of these instruments is subject to solvency. Upper tier 2 capital also includes any excess in eligible provisions over expected losses (up to a maximum amount of 0.6% of the risk-weighted positions) for exposures subject to the credit risk A-IRB.

Lower tier 2 instruments are unsecured, subordinated instruments that are senior only to tier 1 instruments and upper tier 2 instruments and have a maturity on issuance of at least five years. Lower tier 2 capital eligibility is subject to regulatory amortization over the five years prior to redemption.

Capital issuances and redemptions

In February 2011, we entered into definitive agreements with entities affiliated with Qatar Investment Authority (QIA) and The Olayan Group (the Investors) to issue tier 1 buffer capital notes (Tier 1 BCN). Under the agreements, the Investors agreed to purchase USD 3.45 billion Tier 1 BCN and CHF 2.5 billion Tier 1 BCN in exchange for their holdings of USD 3.45 billion 11% tier 1 capital notes and CHF 2.5 billion 10% tier 1 capital notes issued in 2008 (Tier 1 Capital Notes) or, in the event that the Tier 1 Capital Notes have been redeemed in full, for cash. The purchase or exchange was originally expected to occur by October 23, 2013, the first call date of the Tier 1 Capital Notes. As part of the July 2012 capital measures, we entered into an agreement to accelerate the exchange of USD 1.725 billion of the Tier 1 Capital Notes for Tier 1 BCN. The remainder of the Tier 1 Capital Notes is expected to be purchased or exchanged in October 2013.

In March 2012, pursuant to a tender offer, we repurchased for CHF 4.7 billion outstanding hybrid tier 1 instruments and tier 2 instruments, which will no longer qualify for regulatory capital treatment under the >>>Basel III framework. In July 2012, in connection with a second tender offer and additional repurchase transactions, we repurchased tier 1 securities of CHF 0.5 billion and tier 2 securities of CHF 2.2 billion.

In March 2012, we completed an issuance of CHF 750 million 7.125% tier 2 buffer capital notes (Tier 2 BCN) due in 2022. The Tier 2 BCN were convertible into ordinary Group shares if, prior to Basel III, our core tier 1 ratio fell below 7% or under Basel III will be converted into ordinary Group shares if our CET1 ratio falls below 7%. The Tier 2 BCN may be redeemed by the issuer in March 2017.

As part of the July 2012 capital measures, we issued CHF 3.8 billion of mandatory and contingent convertible securities (MACCS) that are mandatorily convertible into 233.5 million shares at a conversion price of CHF 16.29 per share on March 29, 2013 (subject to early conversion upon certain contingency and viability events), with settlement and delivery of shares in early April 2013.

In January 2013, we redeemed perpetual bonds of EUR 77 million of lower tier 2 notes with a maturity date of January 23, 2018. In February 2013, we announced the redemption of our outstanding USD 1.525 billion 7.9% Tier 1 Capital Notes on March 28, 2013.

> Refer to “July 2012 capital measures” for further information.
> Refer to “Related party transactions” in IV – Corporate Governance and Compensation – Corporate Governance – Banking relationships with members of the Board and Executive Board and related party transactions for further information on Tier 1 BCN and MACCS.

Capital metrics under Basel II.5

Regulatory capital – Group

Our tier 1 ratio was 19.4% as of the end of 2012, compared to 15.2% as of the end of 2011, reflecting higher tier 1 capital and lower >>>RWA. Our core tier 1 ratio was 15.5% as of the end of 2012, compared to 10.7% as of the end of 2011, reflecting higher core tier 1 capital and lower RWA. Our total capital ratio was 22.3% as of the end of 2012 compared to 20.1% as of the end of 2011.

Tier 1 capital was CHF 43.5 billion as of the end of 2012 compared to CHF 36.8 billion as of the end of 2011. The increase was primarily driven by net income (excluding the impact of >>>fair value gains/(losses) on Credit Suisse debt, net of tax), the issuance of MACCS and the effect of share-based compensation including the Adjustable Performance Plan awards conversion. These increases were partially offset by the buyback of hybrid tier 1 instruments in connection with two debt tender offers in combination with certain other repurchase transactions and an adverse foreign exchange translation impact.

Tier 2 capital was CHF 6.4 billion as of the end of 2012 compared to CHF 11.8 billion as of the end of 2011. The decrease was primarily driven by the buyback of tier 2 capital instruments in connection with the tender offers and an adverse foreign exchange translation impact, partially offset by the issuance of Tier 2 BCN in March 2012. Total eligible capital as of the end of 2012 was CHF 49.9 billion compared to CHF 48.7 billion as of the end of 2011.

RWA decreased CHF 17.5 billion to CHF 224.3 billion as of the end of 2012, reflecting a material decrease in credit risk and market risk, together with a beneficial impact from foreign exchange translation and a decrease in non-counterparty risk, partially offset by an increase in operational risk.

Excluding the foreign exchange translation impact, credit risk in Investment Banking decreased due to reductions in counterparty-related derivative risk resulting from the 2011 Partner Asset Facility transaction, other reductions in derivative and lending exposures and parameter updates primarily related to LGD. Within Private Banking & Wealth Management, credit risk decreased resulting from enhancements to the processing of LGD data, a net decrease in fund investments and parameter updates on residential mortgages, partially offset by increased credit exposures.

Market risk decreased over the period driven by a number of factors including lower exposures across Investment Banking that reduced >>>incremental risk charges, VaR and stressed VaR. There were reductions in the incremental risk charge resulting from incorporating sovereign risk that was previously a fixed regulatory add on into the risk model. Increases resulting from the inclusion of risks not covered by our VaR model were partially offset by a corresponding reduction in the regulatory multipliers. In addition, there were minor decreases following our implementation of a Comprehensive Risk Measure framework covering the credit correlation products within our trading book portfolio.

The decrease in non-counterparty risk was driven by real estate sales.

Operational risk increased to reflect anticipated changes to our model. The increase has been agreed with >>>FINMA for capital purposes and represents a 20% regulatory uplift on operational risk RWA. In addition, there were marginal increases in operational risk due to minor updates to loss parameters and maturity haircuts applied to insurance policies.

> Refer to the table “BIS statistics – Basel II.5” for further information regarding market risk and the VaR methodology.

> Refer to https://www.credit-suisse.com/investment_banking/ financial_regulatory/en/ subsidiaries_pillar_3.jsp for further information on capital ratios of certain significant subsidiaries.
> Refer to "Market risk", "Credit risk" and "Operational risk" in Risk management for further information.
> Refer to "Risk-weighted assets" for further information.

BIS statistics – Basel II.5

	Group			Bank		
end of	2012	2011	% change	2012	2011	% change
Eligible capital (CHF million)						
Total shareholders' equity	35,498	33,674	5	34,767	29,403	18
Goodwill and intangible assets	(8,634)	(8,876)	(3)	(7,756)	(7,979)	(3)
Qualifying noncontrolling interests	3,227	3,365	(4)	4,204	4,476	(6)
Capital deductions 50% from tier 1	(1,462)	(2,274)	(36)	(1,413)	(2,242)	(37)
Other adjustments	6,137[1]	67	–	1,077	552	95
Core tier 1 capital	**34,766**	**25,956**	34	**30,879**	**24,210**	28
Hybrid tier 1 capital instruments [2]	8,781[3]	10,888	(19)	8,781[3]	10,888	(19)
Tier 1 capital	**43,547**	**36,844**	18	**39,660**	**35,098**	13
Upper tier 2	352	1,841	(81)	377	1,925	(80)
Lower tier 2	7,499	12,243	(39)	9,128	13,609	(33)
Capital deductions 50% from tier 2	(1,462)	(2,274)	(36)	(1,413)	(2,242)	(37)
Tier 2 capital	**6,389**	**11,810**	(46)	**8,092**	**13,292**	(39)
Total eligible capital	**49,936**	**48,654**	3	**47,752**	**48,390**	(1)
Risk-weighted assets (CHF million)						
Credit risk	143,679	157,237	(9)	134,760	148,378	(9)
Market risk	29,366	40,609	(28)	29,338	40,571	(28)
Non-counterparty risk	6,126	7,819	(22)	5,873	7,564	(22)
Operational risk	45,125	36,088	25	45,125	36,088	25
Risk-weighted assets	**224,296**	**241,753**	(7)	**215,096**	**232,601**	(8)
Capital ratios (%)						
Core tier 1 ratio	15.5	10.7	–	14.4	10.4	–
Tier 1 ratio	19.4	15.2	–	18.4	15.1	–
Total capital ratio	22.3	20.1	–	22.2	20.8	–

1 Includes mandatory and contingent convertible securities net of fees and interest of CHF 3.6 billion, an adjustment of CHF 2.7 billion for the accounting treatment of pension plans, cumulative fair value adjustments of CHF (0.1) billion on own vanilla debt and structured notes, net of tax and the 2012 dividend accrual on Group shares of CHF (0.2) billion (representing a distribution of CHF 0.10 per share in cash out of reserves from capital contributions and a distribution of new shares by way of allocation of non-tradable

rights with a theoretical value of approximately CHF 0.65 per
right). 2 Non-cumulative perpetual preferred securities and capital notes. FINMA has advised that the Group and the Bank may continue to include as tier 1 capital CHF 33 million and CHF 1.6 billion, respectively, in 2012 (2011: CHF 0.6 billion and CHF 3.2 billion, respectively) of equity from special purpose entities that are deconsolidated under US GAAP. 3 FINMA has advised that a maximum of 35% of tier 1 capital can be in the form of hybrid capital instruments, which will be phased out under Basel III. Hybrid tier 1 capital represented 19.5% and 21.4% of the Group's and the Bank's adjusted tier 1 capital, respectively, as of the end of 2012.

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As of the end of 2012, we had CHF 3.2 billion of qualifying noncontrolling interests, all of which were core tier 1 capital securities secured by participation securities issued by the Bank. In addition, we had CHF 8.8 billion of hybrid tier 1 instruments, of which CHF 0.3 billion were innovative instruments. The hybrid tier 1 instruments currently include USD 1.7 billion 11% Tier 1 Capital Notes and CHF 2.5 billion 10% Tier 1 Capital Notes that are expected to be exchanged for Tier 1 BCN on October 23, 2013, the first call date of the Tier 1 Capital Notes. USD 1.725 billion 11% Tier 1 Capital Notes were exchanged for Tier 1 BCN in July 2012.

> Refer to “Capital issuances and redemptions” for further information.

Tier 1 capital movement – Basel II.5

end of	2012	2011	% change
Tier 1 capital (CHF million)			
Balance at beginning of period	**36,844**	**35,225**	5
Net income	1,349	1,953	(31)
Adjustments for fair value gains/(losses) reversed for regulatory purposes, net of tax	2,626	(1,415)	–
Foreign exchange impact on tier 1 capital	(861)	(368)	134
Other	3,589[1]	1,449	148
Balance at end of period	**43,547**	**36,844**	18

1 Reflects the issuance and redemption of tier 1 capital, including the issuance of the mandatory and contingent convertible securities, the effect of share-based compensation and the change in regulatory deductions.

Risk-weighted assets by division – Basel II.5

end of	2012	2011	% change
Risk-weighted assets by division (CHF million)			
Private Banking & Wealth Management	87,190	90,743	(4)
Investment Banking	124,378	138,694	(10)
Corporate Center	12,728	12,316	3
Risk-weighted assets	**224,296**	**241,753**	(7)

For management purposes, the Group allocates to the divisions risk-weighted asset equivalents related to regulatory capital and certain intangible asset deductions from Group tier 1 capital.

Risk-weighted assets

Our balance sheet positions and off-balance sheet exposures translate into RWA that are categorized as market, credit, operational and non-counterparty-risk RWA. Market risk RWA reflect the capital requirements of potential changes in the fair values of financial instruments in response to market movements inherent in both the balance sheet and the off-balance sheet items. Credit risk RWA reflect the capital requirements for the possibility of a loss being incurred as the result of a borrower or counterparty failing to meet its financial obligations or as a result of a deterioration in the credit quality of the borrower or counterparty. Operational risk RWA reflect the capital requirements for the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Non-counterparty-risk RWA primarily reflect the capital requirements for our premises and equipment. It is not the nominal size, but the nature (including >>>risk mitigation such as collateral or hedges) of the balance sheet positions or off-balance sheet exposures that determines the RWA.

Regulatory capital – Bank

The Bank’s tier 1 ratio was 18.4% as of the end of 2012, an increase from 15.1% as of the end of 2011. The increase in the tier 1 ratio reflected an increase in tier 1 capital and a decrease in RWA. The Bank’s core tier 1 ratio was 14.4% as of the end of 2012, compared to 10.4% as of the end of 2011. The Bank’s total capital ratio was 22.2% as of the end of 2012, compared to 20.8% as of the end of 2011, reflecting the increase in tier 1 capital and the decrease in RWA.

The Bank’s total eligible capital decreased to CHF 47.8 billion as of the end of 2012 from CHF 48.4 billion as of the end of 2011.

RWA decreased CHF 17.5 billion to CHF 215.1 billion as of the end of 2012 and the Bank's tier 1 capital increased to CHF 39.7 billion as of the end of 2012 from CHF 35.1 billion as of the end of 2011.

The business of the Bank is substantially the same as the business of the Group. The trends for the Bank are consistent with those for the Group.

Leverage ratios

The capital levels of the Group and the Bank are subject to qualitative judgments by regulators, including FINMA, about the components of capital, risk weightings and other factors. In November 2008, FINMA issued a decree that defined capital adequacy and leverage ratio requirements, with compliance phased in by 2013. The capital adequacy target included in this decree is a range between 50% and 100% above the Pillar 1 requirements under the Basel framework. In addition, the decree includes leverage limits that require us to maintain a minimum leverage ratio of tier 1 capital to total adjusted average assets (on a non-risk-weighted basis) of 3% at the Group and Bank consolidated level and 4% at the Bank on an unconsolidated basis by 2013.

Total assets are adjusted for purposes of calculating this leverage ratio. The adjustments include assets from Swiss lending activities (excluding Swiss interbank lending), cash and balances with central banks, certain Swiss franc >>>reverse repurchase agreements and certain other assets, such as goodwill and intangible assets that are excluded in determining regulatory tier 1 capital.

Leverage ratios – Basel II.5

	Group			Bank		
end of	2012	2011	% change	2012	2011	% change
Tier 1 capital (CHF billion)						
Tier 1 capital	**43.5**	**36.8**	18	**39.7**	**35.1**	13
Adjusted average assets (CHF billion) [1]						
Average assets	973	1,038	(6)	957	1,024	(7)
Adjustments:						
Assets from Swiss lending activities [2]	(150)	(145)	3	(128)	(123)	4
Cash and balances with central banks	(59)	(81)	(27)	(58)	(81)	(28)
Other	(13)	(15)	(13)	(12)	(14)	(14)
Adjusted average assets	**751**	**797**	(6)	**759**	**806**	(6)
Leverage ratio (%)						
Leverage ratio	**5.8**	**4.6**	–	**5.2**	**4.4**	–

1 Calculated as the average of the month-end values for the previous three calendar months. 2 Excludes Swiss interbank lending.

The leverage ratios for the Group and Bank as of the end of 2012 were 5.8% and 5.2%, respectively, compared to 4.6% and 4.4% as of the end of 2011, calculated using >>>Basel II.5 tier 1 capital. The increase in the Basel II.5 leverage ratios reflected substantially higher tier 1 capital and lower adjusted average assets. The 6% lower adjusted average assets reflected measures taken in connection with our balance sheet reduction initiative announced in October 2012, particularly relating to Investment Banking assets, and the foreign exchange translational impact.

> Refer to "FINMA Basel III Leverage Ratio" in Ratios based on new capital frameworks and Regulation and Supervision in I – Information on the company for further information.

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Total shareholders’ equity

Group
Our total shareholders’ equity was CHF 35.5 billion as of the end of 2012 compared to CHF 33.7 billion as of the end of 2011. Total shareholders’ equity was impacted by the issuance of common shares primarily used to settle share-based compensation and the share component of the scrip dividend distributed in 2012, net income in 2012, the effect of share-based compensation, including the Adjustable Performance Plan awards conversion described below, and the effect of pension adjustments, partially offset by the dividend payment in cash and shares, the impact of foreign exchange-related movements on cumulative translation adjustments and treasury share purchases and sales.

> Refer to the “Consolidated statements of changes in equity” in V – Consolidated financial statements – Credit Suisse Group for further information on the Group’s total shareholders’ equity.

Bank
The Bank’s total shareholder’s equity was CHF 34.8 billion as of the end of 2012 compared to CHF 29.4 billion as of the end of 2011. Total shareholder’s equity was impacted by a capital contribution from the Group following the issuance of MACCS, net income in 2012, the effect of share-based compensation, including the Adjustable Performance Plan awards conversion, and the purchase of subsidiary shares from non-controlling interests, partially offset by the impact of foreign exchange-related movements on cumulative translation adjustments and cash dividends paid in 2012.

> Refer to the “Consolidated statements of changes in equity” in VII – Consolidated financial statements – Credit Suisse (Bank) for further information on the Bank’s total shareholder’s equity.

Capital

			Group			Bank
end of	2012	2011	% change	2012	2011	% change
Shareholders' equity (CHF million)						
Common shares	53	49	8	4,400	4,400	0
Additional paid-in capital	23,636	21,796	8	28,686	24,134	19
Retained earnings	28,171	27,053	4	13,637	11,824	15
Treasury shares, at cost	(459)	(90)	410	0	0	–
Accumulated other comprehensive income/(loss)	(15,903)	(15,134)	5	(11,956)	(10,955)	9
Total shareholders' equity	**35,498**	**33,674**	5	**34,767**	**29,403**	18
Goodwill	(8,389)	(8,591)	(2)	(7,510)	(7,700)	(2)
Other intangible assets	(243)	(288)	(16)	(243)	(280)	(13)
Tangible shareholders' equity [1]	**26,866**	**24,795**	8	**27,014**	**21,423**	26
Shares outstanding (million)						

Common shares issued	1,320.8	1,224.3	8	44.0	44.0	0
Treasury shares	(27.0)	(4.0)	–	0.0	0.0	–
Shares outstanding	**1,293.8**	**1,220.3**	6	**44.0**	**44.0**	0
Par value (CHF)						
Par value	0.04	0.04	0	100.00	100.00	0
Book value per share (CHF)						
Total book value per share	**27.44**	**27.59**	(1)	**790.16**	**668.25**	18
Goodwill per share	(6.48)	(7.04)	(8)	(170.68)	(175.00)	(2)
Other intangible assets per share	(0.19)	(0.23)	(17)	(5.53)	(6.36)	(13)
Tangible book value per share [1]	**20.77**	**20.32**	2	**613.95**	**486.89**	26

1 Management believes that tangible shareholders' equity and tangible book value per share, both non-GAAP financial measures, are meaningful as they are measures used and relied upon by industry analysts and investors to assess valuations and capital adequacy.

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July 2012 capital measures

In July 2012, we announced a number of measures, described below, designed to accelerate the strengthening of our capital position in light of the current regulatory and market environment, including the implementation of the >>>Basel III framework and the Swiss >>>"Too Big to Fail" legislation.

During the second half of 2012, we substantially completed the July 2012 capital measures, the effects of which were influenced by an adverse foreign exchange translation impact and the decrease in Basel III >>>RWA. We have reached a Look-through Swiss Core Capital ratio of 9.0% as of the end of 2012 by adding CHF 11.5 billion of Swiss Core Capital and decreasing our Basel III RWA by CHF 20 billion over the last two quarters. We expect to add CHF 0.8 billion of capital in the near term through the completion of the remaining capital measures announced in July 2012, primarily related to strategic divestments and other measures, which would result in a pro forma Look-through Swiss Core Capital ratio of 9.3%.

As discussed below, the majority of the measures have a capital benefit for common equity tier 1 (CET1) capital. Certain measures only impact Swiss Core Capital. In aggregate, all of the measures impact Swiss Total Capital. Capital benefits consist of changes in equity, gains on sales, reduced deductions and RWA relief. The definitions of regulatory capital and capital ratios mentioned below refer to the Swiss "Too Big to Fail" legislation as determined by FINMA.

> Refer to "New capital framework in 2013" for further information.

We also believe that these actions, together with the comprehensive periodic disclosures we have made regarding these capital measures and our regulatory capital metrics beginning with our 2Q12 Financial Report, have fully addressed the two key recommendations raised in the SNB's June 2012 Financial Stability Report. In that report, the SNB recommended that we expand our loss-absorbing capital base beginning in 2012 so that, when evaluated under the new Basel III regulatory framework as implemented in Switzerland, we would rank among the best capitalized banks in the world. Their second recommendation was that the large banks in Switzerland (including us) increase transparency by making regular disclosures of key metrics under the new regulatory capital framework, in particular loss-absorbing capital and risk-weighted assets under Basel III once fully implemented.

Mandatory and contingent convertible securities

In July 2012, we issued CHF 3.8 billion MACCS that are mandatorily convertible into 233.5 million shares at a conversion price of CHF 16.29 per share on March 29, 2013 (subject to early conversion upon certain contingency and viability events), with settlement and delivery of shares in early April 2013. Among the shares to be delivered upon conversion are 33.5 million treasury shares in respect of our 2012 purchase of the residual minority stake in Credit Suisse Hedging-Griffo Investimentos S.A.

Strategic and institutional investors purchased CHF 2.0 billion of MACCS and shareholders exercised preferential subscription rights for CHF 1.8 billion of MACCS, resulting in a CET1 capital benefit of CHF 3.6 billion, net of fees and interest.

Adjustable Performance Plan awards exchange

In the third quarter of 2012, we completed a voluntary exchange offer under which certain employees elected to convert any future cash payments from deferred compensation awards under the Adjustable Performance Plan awards for shares at the same price as the conversion price under the MACCS. Delivery of the shares will be consistent with the Adjustable Performance Plan awards deferred payment schedule, which provides for payments from 2013 to 2015. The Adjustable Performance Plan was initially a cash-based deferred compensation plan awarded in respect of 2009 and 2010, where the award value was linked to the financial performance of the employees' business areas and the Group's return on equity. The exchange resulted in a CET1 capital benefit of CHF 0.5 billion. This represented a conversion rate of approximately 50%.

Tender offer

In the third quarter of 2012, we completed a tender offer to repurchase certain outstanding public capital and senior funding instruments. The offer targeted 11 capital instruments denominated in US dollars, euros and British pounds and five additional senior bonds denominated in US dollars. The offers allowed the Group's bond investors to sell holdings in capital and senior funding securities. Through the tender offer, in combination with certain additional repurchase transactions, we repurchased for CHF 4.8 billion outstanding tier 1 and tier 2 instruments and senior debt, resulting in a CET1 capital benefit of CHF 0.4 billion.

Real estate sales

During the second half of 2012, we completed real estate sales, including a significant sale-and-lease-back transaction in the fourth quarter of 2012, that resulted in a CET1 capital benefit of CHF 0.7 billion.

Sale of residual stake in Aberdeen Asset Management

We completed the sale of our residual stake in Aberdeen Asset Management in July 2012 for a CET1 capital benefit of CHF 0.2 billion.

Strategic divestments

In line with the accelerated implementation of our strategy toward a more liquid alternatives business in the Asset Management business and given the remaining uncertainty regarding the implementation of the "Volcker Rule", we intend to sell certain private equity businesses and investments and, as announced in January 2013, our ETF business, the sale of which is expected to close by the end of 2Q13. We made progress on these measures in 2012, adding a CET1 capital benefit of CHF 0.6 billion, primarily related to our redemptions of investments in funds and the sale of Wincasa.

Earnings-related effects/lower capital deductions

Positive earnings during the second half of 2012 and lower capital deductions also during the second half of 2012 including decreased deductions from lower deferred tax assets on net operating losses, together with the capital effect of share-based compensation awards, added a CET1 capital benefit of CHF 3.0 billion.

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

Tier 1 participation securities recognition

In 2008 and 2010, the Bank issued tier 1 participation securities to "Claudius", a third-party SPE which, in turn, issued perpetual, non-cumulative, secured notes to investors of which USD 1.5 billion bear interest at 8.25% and the other USD 1.5 billion bear interest at 7.875%. >>>FINMA has ruled that, under the Swiss "Too Big to Fail" legislation, the existing USD 3.0 billion in tier 1 participation securities (with a >>>haircut of 20%) will qualify as part of the Swiss equity requirement in excess of the 8.5% >>>Basel III Global Systemically Important Bank (G-SIB) CET1 ratio. This resulted in a Swiss Core Capital benefit of CHF 2.5 billion until the earlier of redemption or 2018 on a non-reducing basis.

Accelerated exchange of Tier 1 Capital Notes

In July 2012, we entered into an agreement to accelerate the exchange of USD 1.725 billion of our existing Tier 1 Capital Notes into high trigger Tier 1 BCN, which was initially scheduled for October 2013. The conversion floor price of the BCN delivered in the exchange (as well as the remaining BCN scheduled to be delivered in 2013) has been adjusted to the conversion price of the MACCS described above. The BCN qualify for a Swiss Total Capital benefit of CHF 1.5 billion, based on the US dollar exchange rate as of the end of 2012, net of fees.

New capital framework in 2013

Basel III

The >>>BCBS issued the >>>Basel III framework, with higher minimum capital requirements and conservation and countercyclical buffers, revised risk-based capital measures, a leverage ratio and liquidity standards. The framework was designed to strengthen the resilience of the banking sector. The new capital standards and capital buffers will require banks to hold more capital, mainly in the form of common equity. The new capital standards will be phased in from January 1, 2013 through year-end 2018 for those countries that have adopted Basel III.

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

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

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

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

In November 2011, the BCBS issued final rules for global systemically important banks (G-SIBs), outlining a methodology for assessing whether a banking institution should be regarded as a G-SIB and determining additional capital requirements between 1% and 2.5% (with a possible additional 1%) of CET1. The additional requirements for G-SIBs will be phased in from January 1, 2016 through year-end 2018. The Financial Stability Board has identified us as a G-SIB.

Swiss regulations relating to Basel III

As of January 1, 2013, the Basel III framework was implemented in Switzerland along with the Swiss >>>"Too Big to Fail" legislation and regulations thereunder. Together with the related implementing ordinances, the legislation includes capital, liquidity, leverage and large exposure requirements, and rules for emergency plans designed to maintain systemically relevant functions in the event of threatened insolvency. Certain requirements under the legislation, including those regarding capital, are to be phased in through year-end 2018. The legislation on capital requirements builds on Basel III, but in respect of systemically relevant banks goes beyond its minimum standards, including requiring that we have common equity of at least 10% of RWA and contingent capital or other qualifying capital of up to 9% of RWA by January 1, 2019.

In June 2012, the Swiss Federal Council adopted implementing ordinances under the Swiss "Too Big to Fail" legislation. Certain of the ordinance requirements became effective January 1, 2013, with some phased in through the end of 2018. Already effective upon adoption of the ordinances were increased lending standards for new residential mortgages and a supplemental countercyclical buffer of up to 2.5% of RWA that can be activated during periods of excess credit growth and subsequently deactivated by the Federal Council upon request of the SNB after consultation with >>>FINMA. On February 13, 2013, the Swiss Federal Council decided to activate the countercyclical capital buffer based on the request of the SNB. This activation of the countercyclical buffer will require banks to hold additional capital in the amount of 1% of their RWA pertaining to mortgage loans that finance residential property in Switzerland beginning in September 30, 2013.

In September 2012, the Swiss Parliament approved the portions of the ordinances related to the Swiss "Too Big to Fail" legislation that are specific to systemically relevant banks, including requirements regarding capital, leverage, large exposure and Recovery and Resolution Plans. These requirements became effective January 1, 2013. Under these ordinances, we must comply with an additional leverage ratio, applicable to Swiss systemically relevant banks (FINMA Basel III Leverage Ratio). This leverage ratio has to be at least 24% of the percentage points of each of the minimum, buffer and progressive capital requirements. Since the ratio is defined by reference to capital requirements subject to transitional arrangements, the new leverage ratio will be phased in from 2013 to 2018.

Ratios based on new capital frameworks

Basel III CET1 ratio

We have updated our >>>Basel III CET1 ratio to reflect recent developments. Our Basel III >>>RWA as of the end of 2012 were CHF 293 billion, which reflect current foreign exchange rates.

Our Basel III CET1 ratio as of the end of 2012 was 14.2%, up from the 12.9% in our 2011 simulation for 2012, primarily reflecting the July 2012 capital measures. The following presentation is consistent with the phase-in/phase-out requirements of Basel III.

Basel III CET1 ratio

end of	2012
Capital development (CHF billion)	
Total shareholders' equity	35.5
Mandatory and contingent convertible securities [1]	3.6
Regulatory adjustments [2]	2.4
CET1 capital	**41.5**
Risk-weighted assets development (CHF billion)	
Risk-weighted assets (Basel II.5)	224
Estimated Basel III changes	60
Subtotal (Look-through risk-weighted assets)	284
Transitional adjustments [3]	9
Risk-weighted assets (Basel III)	**293**
Capital ratio (%)	
CET1 ratio	**14.2**

Rounding differences may occur.
1 Consists of CHF 3.8 billion of mandatory and contingent convertible securities, net of fees and interest, which are mandatorily convertible into 233.5 million shares on March 29, 2013, with settlement and delivery of shares in early April 2013. 2 Includes an adjustment of CHF 2.7 billion for the accounting treatment of pension plans, pursuant to phase-out requirements, and other regulatory adjustments. 3 Represents Basel III adjustments pursuant to phase-out requirements.

Look-through Basel III CET1 ratio

For the years 2014 – 2018, there will be a five-year (20% per annum) phase in of goodwill and intangible assets and other Basel III capital deductions (e.g., deferred tax assets and participations in financial institutions). Assuming a fully phased in CHF 8.6 billion of goodwill and intangible assets and CHF 7.9 billion of other regulatory adjustments, we estimate that our CET1 ratio as of December 31, 2012 would be 8.0%, calculated based on Look-through Basel III RWA of CHF 284 billion.

Swiss Core and Total Capital ratios

Swiss Core Capital consists of the Basel III CET1 capital and existing tier 1 participation securities. Swiss Total Capital also includes high and low-trigger contingent capital, including our BCN. As of the end of 2012, our Swiss Core Capital and Swiss Total Capital ratios were 15.0% and 16.4%, respectively, compared to 6.0% and 8.2%, respectively, required of us by FINMA.

Swiss Core and Total Capital ratios

end of	2012
Capital development (CHF billion)	
CET1 capital	41.5
Swiss regulatory adjustments [1]	2.5
Swiss Core Capital	44.0
High-trigger Buffer Capital Notes	4.1
Swiss Total Capital	**48.1**
Risk-weighted assets (CHF billion)	
Risk-weighted assets (Basel III)	293
Swiss regulatory adjustments [2]	1
Swiss risk-weighted assets (Basel III)	**294**
Capital ratios (%)	
Swiss Core Capital ratio	**15.0**
Swiss Total Capital ratio	**16.4**

Rounding differences may occur.
1 Consists of existing tier 1 participation securities of CHF 2.5 billion and other Swiss regulatory adjustments. 2 Reflects increased regulatory thresholds resulting from additional Swiss Core Capital.

Look-through Swiss Core and Total Capital ratios

The Look-through Swiss Core Capital assumes fully phased-in goodwill and intangible assets and other regulatory adjustments. We have calculated the pro forma Look-through Swiss Core Capital assuming the successful completion of the remaining CHF 0.8 billion of capital measures announced in July 2012. As of the end of 2012, our pro forma Look-through Swiss Core Capital ratio was 9.3% compared to the 10.0% that will be required by FINMA by year-end 2018.

FINMA Basel III Leverage Ratio

The FINMA Basel III Leverage Ratio is calculated as Swiss Core Capital plus high and low-trigger contingent capital divided by total exposure. Total exposure consists of balance sheet assets plus exposure add-ons including cash collateral netting reversals and off-balance sheet >>>derivative exposures, guarantees and commitments. As of the end of 2012, our total exposure for FINMA Basel III Leverage Ratio purposes was CHF 1,276 billion. By the end of 2013, we are targeting a reduction in our total exposure to under CHF 1,170 billion.

Additional information

Share repurchases

The Swiss Code of Obligations limits a corporation's ability to hold or repurchase its own shares. We may only repurchase shares if we have sufficient free reserves to pay the purchase price, and if the aggregate nominal value of the repurchased shares does not exceed 10% of our nominal share capital. Furthermore, we must create a special reserve in our parent company financial statements in the amount of the purchase price of the acquired shares. In our consolidated financial statements, own shares are recorded at cost and reported as treasury shares, resulting in a reduction in total shareholders' equity. Shares repurchased by us do not carry any voting rights at shareholders' meetings.

We purchased 423.7 million treasury shares and sold or re-issued 394.7 million treasury shares in 2012, predominantly for market-making purposes and facilitating customer orders. As of December 31, 2012, the Group held 27.0 million treasury shares.

> Refer to "Impact of share-based compensation on shareholders' equity" in IV – Corporate Governance and Compensation – Compensation for further information.

Purchases and sales of treasury shares

In million, except where indicated	Number of shares	Average price per share in CHF
2012		
January	22.4	23.10
February	20.4	24.65
March	27.8	25.77
April	45.9	23.59
May	25.8	19.32
June	30.0	18.21
July	75.2	17.15
August	23.0	17.79
September	44.4	20.74
October	25.6	21.27
November	29.1	20.93
December	54.1	22.58
Total purchase of treasury shares	**423.7**	**–**
Total sale of treasury shares	**394.7**	**–**

Dividends and dividend policy

Under the Swiss Code of Obligations, dividends may be paid out only if and to the extent the corporation has distributable profits from previous business years, or if the free reserves of the corporation are sufficient to allow distribution of a dividend. In addition, at least 5% of the annual net profits must be retained and booked as general legal reserves for so long as these reserves amount to less than 20% of the paid-in share capital. Our reserves currently exceed this 20% threshold. Furthermore, dividends may be paid out only after shareholder approval at the AGM. The Board of Directors may propose that a dividend be paid out, but cannot itself set the dividend. In Switzerland, the auditors have to confirm whether the appropriation of retained earnings is in accordance with Swiss law and articles of incorporation. In practice, the shareholders usually approve the dividend proposal of the Board of Directors. Dividends are usually due and payable after the shareholders' resolution relating to the allocation of profits has been passed. Under the Swiss Code of Obligations, the statute of limitations in respect of claiming the payment of dividends that have been declared is five years.

Our dividend payment policy seeks to provide investors with a stable and efficient form of capital distribution relative to earnings. Dividend payments made in 2012, for 2011, were comprised of a distribution of CHF 0.75 per share payable against reserves from capital contributions in cash or upon shareholder election and subject to legal restrictions, in new Group shares or a combination thereof.

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

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

Reflecting our holding company structure, the Group is not an operating company and holds investments in subsidiaries. It is therefore reliant on the dividends of its subsidiaries to pay shareholder dividends and service its long-term debt. The subsidiaries of the Group are generally subject to legal restrictions on the amount of dividends they can pay. The amount of dividends paid by operating subsidiaries is determined after consideration of the expectations for future results and growth of the operating businesses.

> Refer to “Proposed distribution against reserves from capital contributions” in VI – Parent company financial statements – Credit Suisse Group – Proposed appropriation of retained earnings and capital distributions for further information on dividends.

Dividend per ordinary share

	USD[1]	CHF
Dividend per ordinary share for the financial year		
2011	0.78	0.75
2010	1.48	1.30
2009	1.78	2.00
2008	0.10	0.10
2007	2.40	2.50

1 Represents the distribution on each American depositary share. For further information, refer to www.credit-suisse.com/dividend.

Foreign exchange exposure and interest rate management

Foreign exchange risk associated with investments in branches, subsidiaries and affiliates is managed within defined parameters that create a balance between the interests of stability of capital adequacy ratios and the preservation of Swiss franc shareholders’ equity. The decisions regarding these parameters are taken by CARMC and are regularly reviewed.

Foreign exchange risk associated with the nonfunctional currency net assets of branches and subsidiaries is managed through a combination of forward and backward looking hedging activity, which is aimed at reducing the foreign exchange rate induced volatility of reported earnings.

Interest rate risk inherent in banking book activities, such as lending and deposit taking, is transferred from the divisions to Treasury, which centrally manages the interest rate exposures. Treasury also develops and maintains the models needed to determine interest rate risks of products that do not have a defined maturity, such as demand and savings accounts. For this purpose, a replicating methodology is applied in close coordination with Risk Management to maximize stability and sustainability of spread revenues at the divisions. Further, Treasury manages the interest exposure of the Bank’s equity to targets agreed with senior management.

Risk management

The prudent taking of risk in line with our strategic priorities is fundamental to our business as a leading global bank and remained a critical focus throughout 2012. Over the course of 2012, we took significant steps to adapt our businesses and our organization to the new regulatory requirements, which predominantly impacted the risk profile of Investment Banking. In 2012, overall position risk decreased 1%, utilized economic capital decreased 8%, average risk management VaR in US dollars for our trading books decreased 31% and our impaired loans were stable at CHF 1.7 billion.

Key risk developments in 2012

2012 was a year marked by uncertainty amid continued concerns from the European sovereign debt crisis, global economic slowdown, the threat of the US "fiscal cliff" in late 2012 and new and proposed regulatory requirements affecting the financial services industry.

During 2012, we reduced our Group risk profile and shifted our portfolio toward less capital intense businesses. We continued to invest significantly in our IT infrastructure and further refined our risk appetite framework to ensure an appropriate balance of return and assumed risk, stability of earnings and capital levels we seek to maintain.

> Refer to "Regulation and supervision" in I – Information on the company for information on other regulatory developments and proposals.
> Refer to "New capital framework in 2013" in Capital management for further information on our current regulatory framework on capital, leverage and liquidity, including certain expected changes to this framework.

In Investment Banking, we reduced our risk profile during 2012, consistent with our announced strategy. Investment Banking achieved this through a combination of exiting businesses, asset sales and repositioning its portfolio into more capital-efficient inventory in support of client franchises. Investment Banking's shift of capital resources included exiting the >>>commercial mortgage-backed securities (CMBS) origination and >>>collateralized debt obligations (CDOs) businesses. As we continue to execute on our Investment Banking strategy in 2013, efficiency in the use of capital remains a focus.

Private Banking & Wealth Management's risk profile increased slightly in 2012, with key contributing factors continuing to be largely related to stricter rules on investor protection as well as increased transparency for cross-border activities that continued to affect risk. The integration of the Private Banking and Asset Management businesses to form Private Banking & Wealth Management is not expected to result in changes to the combined division's risk profile.

For the Group, we expect our ongoing adaptation to the changed regulatory environment will result in increased costs and resource requirements related to the risk management function.

Reputational risk continued as a major focus during 2012. We have continued to develop our procedures and awareness of staff as well as to adapt our business approach with respect to certain countries and industries with higher reputational risk and transactions with politically exposed persons.

> Refer to “Reputational risk” for further information on reputational risk issues.

Risk management oversight

Risk governance

Fundamental to our business is the prudent taking of risk in line with our strategic priorities. The primary objectives of risk management are to protect our financial strength and reputation, while ensuring that capital is well deployed to support business activities and grow shareholder value. Our risk management framework is based on transparency, management accountability and independent oversight. Risk management is an integral part of our business planning process with strong involvement of senior management and the Board of Directors (Board).

To meet the challenges of a volatile market environment and changing regulatory frameworks, we work to continuously strengthen our risk function, which is independent of, but closely interacts with the front office functions to ensure the appropriate flow of information and strong controls. In 2012, we continued to invest significantly in our risk infrastructure and processes with regard to the implementation of >>>Basel III. We have comprehensive risk management processes and sophisticated control systems, and we work to limit the impact of negative developments by carefully managing concentrations of risks.

Risk organization

We manage risk in our internal control environment, however, risks arise in all of our business activities and cannot be eliminated completely. Our risk management organization reflects the specific nature of the various risks to ensure that risks are managed within limits set in a transparent and timely manner. At the level of the Board, including through its committees, this includes the following responsibilities:

– Board: responsible to shareholders for the strategic direction, supervision and control of the Group and for defining our overall tolerance for risk in the form of a risk appetite statement and overall risk limits;

– Risk Committee: responsible for assisting the Board in fulfilling its oversight responsibilities by providing guidance regarding risk governance and the development of the risk profile and capital adequacy, including the regular review of major risk exposures and overall risk limits; and

– Audit Committee: responsible for assisting the Board in fulfilling its oversight responsibilities by monitoring management's approach with respect to financial reporting, internal controls, accounting and legal and regulatory compliance. Additionally, the Audit Committee is responsible for monitoring the independence and the performance of the internal and external auditors.

Overall risk limits are set by the Board in consultation with its Risk Committee. On a monthly basis, senior management through CARMC reviews risk exposures, concentration risks and risk-related activities. CARMC is responsible for supervising and directing our risk profile on a consolidated basis, recommending risk limits to the Risk Committee of the Board and the Board, and for establishing and allocating risk limits among the various businesses. CARMC meetings focus on the following three areas on a rotating basis: asset and liability management/liquidity, market and credit risk and operational risk/legal and compliance.

Committees have been established at a senior management level to further support the risk management function. The Risk Processes & Standards Committee is responsible for establishing and approving standards regarding risk management and risk measurement, including methodology and parameters. The Credit Portfolio & Provisions Review Committee reviews the quality of the credit portfolio with a focus on the development of impaired assets and the assessment of related provisions and valuation allowances. The Reputational Risk & Sustainability Committee sets policies, and reviews processes and significant cases relating to reputational risks and sustainability issues. There are also divisional risk management committees.

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.

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	Diversi-fication benefit	Total	Total
2012 (CHF million)							
Average	57	13	3	22	(28)	67	57
Minimum	36	3	1	14	+	34	34
Maximum	82	34	7	35	+	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	+	54	49
Maximum	99	25	26	47	+	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	+	68	103
Maximum	127	43	32	50	+	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	+	36	37
Maximum	90	38	38	37	+	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	+	65	55
Maximum	107	29	29	51	+	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	+	64	95
Maximum	111	38	28	44	+	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.

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 CDS	Risk mitigation Other[1]	Net credit risk exposure	Inventory[2]	Net synthetic inventory[3]	Total credit risk exposure Gross	Total credit risk exposure 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.

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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	Cash collateral and marketable	Net	Gross	Cash collateral and marketable	Net

	exposure	securities	exposure	exposure	securities	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.

Balance sheet, off-balance sheet and other contractual obligations

During 2012, we decreased our balance sheet by 12%, reflecting measures taken in connection with our balance sheet reduction initiative announced in October 2012 and the foreign exchange translation impact. As of the end of 2012, total assets were CHF 924.3 billion, total liabilities were CHF 882.0 billion and total equity was CHF42.3 billion.

Balance sheet summary

			end of	% change	
	2012	2011	2010	12 / 11	11 / 10
Assets (CHF million)					
Cash and due from banks	61,763	110,573	65,467	(44)	69
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	183,455	236,963	220,443	(23)	7
Trading assets	256,399	279,553	324,704	(8)	(14)
Net loans	242,223	233,413	218,842	4	7
Brokerage receivables	45,768	43,446	38,769	5	12
All other assets	134,672	145,217	163,780	(7)	(11)
Total assets	**924,280**	**1,049,165**	**1,032,005**	(12)	2
Liabilities and equity (CHF million)					
Due to banks	31,014	40,147	37,493	(23)	7
Customer deposits	308,312	313,401	287,564	(2)	9
Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions	132,721	176,559	168,394	(25)	5
Trading liabilities	90,816	127,760	133,997	(29)	(5)
Long-term debt	148,134	162,655	173,752	(9)	(6)
Brokerage payables	64,676	68,034	61,746	(5)	10
All other liabilities	106,323	119,524	126,044	(11)	(5)
Total liabilities	**881,996**	**1,008,080**	**988,990**	(13)	2
Total shareholders' equity	**35,498**	**33,674**	**33,282**	5	1
Noncontrolling interests	6,786	7,411	9,733	(8)	(24)
Total equity	**42,284**	**41,085**	**43,015**	3	(4)
Total liabilities and equity	**924,280**	**1,049,165**	**1,032,005**	(12)	2

The majority of our transactions are recorded on our balance sheet, however, we also enter into transactions that give rise to both on and off-balance sheet exposure.

Balance sheet

Total assets were CHF 924.3 billion as of the end of 2012, down CHF 124.9 billion, or 12%, from the end of 2011. Excluding the foreign exchange translation impact, total assets decreased CHF 101.0 billion.

In Swiss francs, a decrease of CHF 53.5 billion, or 23%, in central bank funds sold, securities purchased under resale agreements and securities borrowing transactions, reflected a decrease in reverse repurchase transactions. Cash and due from banks decreased CHF 48.8 billion, or 44%, driven by decreases in central bank holdings. Trading assets decreased CHF 23.2 billion, or 8%, due to decreases in derivative instruments, primarily reflecting decreases in interest rate products and credit products, and debt securities, partly offset by an increase in equity securities. Net loans increased CHF 8.8 billion, or 4%, primarily due to higher commercial and industrial loans, an increase in residential mortgages and higher loans to the real estate sector in Private Banking & Wealth Management, partially offset by decreases in commercial and industrial loans and loans to financial institutions in Investment Banking, and the US dollar translation impact. Brokerage receivables increased CHF 2.3 billion, or 5%, reflecting client-flow business. All other assets decreased CHF 10.5 billion, or 7%, including decreases of CHF 5.4 billion, or 7%, in other assets, CHF 1.7 billion, or 32%, in investment securities, CHF 1.6 billion, or 22%, in premises and equipment and CHF 1.2 billion, or 9%, in other investments.

Total liabilities were CHF 882.0 billion as of the end of 2012, down CHF 126.1 billion, or 13%, from the end of 2011. Excluding the foreign exchange translation impact, total liabilities decreased CHF 103.6 billion.

In Swiss francs, a decrease of CHF 43.8 billion, or 25%, in Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions mainly reflected decreases in >>>repurchase agreements in the US and Europe. Trading liabilities decreased CHF 36.9 billion, or 29%, reflecting decreases in derivative instruments and short trading positions. Long-term debt decreased CHF 14.5 billion, or 9%, primarily reflecting the maturing of senior and subordinated debt, offset by issuances of senior and subordinated debt. Due to banks decreased CHF 9.1 billion, or 23%, primarily due to decreases in demand and time deposits from commercial banks. Customer deposits decreased CHF 5.1 billion, or 2%, primarily due to the foreign exchange translation impact and a decrease in certificates of deposit. Brokerage payables decreased CHF 3.4 billion, or 5%, mainly reflecting the foreign exchange translation impact and a decrease in prime brokerage. All other liabilities decreased CHF 13.2 billion, or 11%, including a decrease of CHF 7.5 billion, or 29%, in short-term borrowings and CHF 5.6 billion, or 9% in other liabilities.

> Refer to “Liquidity and funding management” and “Capital management” for more information, including our funding of the balance sheet and the leverage ratio.

Off-balance sheet

We enter into off-balance sheet arrangements in the normal course of business. Off-balance sheet arrangements are transactions or other contractual arrangements with, or for the benefit of, an entity that is not consolidated. These transactions include derivative instruments, guarantees and similar arrangements, retained or contingent interests in assets transferred to an unconsolidated entity in connection with our involvement with SPEs, and obligations and liabilities (including contingent obligations and liabilities) under variable interests in unconsolidated entities that provide financing, liquidity, credit and other support.

Derivative instruments

We enter into derivative contracts in the normal course of business for market making, positioning and arbitrage purposes, as well as for our own risk management needs, including mitigation of interest rate, foreign exchange and credit risk.

>>>Derivatives are either privately negotiated >>>OTC contracts or standard contracts transacted through regulated exchanges. The most frequently used derivative products include interest rate, cross-currency swaps and >>>CDS, interest rate and foreign exchange options, foreign exchange forward contracts, and foreign exchange and interest rate futures.

The replacement values of derivative instruments correspond to their fair values at the dates of the consolidated balance sheets and arise from transactions for the account of customers and for our own account. >>>PRV constitute an asset, while >>>NRV constitute a liability. Fair value does not indicate future gains or losses, but rather premiums paid or received for a derivative instrument at inception, if applicable, and unrealized gains and losses from marking to market all derivatives at a particular point in time. The fair values of derivatives are determined using various methodologies, primarily observable market prices where available and, in their absence, observable market parameters for instruments with similar characteristics and maturities, net present value analysis or other pricing models as appropriate.

> Refer to "Derivative instruments" in Risk management – Credit risk for further information.
> Refer to "Note 30 – Derivatives and hedging activities" in V – Consolidated financial statements – Credit Suisse Group for further information.

Guarantees and similar arrangements

In the ordinary course of business, guarantees and indemnifications are provided that contingently obligate us to make payments to a guaranteed or indemnified party based on changes in an asset, liability or equity security of the guaranteed or indemnified party. We may be contingently obligated to make payments to a guaranteed party based on another entity's failure to perform, or we may have an indirect guarantee of the indebtedness of others. Guarantees provided include, but are not limited to, customary indemnifications to purchasers in connection with the sale of assets or businesses; to investors in private equity funds sponsored by us regarding potential obligations of their employees to return amounts previously paid as carried interest; to investors in our securities and other arrangements to provide gross-up payments if there is a withholding or deduction because of a tax assessment or other governmental charge; and to counterparties in connection with securities lending arrangements.

In connection with the sale of assets or businesses, we sometimes provide the acquirer with certain indemnification provisions. These indemnification provisions vary by counterparty in scope and duration and depend upon the type of assets or businesses sold. They are designed to transfer the potential risk of certain unquantifiable and unknowable loss contingencies, such as litigation, tax and intellectual property matters, from the acquirer to the seller. We closely monitor all such contractual agreements in order to ensure that indemnification provisions are adequately provided for in our consolidated financial statements.

US GAAP requires disclosure of our maximum potential payment obligations under certain guarantees to the extent that it is possible to estimate them and requires recognition of a liability for the fair value of obligations undertaken for guarantees issued or amended after December 31, 2002.

> Refer to "Note 31 – Guarantees and commitments" in V – Consolidated financial statements – Credit Suisse Group for disclosure of our estimated maximum payment obligations under certain guarantees and related information.

Representations and warranties on residential mortgage loans sold

In connection with Investment Banking's sale of US residential mortgage loans, we have provided certain representations and warranties relating to the loans sold. We have provided these representations and warranties relating to sales of loans to: the US government-sponsored enterprises Fannie Mae and Freddie Mac; institutional investors, primarily banks; and non-agency, or private label, securitizations. The loans sold are primarily loans that we have purchased from other parties. The scope of representations and warranties, if any, depends on the transaction, but can include: ownership of the mortgage loans and legal capacity to sell the loans; loan-to-value ratios and other characteristics of the property, the borrower and the loan; validity of the liens securing the loans and absence of delinquent taxes or related liens; conformity to underwriting standards and completeness of documentation; and origination in compliance with law. If it is determined that representations and warranties were breached, we may be required to repurchase the related loans or indemnify the investors to make them whole for losses. Whether we will incur a loss in connection with repurchases and make whole payments depends on: the extent to which claims are made; the validity of such claims (including the likelihood and ability to enforce claims); whether we can successfully claim against parties that sold loans to us and made representations and warranties to us; the residential real estate market, including the number of defaults; and whether the obligations of the securitization vehicles were guaranteed or insured by third parties.

> Refer to "Representations and warranties on residential mortgage loans sold" in Note 31 – Guarantees and commitments in V – Consolidated financial statements – Credit Suisse Group for further information.

Involvement with special purpose entities

In the normal course of business, we enter into transactions with, and make use of, SPEs. An SPE is an entity in the form of a trust or other legal structure designed to fulfill a specific limited need of the company that organized it and is generally structured to isolate the SPE's assets from creditors of other entities, including the Group. The principal uses of SPEs are to assist us and our clients in securitizing financial assets and creating investment products. We also use SPEs for other client-driven activity, such as to facilitate financings, and Group tax or regulatory purposes.

As a normal part of our business, we engage in various transactions that include entities that are considered VIEs and are grouped into three primary categories: >>>CDO, >>>CP conduits and financial intermediation. VIEs are SPEs that typically either lack sufficient equity to finance their activities without additional subordinated financial support or are structured such that the holders of the voting rights do not substantively participate in the gains and losses of the entity. Such entities are required to be assessed for consolidation under US GAAP, compelling the primary beneficiary to consolidate the VIE. The primary beneficiary is the party that has the power to direct the activities that most significantly affect the economics of the VIE and potentially has significant benefits or losses in the VIE. We consolidate all VIEs where we are the primary beneficiary. VIEs may be sponsored by us, unrelated third parties or clients. Application of the accounting requirements for consolidation of VIEs, including ongoing reassessment of VIEs for possible consolidation, may require the exercise of significant management judgment.

Transactions with VIEs are generally executed to facilitate securitization activities or to meet specific client needs, such as providing liquidity or investing opportunities, and, as part of these activities, we may hold interests in the VIEs.

> Refer to "Note 32 – Transfers of financial assets and variable interest entities" in V – Consolidated financial statements – Credit Suisse Group for further information.

We issue subordinated and senior securities through SPEs that lend the proceeds to the Group.

Contractual obligations and other commercial commitments

In connection with our operating activities, we enter into certain contractual obligations and commitments to fund certain assets. Our contractual obligations and commitments include short and long-term on-balance sheet obligations as well as future contractual interest payments and off-balance sheet obligations. Total obligations decreased CHF 67.7 billion in 2012 to CHF 676.0 billion, primarily reflecting the decrease in trading liabilities of CHF 36.9 billion to CHF 90.8 billion, the decrease in long-term debt of CHF 14.5 billion to CHF 148.1 billion and the decrease in due to banks of CHF 9.1 billion to CHF 31.0 billion.

> Refer to "Note 24 – Long-term debt" in V – Consolidated financial statements – Credit Suisse Group for further information on long-term debt and the related interest commitments.
> Refer to "Note 31 – Guarantees and commitments" in V – Consolidated financial statements – Credit Suisse Group for further information on commitments.

Contractual obligations and other commercial commitments

					2012	2011
Payments due within	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years	Total	Total
On- and off-balance sheet obligations (CHF million)						
Due to banks	29,730	461	237	586	31,014	40,147
Customer deposits	303,886	3,152	386	888	308,312	313,401
Short-term borrowings	18,641	0	0	0	18,641	26,116
Long-term debt [1]	30,458	42,458	25,786	49,432	148,134 [2]	162,655 [2]
Contractual interest payments [3]	1,430	2,119	1,828	2,219	7,596 [4]	–
Trading liabilities	90,816	0	0	0	90,816	127,760
Brokerage payables	64,676	0	0	0	64,676	68,034
	677	1,108	875	3,503	6,163	4,559

Operating lease obligations						
Purchase obligations	374	191	120	5	690	1,095
Total obligations [5]	**540,688**	**49,489**	**29,232**	**56,633**	**676,042**	**743,767**

1 Refer to "Debt issuances and redemptions" in Liquidity and funding management and "Note 24 – Long-term debt" in V – Consolidated financial statements – Credit Suisse Group for further information on long-term debt. 2 Includes non-recourse liabilities from consolidated VIEs of CHF 14,532 million and CHF 14,858 million as of December 31, 2012 and 2011, respectively. 3 Includes interest payments on fixed rate long-term debt, fixed rate interest-bearing deposits (excluding demand deposits) and fixed rate short-term borrowings, which have not been effectively converted to variable rate on an individual instrument level through the use of swaps. 4 Due to the non-determinable nature of interest payments, the following notional amounts have been excluded from the table: variable rate long-term debt of CHF 60,064 million, variable rate short-term borrowings of CHF 3,490 million, variable rate interest-bearing deposits and demand deposits of CHF 230,384 million, fixed rate long-term debt and fixed rate interest-bearing deposits converted to variable rate on an individual instrument level through the use of swaps of CHF 62,529 million and CHF 3,287 million, respectively. 5 Excludes total accrued benefit liability for pension and other post-retirement benefit plans of CHF 756 million and CHF 1,101 million as of December 31, 2012 and 2011, respectively, recorded in other liabilities in the consolidated balance sheets, as the accrued liability does not represent expected liquidity needs. Refer to "Note 29 – Pension and other post-retirement benefits" in V – Consolidated financial statements – Credit Suisse Group for further information on pension and other post-retirement benefits.

Corporate Governance

Overview

Complying with rules and regulations

The Group’s corporate governance complies with internationally accepted standards. We are committed to safeguarding the interests of our stakeholders and recognize the importance of good corporate governance. We know that transparent disclosure of our governance helps stakeholders assess the quality of the Group and our management and assists investors in their investment decisions.

We fully adhere to the principles set out in the Swiss Code of Best Practice for Corporate Governance, including its appendix stipulating recommendations on the process for setting compensation for the Board of Directors (Board) and the Executive Board. On March 3, 2013, Swiss citizens approved the so-called “Minder Initiative” intended to strengthen shareholder rights. The initiative requires legislation be passed to impose board and executive compensation-related requirements on Swiss public companies, including requiring a binding (rather than advisory) shareholder vote on total board and total executive management compensation and prohibiting severance payments, salary prepayments and payments related to the acquisition or disposal of companies. The initiative also provides that the board members, the board chairperson and the compensation committee members be directly elected by shareholders annually. Further, the initiative calls for criminal sanctions in case of noncompliance. The Federal Council will have one year to issue a transitional ordinance which will be applicable until the Swiss Parliament passes the new law. Timing for the final implementation of the initiative is currently undetermined. We also continuously monitor and adapt our practices to reflect developments in corporate governance principles and practices in jurisdictions outside Switzerland. As in the past few years, regulators focused their attention on compensation practices at financial institutions in 2012.

> Refer to “Compensation” for further information.

In connection with our primary listing on the SIX Swiss Exchange (SIX), we are subject to the SIX Directive on Information Relating to Corporate Governance. Our shares are also listed on the New York Stock Exchange (NYSE) in the form of >>>American Depositary Shares (ADS). Since January 2013, the Group has listed certain exchange traded notes on the Nasdaq Stock Market (Nasdaq). As a result, we are subject to certain US rules and regulations. We adhere to the NYSE’s and the Nasdaq’s corporate governance listing standards (NYSE and Nasdaq standards), with a few exceptions where the rules are not applicable to foreign private issuers.

The following are the significant differences between our corporate governance standards and the corporate governance standards applicable to US domestic issuers listed on the NYSE and Nasdaq:

– Approval of employee benefit plans: the NYSE and Nasdaq standards require shareholder approval of the establishment of, and material revisions to, certain equity compensation plans. We comply with Swiss law, which requires that shareholders approve the creation of conditional capital used to set aside shares for employee benefit plans and other equity compensation plans, but does not require shareholders to approve the terms of those plans.

– Risk assessment and risk management: the NYSE standards allocate to the Audit Committee responsibility for the discussion of guidelines and policies governing the process by which risk assessment and risk management is undertaken, while at the Group these duties are assumed by the Risk Committee. Whereas our Audit Committee members satisfy the NYSE as well as Nasdaq independence requirements, our Risk Committee may include non-independent members.

– Independence of nominating and corporate governance committee: the NYSE and Nasdaq standards require that all members of the nominating and corporate governance committee be independent. The Group's Chairman's and Governance Committee is currently comprised entirely of independent members, but according to its charter, may include non-independent members.

– Reporting: the NYSE and Nasdaq standards require that certain board committees report specified information directly to shareholders, while under Swiss law only the Board reports directly to the shareholders and the committees submit their reports to the full Board.

– Appointment of the external auditor: the NYSE and Nasdaq standards require the Audit Committee to be directly responsible for the appointment, compensation, retention and oversight of the external auditor unless there is a conflicting requirement under home country law. Under Swiss law, the appointment of the external auditor must be approved by the shareholders at the Annual General Meeting (AGM) based on the proposal of the Board, which receives the advice and recommendation of the Audit Committee.

– Audit Committee charter: the Nasdaq standards require the Audit Committee to review and assess the adequacy of its charter on an annual basis, while our Audit Committee's charter only requires review and assessment from time to time.

– Executive sessions: the NYSE and Nasdaq standards require that the board of directors meet regularly in executive sessions comprised solely of independent directors. Our Board meets regularly in executive sessions comprised of all directors, including any directors determined to be not independent. If any item is being discussed at the meeting that raises a conflict of interest for any of our directors, however, such director does not participate in the related decision making.

– Quorums: the Nasdaq standards require that the company's by-laws provide for a quorum of at least 331/3 percent of the outstanding shares of the company's common stock for any meeting of the holders of common stock. The Group's Articles of Association call for a quorum in certain instances, but do not require a quorum of 331/3 percent or greater of the holders of the outstanding shares of common stock for any meeting of shareholders.

Corporate governance framework

The Board has adopted corporate governance policies and procedures, which are defined in a series of documents and form the basis of a sound corporate governance framework. Our corporate governance documents, all of which are available on our website at *www.credit-suisse.com/governance*, include:

– Articles of Association (AoA): define the purpose of the business, the capital structure and the basic organizational framework. The AoA of the Group is dated February 6, 2013, and the AoA of the Bank is dated May 2, 2011.

– Code of Conduct: defines the Group's ethical values and professional standards that the Board and all employees are required to follow, including adherence to all relevant laws, regulations, and policies in order to maintain and strengthen our reputation for integrity, fair dealing and measured risk taking. The Code of Conduct also implements requirements stipulated under the US Sarbanes-Oxley Act of 2002 (SOX) by including provisions on ethics for our Chief Executive Officer (CEO) and our principal financial and accounting officers and other persons performing similar functions. No waivers or exceptions are permissible under our Code of Conduct. Our Code of Conduct is available on our website at *www.credit-suisse.com/code* in nine languages.

– Organizational Guidelines and Regulations (OGR): define the responsibilities and sphere of authority of the Board, its committees and the various senior management bodies within the Group, as well as the relevant reporting procedures.

– Corporate Governance Guidelines: summarize corporate governance principles promoting the function of the Board and its committees and the effective governance of the Group.

– Board of Directors charter: outlines the organization and responsibilities of the Board.

– Board committee charters: define the organization and responsibilities of the committees.

– Compensation policy: provides a foundation for the development of sound compensation plans and practices.

Company

Credit Suisse Group AG (Group) and Credit Suisse AG (Bank) are registered as Swiss corporations in the Commercial Register of the Canton of Zurich under the registration numbers CH-020.3.906.075-9 (as of March 3, 1982) and

CH-020.3.923.549-1 (as of April 27, 1883), respectively, and have their registered and main offices at Paradeplatz 8, 8001 Zurich, Switzerland. The Group and the Bank were incorporated on March 3, 1982 and July 5, 1856, respectively, with unlimited duration. The authorized representative in the US for the Group and the Bank is Credit Suisse (USA), Inc., 11 Madison Avenue, New York, New York, 10010. The business purpose of the Group, as set forth in Article 2 of its AoA, is to hold direct or indirect interests in all types of businesses in Switzerland and abroad, in particular in the areas of banking, finance, asset management and insurance. The business purpose of the Bank, as set forth in Article 2 of its AoA, is to operate as a bank, with all related banking, finance, consultancy, service and trading activities in Switzerland and abroad. The AoA of the Group and the Bank set forth their powers to establish new businesses, acquire a majority or minority interest in existing businesses and provide related financing and to acquire, mortgage and sell real estate properties both in Switzerland and abroad.

Our business consists of two operating divisions: Private Banking & Wealth Management and Investment Banking. The two divisions are complemented by Shared Services and a regional management structure.

> Refer to "I – Information on the company" for further information on our structure.
> Refer to "II – Operating and financial review" for a detailed review of our operating results.
> Refer to "Note 38 – Significant subsidiaries and equity method investments" in V – Consolidated financial statements – Credit Suisse Group for a list of significant subsidiaries and associated entities.

The Group is listed on the SIX (Swiss Security Number 1213853), with a market capitalization of CHF 29,402 million as of December 31, 2012. No Group subsidiaries have shares listed on the SIX or any other stock exchange.

The Swiss Code of Obligations requires directors and members of senior management to safeguard the interests of the corporation and, in connection with this requirement, imposes the duties of care and loyalty on directors and members of senior management. While Swiss law does not have a general provision on conflicts of interest, the duties of care and loyalty are generally understood to disqualify directors and members of senior management from participating in decisions that could directly affect them. Directors and members of senior management are personally liable to the corporation for any breach of these provisions.

Neither Swiss law nor our AoA restrict our power to borrow and raise funds in any way. The decision to borrow funds is passed by or under the direction of our Board, with no shareholders' resolution required.

Number of employees

end of	2012	2011	% change
Number of employees (full-time equivalents)			
Private Banking & Wealth Management	27,300	28,100	(3)
Investment Banking	19,800	20,700	(4)
Corporate Center	300	900	(67)
Number of employees	**47,400**	**49,700**	(5)
of which Switzerland	19,400	21,200	(8)
of which EMEA	9,300	9,200	1
of which Americas	11,300	11,700	(3)
of which Asia Pacific	7,400	7,600	(3)

Employees

As of December 31, 2012, we had 47,400 employees worldwide, of which 19,400 were in Switzerland and 28,000 were abroad.

The number of employees decreased by 2,300, or 5%, compared to the end of 2011. This reflected reductions in headcount of 3,200 employees in connection with our cost-efficiency initiatives in Investment Banking and Private Banking & Wealth Management and the sale of Wincasa AG, a provider of real estate services, offset by graduate hiring and contractor employee conversion. Our corporate titles include managing director, director, vice president, assistant vice president and non-officer staff. The majority of our employees do not belong to unions. We have not experienced any significant strikes, work stoppages or labor disputes in recent years. We consider our relations with our employees to be good.

Information policy

We are committed to an open and fair information policy with our shareholders and other stakeholders. Our Investor Relations and Corporate Communications departments are responsible for inquiries.

All Credit Suisse Group AG shareholders registered in our share register receive an invitation to our AGM including an order form to receive the annual report and other reports. Each registered shareholder also receives a quarterly shareholders' letter and may elect to receive the quarterly reports on our financial performance.

All of these reports and other information can be accessed on our website at *www.credit-suisse.com/investors*.

Articles of Association

The summaries below of the material provisions of our AoA and the Swiss Code of Obligations do not purport to be complete and are qualified in their entirety by reference to the Swiss Code of Obligations and the AoA. The Group's and Bank's AoA are available on our website at *www.credit-suisse.com/articles*.

> Refer to "Shareholders" and "Additional information" for a summary of the material provisions of our AoA and the Swiss Code of Obligations as they relate to our shares.

Indemnification

Neither our AoA nor Swiss statutory law contains provisions regarding the indemnification of directors and officers. According to general principles of Swiss employment law, an employer may, under certain circumstances, be required to indemnify an employee against losses and expenses incurred by such person in the execution of such person's duties under an employment agreement, unless the losses and expenses arise from the employee's gross negligence or willful misconduct. It is our policy to indemnify current and former directors and/or employees against certain losses and expenses in respect of service as a director or employee of the Group, one of the Group's affiliates or another entity that we have approved, subject to specific conditions or exclusions. We maintain directors' and officers' insurance for our directors and officers.

Shareholders

Capital structure

Our total issued share capital as of December 31, 2012 was CHF 52,833,197 divided into 1,320,829,922 registered shares, with a nominal value of CHF 0.04 per share. Our shares are listed on the SIX and in the form of >>>ADS on the NYSE.

> Refer to "Note 7 – Share capital, conditional, conversion and authorized capital of Credit Suisse Group" in VI – Parent company financial statements – Credit Suisse Group and our AoA (Articles 26, 26b-c and 27) for information on changes to our capital structure during the year.

Shareholder base

We have a broad shareholder base, with the majority of shares owned directly or indirectly by institutional investors outside Switzerland. Through the use of an external global market intelligence firm, we regularly gather additional information on the composition of our shareholder base including information on shares that are not registered in the share register. According to this data, our shareholder base as of December 31, 2012 was comprised of 10% private investors, 76% institutional investors and 14% other investors. The geographical break down of our institutional investors is as follows: 18% Switzerland, 9% other continental Europe, 14% the UK and Ireland, 44% the US and 15% the rest of the world.

As of December 31, 2012, 138,649 shareholders were listed in our share register. To the best of our knowledge, there are no agreements in place that could lead to a change in control of the Group. As of December 31, 2012, 50.5 million, or 3.8%, of the issued shares were in the form of ADS. Another 12 million, or 0.9%, of the issued shares were registered in the name of US domiciled shareholders (excluding nominees) as of December 31, 2012.

The information provided in the following tables reflects the distribution of Group shares as registered in our share register.

Distribution of Group shares in the share register

				2012				2011
end of	Number of shareholders	%	Number of shares	%	Number of shareholders	%	Number of shares	%
Distribution of Group shares								
Swiss	122,564	89	112,106,298	9	128,470	88	113,717,974	10
Foreign	11,427	8	13,464,237	1	12,057	8	12,442,468	1
Private investors	133,991	97	125,570,535	10	140,527	96	126,160,442	11
Swiss	4,030	3	123,232,578	9	4,426	3	143,700,242	12
Foreign	628	0	620,098,199	47	703	1	544,466,906	44
	4,658	3	743,330,777	56	5,129	4	688,167,148	56

Institutional investors								
Shares registered in share register	**138,649**	100	**868,901,312**	66	**145,656**	100	**814,327,590**	67
of which Switzerland	126,594	91	235,338,876	18	132,896	91	257,418,216	21
of which Europe	10,791	8	420,808,155	32	11,380	8	301,566,718	25
of which US	191	0	189,766,059	14	225	0	161,319,018	13
of which Other	1,073	1	22,988,222	2	1,155	1	94,023,638	8
Shares not registered in share register	**–**	–	**451,928,610**	34	**–**	–	**410,005,472**	33
Total shares issued	**–**	–	**1,320,829,922**	100	**–**	–	**1,224,333,062**	100

Distribution of institutional investors in share register by industry

	2012				2011			
end of	Number of shareholders	%	Number of shares	%	Number of shareholders	%	Number of shares	%
Institutional investors by industry								
Banks	36	0	2,042,785	0	43	0	17,406,303	1
Insurance companies	94	0	4,352,379	0	94	0	12,216,227	1
Pension funds	805	1	40,068,367	3	912	1	34,877,001	3
Investment trusts	342	0	60,480,195	5	339	0	72,892,153	6
Other trusts	762	1	7,631,919	1	847	1	7,306,944	1
Governmental institutions	32	0	6,474,774	0	32	0	3,968,027	0
Other [1]	2,409	2	96,910,802	7	2,645	2	168,443,544	14
Direct entries	**4,480**	3	**217,961,221**	17	**4,912**	4	**317,110,199**	26
Fiduciary holdings	**178**	0	**525,369,556**	40	**217**	0	**371,056,949**	30
Total institutional investors	**4,658**	3	**743,330,777**	56	**5,129**	4	**688,167,148**	56

1 Includes various other institutional investors for which a breakdown by industry type was not available.

Significant shareholders

Under the Swiss Federal Act of Stock Exchanges and Securities Trading (SESTA), anyone holding shares in a company listed on the SIX is required to notify the company and the SIX if their holding reaches, falls below or exceeds the following thresholds: 3%, 5%, 10%, 15%, 20%, 25%, 331/3%, 50% or 662/3% of the voting rights entered into the commercial register, whether or not the voting rights can be exercised (that is, notifications must also include certain derivative holdings such as options or similar instruments). Following receipt of such notification, the company has the obligation to inform the public. In addition, pursuant to the Swiss Code of Obligations, a company must disclose in the notes to their annual consolidated financial statements the identity of any shareholders who own in excess of 5% of their shares. The following provides an overview of the holdings of shares of our significant shareholders, including any rights to purchase or dispose of shares, based on the most recent disclosure notifications. In line with the SESTA requirements, the percentages indicated below were calculated in relation to the share capital reflected in the AoA at the time of the disclosure notification. The full text of all notifications can be found on our website at *www.credit-suisse.com/shareholders*. Each share entitles the holder to one vote.

> Refer to “Note 3 – Business developments and subsequent events” in V – Consolidated financial statements – Credit Suisse Group for further information on significant shareholders.

The Group also holds positions in its own shares, which are subject to the same disclosure requirements as significant external shareholders. These positions fluctuate and primarily reflect market making, facilitating customer orders and satisfying the obligations under our employee compensation plans. Shares held by the Group have no voting rights. As of December 31, 2012, our holdings amounted to 7.0% purchase positions (2.9% registered shares and 4.1% share acquisition rights) and 41.9% were sales positions (disposal rights).

Cross shareholdings

The Group has no cross shareholdings in excess of 5% of capital or voting rights with any other company.

Significant shareholders

	Group publication of notification	Number of shares (million)	Approximate shareholding %	Purchase rights %
December 31, 2012 or the most recent notification date				
Qatar Investment Authority (registered entity – Qatar Holding LLC)	April 30, 2011	76.1	6.2	–
The Olayan Group (registered entity – Crescent Holding GmBH)	July 24, 2012	78.4	6.1	10.9[1]
Dodge & Cox	December 19, 2012	63.5	5.0	–
Franklin Resources, Inc.	September 14, 2012	57.3	4.5	–
Capital Group Companies, Inc.	January 21, 2013	39.4	3.1	1.0[2]
Black Rock Inc.	January 25, 2013	38.6	3.0	–
Harris Associates L.P.	May 17, 2012	36.9	3.0	–
Norges Bank	August 3, 2012	28.0	2.2	1.7[3]
December 31, 2011				
The Olayan Group (registered entity – Crescent Holding GmbH)	February 2, 2010	77.8	6.6	–
Qatar Investment Authority (registered entity – Qatar Holding LLC)	April 30, 2011	73.2	6.2	–
Dodge & Cox	December 15, 2011	35.9	3.0	–
Franklin Resources, Inc.	December 15, 2011	35.7	3.0	–
December 31, 2010				
The Olayan Group (registered entity – Crescent Holding GmbH)	February 2, 2010	78.4	6.6	–
Qatar Investment Authority (registered entity – Qatar Holding Netherlands B.V.)	August 27, 2010	73.2	6.2[4]	–
Black Rock Inc.	December 1, 2009	44.4	3.8	–

Koor Industries Ltd.	February 9, 2010	37.0	3.1	–
Capital Group Companies, Inc.	February 25, 2010	35.5	3.1	–

1 Consists of 8.1% purchase rights relating to The Olayan Group's holdings of 8,625 tier 1 buffer capital notes, which will be converted into shares only in situations where the Group no longer meets specific regulatory capital requirements, and 2.7% purchase rights relating to the holdings of CHF 569 million mandatory and contingent convertible securities (MACCS), of which CHF 419 million were underwritten by The Olayan Group. The MACCS will convert to 35 million Group shares on March 29, 2013 at the conversion price of CHF 16.29, with settlement and delivery of shares in early April 2013. The remaining 0.1% purchase rights relate to The Olayan Group's holdings of options. 2 Relates to the Capital Group Companies, Inc.'s holdings of CHF 201 million MACCS, which will convert to 12.3 million shares on March 29, 2013 at the conversion price of CHF 16.29, with settlement and delivery in early April 2013. 3 Relates to Norges Bank's holdings of CHF 353 million MACCS, which will convert to 21.6 million shares on March 29, 2013 at the conversion price of CHF 16.29, with settlement and delivery in early April 2013. 4 In the same notification, Qatar Holding Netherlands B.V. notified of their holdings of 1.25% sales positions (disposal rights) related to a variable forward agreement in respect of 14.8 million Group shares.

Shareholder rights

We are fully committed to the principle of equal treatment of all shareholders and encourage shareholders to participate at our AGM. The following is a summary of shareholder rights at the Group. Refer to our AoA, which is available on our website at *www.credit-suisse.com/articles*.

Voting rights and transfer of shares

There is no limitation under Swiss law or the AoA on the right to own Group shares.

In principle, each share represents one vote at the AGM. Shares held by the Group have no voting rights. Shares for which a single shareholder or shareholder group can exercise voting rights may not exceed 2% of the total outstanding share capital, unless one of the exemptions discussed below applies. The restrictions on voting rights do not apply to:

– the exercise of voting rights by the Group proxy or by the independent proxy as designated by the Group or by persons acting as proxies for deposited shares;

– shares in respect of which the shareholder confirms to us that the shareholder has acquired the shares in the shareholder’s name for the shareholder’s own account and in respect of which the disclosure requirements in accordance with the SESTA and the relevant ordinances and regulations have been fulfilled; or

– shares that are registered in the name of a nominee, provided that this nominee is willing to furnish us on request the name, address and shareholding of the person(s) for whose account the nominee holds 0.5% or more of the total share capital and confirms to us that any applicable disclosure requirements under the SESTA have been fulfilled.

In order to execute voting rights, shares need to be registered in the share register directly or in the name of a nominee. In order to be registered in the share register, the purchaser must file a share registration form. The registration of shares in the share register may be requested at any time. Failing

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such registration, the purchaser may not vote or participate in shareholders' meetings. However, each shareholder, whether registered in the share register or not, receives dividends or other distributions approved at the AGM. The transfer of shares is executed by a corresponding entry in the custody records of a bank or depositary institution following an assignment in writing by the selling shareholder and notification of such assignment to us by the transferor, the bank or the depositary institution.

Annual General Meeting
Under Swiss law, the AGM must be held within six months of the end of the fiscal year. Notice of an AGM, including agenda items and proposals submitted by the Board and by shareholders, must be published in the Swiss Official Commercial Gazette at least 20 days prior to the AGM.

Shares only qualify for voting at an AGM if they are entered into the share register with voting rights no later than three days prior to the AGM.

Convocation of shareholder meetings
The AGM is convened by the Board or, if necessary, by the statutory auditors, with 20 days' prior notice. The Board is further required to convene an extraordinary shareholders' meeting (EGM) if so resolved at a shareholders' meeting or if so requested by shareholders holding in aggregate at least 10% of the nominal share capital. The request to call an EGM must be submitted in writing to the Board, and, at the same time, Group shares representing at least 10% of the nominal share capital must be deposited for safekeeping. The shares remain in safekeeping until the day after the EGM.

Request to place an item on the agenda
Shareholders holding shares with an aggregate nominal value of at least CHF 40,000 have the right to request that a specific item be placed on the agenda and voted upon at the AGM. The request to include a particular item on the agenda, together with a relevant proposal, must be submitted in writing to the Board no later than 45 days before the meeting and, at the same time, Group shares with an aggregate nominal value of at least CHF 40,000 must be deposited for safekeeping. The shares remain in safekeeping until the day after the AGM.

Statutory quorums
The AGM may, in principle, pass resolutions without regard to the number of shareholders present at the meeting or represented by proxy. Resolutions and elections generally require the approval of a majority of the votes represented at the meeting, except as otherwise provided by mandatory provisions of law or by the AoA.

Shareholders' resolutions that require a vote by a majority of the votes represented include:

– amendments to the AoA, unless a supermajority is required;

– election of directors and statutory auditors;

– approval of the annual report and the statutory and consolidated accounts;

– discharging of the acts of the members of the Board and Executive Board; and

– determination of the appropriation of retained earnings.

A quorum of at least two thirds of the votes represented is required for resolutions on:

– change of the purpose of the company;

– creation of shares with increased voting powers;

– implementation of transfer restrictions on shares;

– increase in conditional and authorized capital;

– increase of capital by way of conversion of capital surplus or by contribution in kind;

– restriction or suspension of pre-emptive rights;

– change of location of the principal office; and

– dissolution of the company without liquidation.

A quorum of at least half of the total share capital and approval by at least three quarters of the votes represented is required for resolutions on:

– the conversion of registered shares into bearer shares;

– amendments to the AoA relating to registration and voting rights of nominee holders; and

– the dissolution of the company.

A quorum of at least half of the total share capital and the approval of at least seven eighths of the votes cast is required for amendments to provisions of the AoA relating to voting rights.

Say on pay
In accordance with the Swiss Code of Best Practice for Corporate Governance, the Group submits its remuneration report (contained in the Corporate Governance and Compensation section of the annual report) for a consultative vote by shareholders at the AGM.

Pre-emptive rights
Under Swiss law, any share issue, whether for cash or non-cash consideration or no consideration, is subject to the prior approval of the shareholders. Shareholders of a Swiss corporation have certain pre-emptive rights to subscribe for new issues of shares in proportion to the nominal amount of shares held. A resolution adopted at a shareholders' meeting with a supermajority may, however, limit or suspend pre-emptive rights in certain limited circumstances.

Notices

Notices to shareholders are made by publication in the Swiss Official Commercial Gazette. The Board may designate further means of communication for publishing notices to shareholders. Notices required under the listing rules of the SIX will either be published in two Swiss newspapers in German and French and sent to the SIX or otherwise communicated to the SIX in accordance with applicable listing rules. The SIX may disseminate the relevant information.

Board of Directors

Membership and qualifications

The AoA provide that the Board shall consist of a minimum of seven members. The Board currently consists of 15 members. We believe that the size of the Board must be such that the committees can be staffed with qualified members. At the same time, the Board must be small enough to ensure an effective and rapid decision-making process. The members are elected individually for a period of three years and are eligible for re-election. There is no requirement in the AoA for a staggered board. One year of office is understood to be the period of time from one AGM to the close of the next AGM. Our OGR specify that the members of the Board shall generally retire at the ordinary AGM in the year in which they reach the age of 70 or after having served on the Board for 15 years. The Board may in certain circumstances propose to the shareholders to elect a particular Board member for a further term of a maximum of three years despite the respective Board member having reached the age or term limitation.

The Board has four committees: the Chairman's and Governance Committee, the Audit Committee, the Compensation Committee and the Risk Committee. The committee members are appointed by the Board for a term of one year. An overview of the Board and committee membership is shown in the following table. The composition of the Boards of the Group and the Bank is identical.

Members of Board and Board committees

	Board member since	Current term end	Independence	Chairman's and Governance Committee	Audit Committee	Compensation Committee	Risk Committee
December 31, 2012							
Urs Rohner, Chairman	2009	2015	Independent	Chairman	–	–	–
Peter Brabeck-Letmathe, Vice-Chairman	1997	2014	Independent	Member	–	–	–
Jassim Bin Hamad J.J. Al Thani	2010	2013	Not independent	–	–	–	–
Robert H. Benmosche	2010	2013	Independent	–	–	Member	–
Iris Bohnet	2012	2015	Independent	–	–	Member	–

Noreen Doyle	2004	2013	Independent	–	–	–	Member
Jean-Daniel Gerber	2012	2015	Independent	–	Member	–	–
Walter B. Kielholz	1999	2014	Independent	Member	–	Member	–
Andreas N. Koopmann	2009	2015	Independent	–	–	–	Member
Jean Lanier	2005	2014	Independent	–	Member	Member	–
Anton van Rossum	2005	2014	Independent	–	–	–	Member
Aziz R.D. Syriani	1998	2013	Independent	Member	–	Chairman	–
David W. Syz	2004	2013	Independent	–	Member	–	–
Richard E. Thornburgh	2006	2015	Independent	Member	Member	–	Chairman
John Tiner	2009	2015	Independent	Member	Chairman	–	Member

The Board proposes the following candidate to be elected to the Board at the AGM on April 26, 2013: Kai S. Nargolwala, the Lead Independent Director of Singapore Telecommunications Ltd. and a former Credit Suisse Executive Board member and CEO of the Asia Pacific Region. The Board also proposes the re-election of Jassim Bin Hamad J.J. Al Thani and Noreen Doyle to the Board. In view of the age limit under our OGR, Robert H. Benmosche, Aziz R.D. Syriani and David W. Syz will retire from the Board at the AGM in April 2013.

Board composition

The Chairman's and Governance Committee regularly considers the composition of the Board as a whole and in light of staffing requirements for the committees. The Chairman's and Governance Committee recruits and evaluates candidates for Board membership based on criteria it establishes. The Chairman's and Governance Committee may also retain outside consultants with respect to the identification and recruitment of potential new Board members. In assessing candidates, the Chairman's and Governance Committee considers the requisite skills and characteristics of Board members as well as the composition of the Board as a whole. Among other considerations, the Chairman's and Governance Committee takes into account independence, diversity, age, skills and management experience in the context of the needs of the Board to fulfill its responsibilities. The Chairman's and Governance Committee also considers other activities and commitments of an individual in order to be satisfied that a proposed member of the Board can devote enough time to a Board position at the Group. The background, skills and experience of our Board members are diverse and broad and include holding top management positions at financial services and industrial companies in Switzerland and abroad or having held leading positions in government, academia and international organizations. The Board is composed of individuals with diverse experience, geographical origin and tenure.

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

in 2012	Board of Directors	Chairman's and Governance Committee	Audit Committee	Compensation Committee	Risk Committee
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

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
Born 1944 Austrian Citizen

Peter Brabeck-Letmathe has been Vice-Chairman of the Board since 2008, a function he also held from 2000 to 2005. He has been a member of the Board since 1997 and a member of the Chairman's and Governance Committee since 2008. He served on the Compensation Committee (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

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
Born 1942 Canadian Citizen

Aziz R.D. Syriani has been a member of the Board since 1998 and Chairman of the Compensation Committee since 2004. He has been a member of the Chairman's and Governance Committee since 2003 and served on the Audit Committee (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

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
Born 1952 US Citizen

Richard E. Thornburgh has been a member of the Board and the Risk Committee since 2006 and the Chairman of the Risk Committee and a member of the Chairman's and Governance Committee 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

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
Born 1967 French Citizen

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

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
Born 1961 Swiss Citizen

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 331/3% 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.

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 pre-defined 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.

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.

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

		Short-term awards					
in	Base salary	Unrestricted cash	Value of STI awards	Value of LTI awards	Pension and similar benefits and other benefits[1]	Dividend equivalents[2]	Payments and awards due to contractual agreements[3]