Basel II

Pillar 3 – UK disclosures

2011

Basel II – Pillar 3
UK disclosures

Introduction

This document contains the Pillar 3 disclosures required under Basel II in relation to the following UK entities within the Credit Suisse group:

- Credit Suisse International;
- Credit Suisse Securities (Europe) Limited; and
- Credit Suisse (UK) Limited.

This document should be read in conjunction with the annual financial statements of those entities, together with the Credit Suisse Pillar 3 disclosure document and the Credit Suisse Annual Report.

Also contained in this report are the disclosures required by FSA's Policy Statement PS10/21 "Implementing CRD3 requirements on the disclosure of remuneration" in relation to the following:

- Credit Suisse International;
- Credit Suisse Securities (Europe) Limited;
- Credit Suisse (UK) Limited; and
- Credit Suisse Asset Management Limited.

Basel II – Pillar 3
Credit Suisse International

Under a waiver agreed with the FSA, certain of the Pillar 3 disclosures required by the UK implementation of Basel II need not be made by Credit Suisse International ('CSi' or 'the firm') as a stand-alone entity on the basis that they are included in the comparable disclosures provided on a consolidated basis by Credit Suisse group (these can be found at www.credit-suisse.com). Those Pillar 3 disclosures required under FSA rules that are not covered by the Credit Suisse group disclosures are set out below, together with additional information that provides a wider context.

Capital Resources

The following table sets out details of CSi's regulatory capital resources:

	31 December 2011	31 December 2010
Capital Resources (USD million)		
Tier One capital resources, comprising:	**10,535**	**11,023**
Permanent share capital	4,390	4,390
Share premium	1,016	1,016
Reserves	301	707
Perpetual non-cumulative preference shares	5,235	5,235
Regulatory deductions (intangible assets)	(407)	(325)
Tier Two capital resources, comprising:	**9,456**	**9,697**
Upper Tier 2 – perpetual subordinated debt	4,188	4,186
Lower Tier 2 – long term subordinated debt	5,962	5,985
Excess Tier 2 capital	(694)	(474)
Tiers One and Two	**19,991**	**20,720**
Deductions from Tiers One and Two, comprising	**(214)**	**(1,252)**
Excess of expected loss over provisions	-	(1,097)
Other deductions	(214)	(155)
Tier Three capital resources, comprising:	**694**	**474**
Excess Tier Two capital	694	474
Capital Resources	**20,471**	**19,942**

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

The Perpetual Non-Cumulative Preference Shares, treated above as Tier One capital under GENPRU TP8A, were redeemed in February 2012 and replaced with new Participating Shares eligible for inclusion in Core Tier One capital resources.

Capital Resources Requirements

The following table sets out details of CSi's Pillar 1 capital resources requirements:

	31 December 2011	31 December 2010
Capital Resources Requirements (USD million)		
Trading Book market risk	4,838	2,762
Counterparty risk – Trading Book	2,197	2,412
Counterparty risk – Banking Book	1,467	2,055
Concentration risk	184	280
Operational risk – Basic Indicator Approach	269	312
Pillar 1 Capital Resources Requirements	**8,955**	**7,821**

Market risk

Trading Book market risk is further broken down as follows:

	31 December 2011	31 December 2010
Market Risk Capital Requirement (USD million)		
Capital requirement calculated using VaR	721	1,731
Stressed VaR	1,038	-
Capital requirement for Risks Not In VaR ('RNIV')	880	-
Stressed RNIV	1,356	-
Incremental Risk Charge ('IRC') calculated using approved models	681	-
Incremental Default Risk Charge ('IDRC')	-	782
Interest rate risk on securitisations and tranched risk positions	117	134
Foreign currency risk calculated under standard rules	16	53
Other market risk calculated under standard rules	29	62
Pillar 1 Market Risk	**4,838**	**2,762**

Within CSi's model-based calculations of market risk, values measured during the period are summarised as follows:

	Regulatory VaR	Stressed VaR	IRC
2011: one day values (USD million)			
Average	54	305	549
Minimum	48	245	474
Maximum	107	366	660
End of period	65	246	651

Stressed VaR and IRC capital charges took effect on 30 December 2011. Capital charges require a 60-day average to be calculated, and the disclosures here represent average, minimum and maximum of the daily calculations over that 60-day period.

Various techniques are used to assess the accuracy of the VaR model used for trading portfolios, including backtesting. In line with industry practice, CSi undertakes backtesting using actual daily trading revenues. Actual daily trading revenues are compared with VaR calculated using a one-day holding period. A backtesting exception occurs when the daily loss exceeds the daily VaR estimate. CSi had no backtesting exceptions in either 2011 or 2010.

The IRC model is required to measure the aggregate risk from the exposure to default and migration risk from positions in the trading book. The positions that contribute to IRC are bond positions where the firm is exposed to profit or loss on default or rating migration of the bond issuer, credit defaults swaps ('CDS') positions were the firm is exposed to credit events affecting the reference entity, and, to a lesser extent, derivatives that reference bonds and CDSs such as bond options and CDS swaptions. Equity positions are typically not included in IRC, but some exceptions exist, such as convertible instruments. The level of capital assigned by the IRC model to a position in the trading book depends on its liquidity horizon which represents time required to sell the positions or hedge all material risk covered by the IRC model in a stressed market. The absolute liquidity horizons are imposed by Basel II guidelines.

The weighted average liquidity horizons by portfolio are included in the table below:

Portfolio	Weighted average liquidity horizon (months)
Sovereign bonds	6
Corporate bonds	8
CDS and options	6
Equity	3

Counterparty risk

Counterparty risk is calculated using the Advanced Internal Ratings Based approach ('AIRB'). The Pillar 1 capital requirement arising in the Trading Book and Banking Book at the period end is further broken down by IRB asset class as follows:

Counterparty Risk Capital Requirement (USD million)	Banking Book	Trading Book
Central governments and central banks	86	299
Institutions	181	768
Corporates	1,119	1,100
Equity: exchange traded exposures under Simple Risk Weight approach	1	-
Equity: other exposures under Simple Risk Weight approach	4	-
Securitisations	76	-
Other	-	30
Pillar 1 Counterparty Risk	**1,467**	**2,197**

The Equity exposures calculated under the Simple Risk Weight approach comprise exchange traded and other equity exposures in the amount of $3 million and $13 million respectively.

Within the Corporate asset class is included the category Specialised Lending. Exposures falling within this category at the period end are broken down as follows:

Exposure (USD million)	Category 1 (strong)	Category 2 (good)	Category 3 (satisfactory)	Category 4 (weak)	Category 5
Remaining maturity less than 2.5 years	-	16	-	12	-
Remaining maturity greater than or equal to 2.5 years	-	10	-	-	-
Exposures as at 31 December 2011	**-**	**26**	**-**	**12**	**-**

Basel II – Pillar 3
Credit Suisse Securities (Europe) Limited

Under a waiver agreed with the FSA, certain of the Pillar 3 disclosures required by the UK implementation of Basel II need not be made by Credit Suisse Securities (Europe) Limited ('CSSEL' or 'the firm') as a stand-alone entity on the basis that they are included in the comparable disclosures provided on a consolidated basis by Credit Suisse group (these can be found at www.credit-suisse.com). Those Pillar 3 disclosures required under FSA rules that are not covered by the Credit Suisse group disclosures are set out below, together with additional information that provides a wider context.

Capital Resources

The following table sets out details of CSSEL's regulatory capital resources:

	31 December 2011	31 December 2010
Capital Resources (USD million)		
Tier One capital resources, comprising:	**4,017**	**3,991**
Permanent share capital	4,277	3,527
Reserves	(253)	471
Regulatory deductions (intangible assets)	(7)	(7)
Tier Two capital resources, comprising:	**4,017**	**3,991**
Upper Tier 2 – perpetual subordinated debt	2,400	2,400
Upper Tier 2 – revaluation reserve	22	25
Lower Tier 2 – long term subordinated debt	1,983	1,983
Excess Tier 2 capital	(388)	(417)
Tiers One and Two	**8,034**	**7,982**
Deductions from Tiers One and Two, comprising	**-**	**(37)**
Excess of expected loss over provisions	-	(37)
Tier Three capital resources, comprising:	**388**	**417**
Excess Tier Two capital	388	417
Deductions from total capital	**(994)**	**(1,221)**
Capital Resources	**7,428**	**7,141**

Permanent share capital comprises Ordinary Shares carrying voting rights.

Capital Resources Requirements

The following table sets out details of CSSEL's Pillar 1 capital resources requirements:

	31 December 2011	31 December 2010
Capital Resources Requirements (USD million)		
Trading Book market risk	1,923	1,520
Counterparty risk – Trading Book	568	499
Counterparty risk – Banking Book	156	194
Concentration risk	658	706
Operational risk – Basic Indicator Approach	461	512
Pillar 1 Capital Resources Requirements	**3,766**	**3,431**

Market risk

Trading Book market risk is further broken down as follows:

	31 December 2011	31 December 2010
Market Risk Capital Requirement (USD million)		
Capital requirement calculated using VaR	485	930
Stressed VaR	587	-
Capital requirement for Risks Not In VaR ('RNIV')	21	-
Stressed RNIV	266	-
Incremental Risk Charge ('IRC') calculated using approved models	253	-
Incremental Default Risk Charge ('IDRC')	-	318
Interest rate risk on securitisations and tranched risk positions	270	200
Foreign currency risk calculated under standard rules	41	72
Pillar 1 Market Risk	**1,923**	**1,520**

Within CSSEL's model-based calculations of market risk, values measured during the period are summarised as follows:

	Regulatory VaR	Stressed VaR	IRC
2011: one day values (USD million)			
Average	30	168	218
Minimum	23	142	177
Maximum	73	216	311
End of period	48	152	182

Stressed VaR and IRC capital charges took effect on 30 December 2011. Capital charges require a 60-day average to be calculated, and the disclosures here represent average, minimum and maximum of the daily calculations over that 60-day period.

Various techniques are used to assess the accuracy of the VaR model used for trading portfolios, including backtesting. In line with industry practice, CSSEL undertakes backtesting using actual daily trading revenues. Actual daily trading revenues are compared with VaR calculated using a one-day holding period. A backtesting exception occurs when the daily loss exceeds the daily VaR estimate. CSSEL had no backtesting exceptions in either 2011 or 2010.

The IRC model is required to measure the aggregate risk from the exposure to default and migration risk from positions in the trading book. The positions that contribute to IRC are bond positions where the firm is exposed to profit or loss on default or rating migration of the bond issuer, credit defaults swaps ('CDS') positions were the firm is exposed to credit events affecting the reference entity, and, to a lesser extent, derivatives that reference bonds and CDSs such as bond options and CDS swaptions. Equity positions are typically not included in IRC, but some exceptions exist, such as convertible instruments. The level of capital assigned by the IRC model to a position in the trading book depends on its liquidity horizon which represents time required to sell the positions or hedge all material risk covered by the IRC model in a stressed market. The absolute liquidity horizons are imposed by Basel II guidelines.

The weighted average liquidity horizons by portfolio are included in the table below:

Portfolio	Weighted average liquidity horizon (months)
Sovereign bonds	9
Corporate bonds	8
CDS and options	3
Equity	N/A

Counterparty risk

Counterparty risk is calculated using the Advanced Internal Ratings Based approach ('AIRB'). The Pillar 1 capital requirement arising in the Trading Book and Banking Book at the period end is further broken down by IRB asset class as follows:

Counterparty Risk Capital Requirement (USD million)	Banking Book	Trading Book
Central governments and central banks	-	3
Institutions	15	272
Corporates	138	212
Equity: exchange traded exposures under Simple Risk Weight approach	1	-
Equity: other exposures under Simple Risk Weight approach	2	-
Other	-	81
Pillar 1 Counterparty Risk	156	568

The Equity exposures calculated under the Simple Risk Weight approach comprised exchange traded and other equity exposures in the amount of $3 million and $7 million respectively.

Basel II – Pillar 3
Credit Suisse (UK) Limited

The capital adequacy and capital resources of Credit Suisse (UK) Limited ('CSUK' or the 'Bank') are managed and monitored based on practices developed by the Basel Committee on Banking Supervision (the 'Basel Committee') and governed by European Union directives. These directives are implemented in the UK by the FSA and incorporated within its prudential sourcebooks for banks and investment firms.

Capital Resources

Regulatory capital resources comprise a number of 'tiers'. Tier 1 capital principally comprises shareholders' equity. This is supplemented by Tier 2 and Tier 3 capital, which consist mainly of subordinated debt instruments. Total capital equals the sum of these, less deductions for such items as investments in non-consolidated subsidiaries and intangible assets.

CSUK's overall capital needs are continually reviewed to ensure that its capital base can appropriately support the anticipated needs of its businesses. The capital management framework at the Credit Suisse group is designed to ensure that capital resources are sufficient to support the underlying risks of the business activity, to meet the objectives of management and to meet the requirements of regulators, rating agencies and market participants.

Under the Basel Committee guidelines, an institution must have a ratio of total eligible capital to aggregate risk-weighted assets of at least 8%, although the FSA requires this ratio to exceed the Individual Capital Guidance ('ICG') determined for each institution. This ratio can also be expressed as a capital coverage ratio, being the ratio of total eligible capital to total capital resources requirements, which must be at least 100%. The capital resources requirements reflect the credit, market and other risks of the institution calculated using methodologies set out by the FSA.

CSUK must at all times monitor and demonstrate compliance with the relevant regulatory capital requirements of the FSA. CSUK has put in place processes and controls to monitor and manage its capital adequacy, and no breaches were reported to the FSA during the year.

The following table sets out details of CSUK's regulatory capital resources:

	31 December 2011	31 December 2010
Capital Resources (GBP thousand)		
Tier One capital resources, comprising:	**84,039**	**74,641**
Permanent share capital	126,750	102,300
Retained earnings	(70,211)	(55,159)
Capital contribution reserve	27,500	27,500
Tier Two capital resources, comprising:	**77,617**	**2,988**
Upper Tier 2 – perpetual subordinated debt	50,000	-
Upper Tier 2 – revaluation reserve	2,617	2,988
Lower Tier 2 – long term subordinated debt	25,000	-
Capital Resources	**161,656**	**77,629**

Permanent share capital comprises Ordinary Shares carrying voting rights.

Capital Resources Requirements

The following table sets out details of CSUK's regulatory capital resources requirements

	31 December 2011	31 December 2010
Capital Resources Requirements (GBP thousand)		
Counterparty risk – Trading Book	1,872	615
Counterparty risk – Banking Book	33,518	27,912
Market risk: foreign currency risk	206	1,295
Operational risk – Basic Indicator Approach	8,114	8,114
Pillar 1 Capital Resources Requirements	**43,710**	**37,936**

Credit Risk

CSUK uses the Standardised approach to the calculation of credit risk. CSUK's client base largely comprises individuals, trusts and small corporates. With the exception of balances held with other banks, which are not material, the majority of the Bank's credit exposures are not rated. Where exposures are externally rated, the Bank utilises ratings from Standard and Poors.

The following table sets out details of CSUK's capital requirements and gross credit exposures, analysed by asset class

	Capital requirement at period end	Gross exposure at period end	Average gross exposure during period
Gross credit exposures (GBP thousand)			
Institutions	461	5,765	4,483
Central Governments	-	313	134
Corporates	2,868	35,870	53,847
Retail	1,188	19,308	22,468
Secured on real estate property	18,019	542,293	437,029
Short term claims on institutions and corporates	6,294	78,672	97,487
Other	6,560	81,992	137,547
Total as at 31 December 2011	**35,390**	**764,213**	**752,995**

The following table sets out a geographical distribution of CSUK's gross credit exposures by asset class

	UK	Other EMEA	Rest of the world	Total
Gross credit exposures (GBP thousand)				
Institutions	-	5,765	-	5,765
Central Governments	313	-	-	313
Corporates	5,521	20,197	10,152	35,870
Retail	13,933	2,105	3,270	19,308
Secured on real estate property	86,480	203,409	252,404	542,293
Short term claims on institutions and corporates	11,845	49,697	17,130	78,672
Other	44,254	26,652	11,086	81,992
Total as at 31 December 2011	**162,346**	**307,825**	**294,042**	**764,213**

The following table sets out an industry distribution of CSUK's gross credit exposures by asset class

	Individuals and trusts	Corporates	Others	Total
Gross credit exposures (GBP thousand)				
Institutions	-	-	5,765	5,765
Central Governments	-	-	313	313
Corporates	-	35,870	-	35,870
Retail	19,308	-	-	19,308
Secured on real estate property	268,600	273,693	-	542,293
Short term claims on institutions and corporates	-	77,477	1,195	78,672
Other	81,992	-	-	81,992
Total as at 31 December 2011	**369,900**	**387,040**	**7,273**	**764,213**

The following table sets out an analysis by contractual maturity of CSUK's gross credit exposures by asset class

	Within 1 year	Between 1 and 5 years	More than 5 years	Total
Gross credit exposures (GBP thousand)				
Institutions	5,765	-	-	5,765
Central Governments	313	-	-	313
Corporates	35,870	-	-	35,870
Retail	19,308	-	-	19,308
Secured on real estate property	73,840	467,728	725	542,293
Short term claims on institutions and corporates	78,672	-	-	78,672
Other	81,992	-	-	81,992
Total as at 31 December 2011	**295,760**	**467,728**	**725**	**764,213**

The following table sets out a counterparty distribution of CSUK's impaired and past due credit exposures, together with provisions and value adjustments

	Impaired exposures	Past due exposures	Provisions and value adjustments
Exposure or provision (GBP thousand)			
Individuals and trusts	1,016	-	1,016
Corporates	96	-	96
Total as at 31 December 2011	**1,112**	**-**	**1,112**

The following table sets out a geographic distribution of CSUK's impaired and past due credit exposures, together with provisions and value adjustments

	Impaired exposures	Past due exposures	Provisions and value adjustments
Exposure or provision (GBP thousand)			
UK	39	-	39
Other EMEA	1,073	-	1,073
Total as at 31 December 2011	**1,112**	**-**	**1,112**

The following table sets out changes in provisions and value adjustments during the year

	Provisions	Value adjustments	Total
Provision or value adjustment (GBP thousand)			
Balance at beginning of period	928	-	928
Amounts charged to income statement	-	-	-
Amounts written off	-	-	-
Recoveries	-	-	-
Foreign currency translation (net)	184	-	184
Balance at end of period	**1,112**	**-**	**1,112**

Basel II – Pillar 3

Disclosures relating to remuneration pursuant to BIPRU 11.5.18R

Introduction

These disclosures reflect the requirements of the FSA's Policy Statement PS10/21 "Implementing CRD3 requirements on the disclosure of remuneration" in relation to the following:

- Credit Suisse International;
- Credit Suisse Securities (Europe) Limited;
- Credit Suisse (UK) Limited; and
- Credit Suisse Asset Management Limited.

The required qualitative disclosures (implemented in BIPRU 11.5.18 R (1) to (5)) are set out below. The relevant quantitative disclosures (implemented in BIPRU 11.5.18 R (6) and (7)) are set out in the attached tables.

The Credit Suisse group ('Credit Suisse' or the 'Group') is committed to fair, balanced, performance-oriented compensation practices that align long-term employee and shareholder interests. We believe in rewarding our employees for performing in a way that creates sustainable value for the Group and its shareholders over time.

The Group's objectives are to maintain compensation practices and plans that:

- support a performance culture that is based on merit and differentiates and rewards excellent performance, both in the short and long term, and recognizes our company values;
- enable us to attract and retain employees and motivate them to achieve results with integrity and fairness;
- balance the mix of fixed and variable compensation to appropriately reflect the value and responsibility of the role performed day to day and to influence appropriate behaviours and actions;
- are consistent with and promote effective risk management practices as well as our compliance and control culture;
- foster teamwork and collaboration across the Group;
- take into account the long-term performance of the Group in order to create sustainable value for our shareholders; and
- are reviewed regularly and endorsed by an independent Compensation Committee.

By adopting compensation practices to meet these objectives, Credit Suisse ensures that compensation contributes to the achievement of the Group's wider objectives in a way that does not encourage excessive risk taking or the violation of applicable laws, guidelines and regulations, taking into account the capital position and economic performance of the Group over the long term.

Decision-making process for determining the compensation policy

Credit Suisse has a single global Compensation Committee, which is the supervisory and governing body for compensation policy, practices and plans within the Group. The Compensation Committee's Charter is available on our website at www.credit-suisse.com/governance.

The Compensation Committee consists of not fewer than three independent members of the Board of Directors. In 2011, the Compensation Committee is currently comprised of four members, Aziz R.D.

Syriani (Chairman), Robert H. Benmosche, Walter B. Kielholz and Jean Lanier. Details of their experience are also available on our website at www.credit-suisse.com/governance/en/committee_compensation.jsp

The Compensation Committee meets at least four times per year and is assisted in its work by both external legal counsel and a global compensation consulting firm, Johnson Associates Inc., to ensure that our compensation policies and practices remain competitive, are responsive to regulatory developments and in line with our compensation approach. Johnson Associates, Inc. is independent from Credit Suisse management and, in particular, does not provide any other services to the Group besides supporting the Compensation Committee.

During 2010 the Compensation Committee focused on further development of the Group's compensation design to ensure compliance with evolving regulations and increase the transparency and understanding of our compensation practices and plans. As part of this process the Compensation Committee developed a Group-wide compensation policy, which was approved by the Board and communicated in early 2011. This compensation policy was subject to annual review, in early 2012, we updated the policy to reflect the changes to the compensation design and additional processes that were introduced for reviewing performance in light of risk considerations for covered employees and to comply with a recent change in the Swiss Bank Law. A copy of the current compensation policy is available on the Credit Suisse website at www.credit-suisse.com/compensation.

The Group's control functions are also engaged in the design and periodic review of compensation plans. Multi-discipline project teams are involved in the design of compensation plans and certain aspects of policy implementation. The project teams ensure that all aspects of the plan design are tested and critically evaluated before they are put forward to the Compensation Committee for consideration.

Internal audit as part of standard procedure conducts regular reviews of compensation to ensure that compensation policy standards, external regulations and guidelines are adhered to, and that processes for achieving and maintaining balanced incentive compensation arrangements are consistently followed.

Link between pay and performance

The Credit Suisse Group applies a philosophy of ensuring there is a strong link between performance and total compensation. There are two principal components of total compensation, fixed and variable. Credit Suisse also offers various non-cash benefits (such as pension contributions) in order to ensure its overall reward package is competitive.

The individual mix of fixed and variable compensation varies according to the employee's seniority, business and location. All employees are eligible to be considered for an award of discretionary variable compensation. Such awards are made at the discretion of the Group and vary depending on Group, divisional and individual performance, thereby creating a strong link between a significant proportion of pay and performance.

Determination of the total variable compensation pools is an ongoing annual process based on performance. Accruals for the divisional and Group-wide variable compensation pools are made by the Group on a monthly basis throughout the year with a final determination at the end of the year. The Board regularly reviews the accruals relative to financial performance and makes adjustments at its discretion to ensure that the overall size of the pools is consistent with the Group's compensation principles. An accrual, at the Group or any other level, however, does not create legal rights or entitlements for employees to receive variable compensation. The divisional variable compensation pools are generally not formula driven, however they are based on objective performance measurements as well as a number of subjective factors. The final pools have to be submitted, and justified, to the Compensation Committee; pools are then submitted to the Board of Directors for ratification.

The initial variable compensation pool for the Group as a whole and each division is subject to adjustment based on a detailed performance evaluation at the Group and divisional levels. Factors taken into account include key financial performance metrics and other absolute and relative performance criteria, including performance against peers. The pools, as computed or adjusted, are subject to Compensation Committee review and Board approval. In setting the final variable compensation pools, the Compensation Committee also considers discretionary factors, including non-financial metrics related to ethics, risk, compliance and control. Other discretionary factors such as business strategy, overall Group performance and the market and regulatory environment are also taken into account.

Once the variable compensation pools have been set at the Group and divisional levels, each division allocates its pool to business areas, with the same or similar performance metrics, which are in turn allocated to individual managers. Line managers award variable compensation to individual employees based on individual and business performance, subject to the constraints of the pool available. The Group adopts a performance culture that places a strong emphasis not only on achieving financial performance but also on ethical behaviour, risk management and compliance-centred behaviour. To support this culture, the Group uses a comprehensive performance management system, based on two performance ratings: contribution and competency.

Contribution ratings are typically based on objective criteria, such as having achieved budgeted revenue and cost targets, or having increased market shares, though they are not limited to financial criteria. Competency standards covering ethics, risk and control form an integral part of the performance management system.

With this approach, variable compensation is not formula driven, but based on financial and non-financial performance metrics including ethics, risk, compliance and control.

A significant proportion of discretionary variable awards are granted in the form of deferred compensation, for calendar year 2011 the deferred element represented approximately 50% of the aggregate variable compensation pool. The deferred awards are subject to future vesting and part or all of the awards to all Managing Directors and all other employees identified as Material Risk Takers and Controllers (MRTCs) contain provisions that result in cancellation of part or all of the awards based on future performance of the Group or the division in which the individual worked at the time of grant. This ensures that pay is not only linked to the performance in the current year but is also conditional upon sustained future performance.

Design and structure of the compensation system

As set out above, the Group's total compensation approach is based on two separate components: fixed compensation and variable compensation. The Group operates a group-wide deferral policy, under which a portion of variable compensation is deferred once the level of compensation awarded to an individual exceeds group-wide thresholds. The deferral rate applicable to FSA Remuneration Code Staff ('Code Staff') is reviewed to ensure that the variable compensation awarded to such employees is subject to deferral of at least 40% or 60%, as required by the FSA Remuneration Code.

The Group's primary deferred compensation plan is the Credit Suisse Group AG Master Share Plan. Deferred compensation instruments under the Share Plan are designed to align the interests of employees with the interests of shareholders. The Group seeks to achieve this by providing deferred instruments, the value of which are either tied to the share price performance of the Group, the pre-tax profit of the divisions within the Group or the return-on-equity of the Group.

At least 50% of deferred variable compensation awarded to Remuneration Code Staff is awarded in Credit Suisse equity. The remaining portion of any deferred compensation awarded to Remuneration Code Staff in respect of 2011 was awarded using the Partner Asset Facility 2 (PAF 2). PAF 2 Awards are a form of award that represent an unsecured right to receive future cash payments linked to a notional value, as well as the payment of the notional value at maturity. The notional value of the PAF 2 is exposed to a portfolio of swaps, options and other derivative contracts. In the event that Credit Suisse incurs losses as a result of defaults by counterparties to the contracts in the portfolio in excess of US$500m the notional value of the PAF 2 awards, and therefore the amounts payable to participants, will be reduced. PAF 2 runs for four years, with an option to extend to nine years.

All deferred awards to Remuneration Code Staff ('Code Staff'), both equity and cash-based, are subject to pre-vesting performance adjustment in the circumstances required by the FSA Remuneration Code.

50% of the non-deferred portion of any variable compensation awarded to Remuneration Code Staff is also awarded in Credit Suisse equity. All equity awarded to Remuneration Code Staff is subject to a 6-month post-vesting "retention period", during which it cannot be sold or transferred.

Members of the Executive Board and members of divisional and regional management committees are also subject to a minimum stock ownership requirement, which requires senior management to maintain a personal ownership stake in the Group. This principle is considered important, because it ties some of the personal assets of the executives to the share price performance of the Group.

The following table sets out aggregate compensation expenditures for Code Staff in 2011 and 2010 by Division:

	Private Banking	Investment Banking	Asset Management	Other (2)	Total
Aggregate Compensation (USD million) (1)					
2011	3.1	186.6	17.5	34.7	241.9
2010	5.2	266.9	18.3	50.8	341.2

(1) Includes fixed compensation and any discretionary variable incentive awards made to Code Staff relating to the respective performance year.
(2) Includes all Shared Service functions and Regional Management positions.

The following table sets out compensation expenditure for Code Staff in 2011 and 2010, split between fixed and variable compensation:

	2011			2010		
	Senior Management	Other Code Staff	Total	Senior Management	Other Code Staff	Total
Number of Code Staff						
Number of Code Staff (1)	22	92	114	22	51	73
Aggregate Compensation (USD million)						
Aggregate Compensation comprises:	**44.6**	**197.3**	**241.9**	**74.0**	**267.2**	**341.2**
Fixed compensation (2)	13.0	53.0	66.0	13.6	33.1	46.7
Variable compensation (3)	31.6	144.3	175.9	60.4	234.1	294.5
Variable compensation comprises:	**31.6**	**144.3**	**175.9**	**60.4**	**234.1**	**294.5**
Cash awards (4)	3.3	12.3	15.6	9.0	25.0	34.0
Restricted stock awards (5)	1.7	7.5	9.2	5.7	20.2	25.9
Deferred cash-based awards	8.8	56.5	65.3	23.1	96.2	119.3
Deferred share-based awards	17.8	68.0	85.8	22.6	92.7	115.3

(1) Includes Asset Management Code Staff to whom the rules relating to remuneration structures in 2011 and 2010 were not applied based on guidance from the FSA.
(2) Fixed compensation includes base salaries, any other cash allowances and any pension or benefits outside of policy paid during the respective performance year.
(3) Discretionary variable compensation awards made to Code Staff relating to the respective performance year. Based on value at date of award.
(4) For 2010, the cash component of variable compensation granted to managing directors in the Investment Banking division is subject to specific restrictions over a two-year period. These cash awards must be repaid, either in part or in full, if claw-back events, such as voluntary termination of employment or termination for cause, occur. For all other Code Staff employees there were no restrictions on the cash component.
(5) Restricted stock awards are part of the non-deferred element of the variable compensation and are subject to a six month retention period.

The following table sets out deferred compensation for Code Staff as at 31 December 2011 and 31 December 2010:

	2011			2010		
	Senior Management	Other Code Staff	Total	Senior Management	Other Code Staff	Total
Deferred compensation (USD million)						
Outstanding vested (1)	13.5	91.2	104.7	20.2	70.2	90.4
Outstanding unvested (2)	36.1	92.9	129.0	27.3	60.8	88.1
Deferred compensation awarded (3)	52.2	177.7	229.9	31.9	131.1	163.0
Deferred compensation paid out (4)	48.5	153.6	202.1	66.9	156.4	223.3
Deferred compensation reduced through performance adjustments in 2011	0	0	0	0	0	0

(1) Value of outstanding vested awards not yet delivered to Code Staff on 31 December of the respective year, based on the share price as at 31 December of that year.
(2) Value of outstanding unvested awards held by Code Staff on 31 December of the respective year, based on the share price as at 31 December of that year.
(3) Value of deferred compensation awarded to Code Staff during 2011 and 2010, based on the share price as at 31 December of that year.
(4) Actual value delivered to Code Staff during 2011 and 2010 from the vesting of prior years' deferred compensation awards. Based on a share price as at the time of vesting.

The following table sets out new sign-on payments made during 2011 and 2010 to Code Staff:

	2011			2010		
	Senior Management	Other Code Staff	Total	Senior Management	Other Code Staff	Total
New sign-on payments (USD million)	0	0	0	0.6	0	0.6
Number of beneficiaries	0	0	0	1	0	1

The following table sets out 2011 and 2010 severance payments to Code Staff:

	2011			2010		
	Senior Management	Other Code Staff	Total	Senior Management	Other Code Staff	Total
Severance payments made (USD million)	0	1.6	1.6	0	0	0
Number of beneficiaries	0	3	3	0	0	0
Severance payments awarded (USD million)	0	1.5	1.5	0	1.1	1.1
Number of beneficiaries	0	1	1	0	2	2
Highest individual award (USD million)	0	1.5	1.5	0	0.7	0.7

Note that all values have been converted to USD using the exchange rate on 31 December of the respective performance year, except for values of deferred compensation paid out during the year, which are converted using the prevailing exchange rate at the time of delivery to the individual Code Staff.