

Basel II

Pillar 3 – UK disclosures

2012

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 in relation to remuneration for the following entities:

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

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Credit Suisse International

Under a waiver agreed with the FSA (now PRA) in December 2011, 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 the UK 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 2012	31 December 2011
Capital Resources (USD million)		
Tier One capital resources, comprising:	15,071	10,535
Permanent share capital	3,108	4,390
Share premium	12,699	1,016
Reserves	(271)	301
Perpetual non-cumulative preference shares	-	5,235
Regulatory deductions (intangible assets)	(465)	(407)
Tier Two capital resources, comprising:	7,006	9,456
Upper Tier 2 – perpetual subordinated debt	2,507	4,188
Lower Tier 2 – long term subordinated debt	4,499	5,962
Excess Tier 2 capital	-	(694)
Tiers One and Two	22,077	19,991
Deductions from Tiers One and Two, comprising	(35)	(214)
Securitisation positions	(35)	(24)
Other investments deducted from capital	-	(190)
Tier Three capital resources, comprising:	-	694
Excess Tier Two capital	-	694
Capital Resources	22,042	20,471

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 2012	31 December 2011
Capital Resources Requirements (USD million)		
Trading Book market risk	2,523	4,838
Counterparty risk – Trading Book	2,753	2,197
Counterparty risk – Banking Book	1,514	1,467
Concentration risk	328	184
Operational risk – Basic Indicator Approach	269	269
Pillar 1 Capital Resources Requirements	7,387	8,955

Market risk

Trading Book market risk is further broken down as follows:

	31 December 2012	31 December 2011
Market Risk Capital Requirement (USD million)		
Capital requirement calculated using VaR	215	721
Stressed VaR	242	1,038
Capital requirement for Risks Not In VaR ('RNIV')	771	880
Stressed RNIV	768	1,356
Incremental Risk Charge ('IRC') calculated using approved models	399	681
Interest rate risk on securitisations and tranching risk positions	117	117
Foreign currency risk calculated under standard rules	11	16
Other market risk calculated under standard rules	-	29
Pillar 1 Market Risk	2,523	4,838

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

	Regulatory VaR	Stressed VaR	IRC
2012: one day values (USD million)			
Average	32	139	425
Minimum	22	43	305
Maximum	57	269	652
End of period	39	93	357

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 one backtesting exception in 2012 (2011: nil).

The Incremental Risk Charge (IRC) model is required to measure the aggregate risk from the exposure to default and migration risk from positions in our trading book. The positions that contribute to IRC are bond positions where we are exposed to profit or loss on default or rating migration of the bond issuer, credit defaults swaps (CDS) positions where we are 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:

	Weighted average liquidity horizon (months)
Portfolio	
Sovereign bonds	6
Corporate bonds	7
CDS and options	8
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:

	Banking Book	Trading Book
Counterparty Risk Capital Requirement (USD million)		
Central governments and central banks	199	249
Institutions	217	928
Corporates	1,033	1,164
Equity: exchange traded exposures under Simple Risk Weight approach	-	-
Equity: other exposures under Simple Risk Weight approach	2	-
Securitisations	63	-
Other	-	412
Pillar 1 Counterparty Risk	1,514	2,753

The Equity exposures calculated under the Simple Risk Weight approach comprise only 'other equity exposures' in the amount of \$2 million.

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:

	Category 1 (strong)	Category 2 (good)	Category 3 (satisfactory)	Category 4 (weak)	Category 5
Exposure (USD million)					
Remaining maturity less than 2.5 years	-	-	16	-	-
Remaining maturity greater than or equal to 2.5 years	-	6	-	-	-
Exposures as at 31 December 2012	-	6	16	-	-

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Credit Suisse Securities (Europe) Limited

Under a waiver agreed with the FSA (now PRA) in December 2011, 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 the UK 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 2012	31 December 2011
Capital Resources (USD million)		
Tier One capital resources, comprising:	7,581	4,017
Permanent share capital	2,859	4,277
Share premium	5,661	-
Reserves	(932)	(253)
Regulatory deductions (intangible assets)	(7)	(7)
Tier Two capital resources, comprising:	3,505	4,017
Upper Tier 2 – perpetual subordinated debt	1,500	2,400
Upper Tier 2 – revaluation reserve	22	22
Lower Tier 2 – long term subordinated debt	1,983	1,983
Excess Tier 2 capital	-	(388)
Tiers One and Two	11,086	8,034
Deductions from Tiers One and Two, comprising	(299)	-
Excess of expected loss over provisions	(95)	-
Securitisation positions	(204)	-
Tier Three capital resources, comprising:	-	388
Excess Tier Two capital	-	388
Deductions from total capital	(1)	(994)
Capital Resources	10,786	7,428

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.

Capital Resources Requirements

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

	31 December 2012	31 December 2011
Capital Resources Requirements (USD million)		
Trading Book market risk	1,581	1,923
Counterparty risk – Trading Book	2,245	568
Counterparty risk – Banking Book	242	156
Concentration risk	1,402	658
Operational risk – Basic Indicator Approach	405	461
Pillar 1 Capital Resources Requirements	5,875	3,766

Market risk

Trading Book market risk is further broken down as follows:

	31 December 2012	31 December 2011
Market Risk Capital Requirement (USD million)		
Capital requirement calculated using VaR	202	485
Stressed VaR	770	587
Capital requirement for Risks Not In VaR ('RNIV')	104	21
Stressed RNIV	28	266
Incremental Risk Charge ('IRC') calculated using approved models	348	253
Interest rate risk on securitisations and tranching risk positions	68	270
Foreign currency risk calculated under standard rules	61	41
Pillar 1 Market Risk	1,581	1,923

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

	Regulatory VaR	Stressed VaR	IRC
2012: one day values (USD million)			
Average	18	242	265
Minimum	14	152	104
Maximum	36	340	533
End of period	22	258	240

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 2012 or 2011.

The Incremental Risk Charge (IRC) model is required to measure the aggregate risk from the exposure to default and migration risk from positions in our trading book. The positions that contribute to IRC are bond positions where we are exposed to profit or loss on default or rating migration of the bond issuer, credit defaults swaps (CDS) positions where we are 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:

	Weighted average liquidity horizon (months)
Portfolio	
Sovereign bonds	3
Corporate bonds	6
CDS and options	5
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:

	Banking Book	Trading Book
Counterparty Risk Capital Requirement (USD million)		
Central governments and central banks	27	3
Institutions	35	723
Corporates	176	1,035
Equity: exchange traded exposures under Simple Risk Weight approach	1	-
Equity: other exposures under Simple Risk Weight approach	3	-
Other	-	484
Pillar 1 Counterparty Risk	242	2,245

The Equity exposures calculated under the Simple Risk Weight approach comprised exchange traded and other equity exposures in the amount of \$1 million and \$3 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 PRA 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 PRA 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 PRA.

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

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

	31 December 2012	31 December 2011
Capital Resources (GBP thousand)		
Tier One capital resources, comprising:	87,763	84,039
Permanent share capital	126,750	126,750
Retained earnings	(66,487)	(70,211)
Capital contribution reserve	27,500	27,500
Tier Two capital resources, comprising:	77,711	77,617
Upper Tier 2 – perpetual subordinated debt	50,000	50,000
Upper Tier 2 – revaluation reserve	2,711	2,617
Lower Tier 2 – long term subordinated debt	25,000	25,000
Capital Resources	165,474	161,656

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 2012	31 December 2011
Capital Resources Requirements (GBP thousand)		
Counterparty risk – Trading Book	1,429	1,872
Counterparty risk – Banking Book	40,386	33,518
Market risk: foreign currency risk	13	206
Operational risk – Basic Indicator Approach	8,132	8,114
Pillar 1 Capital Resources Requirements	49,960	43,710

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 Pooors.

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	335	4,191	3,842
Central Governments	-	180	225
Corporates	1,753	21,913	29,306
Retail	748	12,476	9,026
Secured on residential property	19,142	565,467	532,072
Secured on commercial real estate	6,323	79,040	66,434
Short term claims on institutions and corporates	6,378	75,256	59,388
Other	5,707	71,344	68,436
Total as at 31 December 2012	40,386	829,867	783,461

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	-	3,926	265	4,191
Central Governments	180	-	-	180
Corporates	1,503	12,199	8,211	21,913
Retail	8,068	2,012	2,396	12,476
Secured on residential property	209,629	198,418	157,420	565,467
Secured on commercial real estate	2,454	37,949	38,637	79,040
Short term claims on institutions and corporates	8,605	47,888	18,763	75,256
Other	54,406	16,938	-	71,344
Total as at 31 December 2012	284,845	319,330	225,692	829,867

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	-	-	4,191	4,191
Central Governments	-	-	180	180
Corporates	-	21,913	-	21,913
Retail	12,476	-	-	12,476
Secured on residential property	330,322	235,145	-	565,467
Secured on commercial real estate	-	79,040	-	79,040
Short term claims on institutions and corporates	-	72,971	2,285	75,256
Other	59,625	-	11,719	71,344
Total as at 31 December 2012	402,423	409,069	18,375	829,867

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	4,191	-	-	4,191
Central Governments	180	-	-	180
Corporates	21,403	500	-	21,913
Retail	11,692	784	-	12,476
Secured on residential property	53,242	512,225	-	565,467
Secured on commercial real estate	-	61,577	17,463	79,040
Short term claims on institutions and corporates	75,256	-	-	75,256
Other	65,911	5,433	-	71,344
Total as at 31 December 2012	231,875	580,519	17,463	829,867

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	946	-	946
Corporates	94	-	94
Total as at 31 December 2012	1,040	-	1,040

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	-	-	-
Other EMEA	1,040	-	1,040
Total as at 31 December 2012	1,040	-	1,040

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	1,112	-	1,112
Amounts charged to income statement	-	-	-
Amounts written off	(39)	-	(39)
Recoveries	-	-	-
Foreign currency translation (net)	(33)	-	(33)
Balance at end of period	1,040	-	1,040

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Disclosures relating to remuneration pursuant to BIPRU 11.5.18R

Introduction

These disclosures reflect the requirements of BIPRU 11.5.18R of the PRA Handbook 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. During 2012, Iris Bohnet joined the Compensation Committee in addition to the four existing 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.

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 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.

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.

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 performance-based variable compensation pools is an annual process. Appropriate accruals for the divisional and Group-wide variable compensation pools are made by the Group throughout the year. The Board regularly reviews the accruals and related financial information and makes adjustments at its discretion to ensure that the overall size of the pools is consistent with the Group's

compensation objectives. An accrual, at the Group or any other level, however, does not create legal rights or entitlements for employees to receive variable compensation.

For the business divisions, the primary measure for determining the variable compensation pool is the division's income before taxes and before the variable compensation accrual, reduced by a charge for capital usage. The methodology to determine the divisional variable compensation pools, however, is not purely formula driven, but instead takes into account divisional key performance indicators and non-financial criteria including risk considerations and relative performance compared to peers.

For Shared Services functions, a deduction is applied to the pool of each division to fund a variable compensation pool for these employees, the total amount of which is based on the Group-wide performance and qualitative measurements rather than the performance of any particular division they support.

The determination of the pools for the business divisions and Shared Services functions also takes into account Group-wide performance, ethics, risk, compliance and control as well as the market and regulatory environment. The final variable compensation pools are reviewed and recommended by the Compensation Committee and approved by the Board.

Once the variable compensation pools have been set at the Group and divisional levels, each division allocates its pool to the various business areas, 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 budget 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, and for 2012 and 2011 the maximum deferral rate was set at 90%. 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 rates applied to employees in the Investment Bank are generally higher than other division. The deferral rates applicable to Remuneration 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 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. For members of the Executive Board, Managing Directors and other MRTCs, at least 50% of deferred variable compensation for 2012 was delivered in performance share awards, which are subject to a negative adjustment in the event of a divisional loss or a negative underlying ROE of the Group.

At least 50% of deferred variable compensation awarded to Remuneration Code Staff is awarded in Credit Suisse equity. For Managing Directors and Directors in the Investment Banking division in 2012, a portion of the remainder was delivered in Plus Bond awards. This is essentially a fixed income instrument, the value of which is based on the performance of a portfolio of unrated and sub-investment-grade ABS that are held in inventory by various trading desks of the Investment Banking division.

All deferred awards to Remuneration Code Staff, both equity and cash-based, are subject to pre-vesting performance adjustment in the circumstances required by the 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 2012 and 2011 by Division:

	Private Banking	Investment Banking	Asset Management	Other (2)	Total
Aggregate Compensation (USD million) (1)					
2012	9.1	314.3	12.8	39.6	375.9
2011	3.1	186.6	17.5	34.7	241.9

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 2012 and 2011, split between fixed and variable compensation:

	2012			2011		
	Senior Management	Other Code Staff	Total	Senior Management	Other Code Staff	Total
Number of Code Staff						
Number of Code Staff (1)	49	116	165	22	92	114
Aggregate Compensation (USD million)						
Aggregate Compensation comprises:	114.2	261.7	375.9	44.6	197.3	241.9
■ Fixed compensation (2)	25.2	61.3	86.5	13.0	53.0	66.0
■ Variable compensation (3)	89.0	200.4	289.4	31.6	144.3	175.9
Variable compensation comprises:						
■ Cash awards (4)	7.4	13.4	20.8	3.3	12.3	15.6
■ Restricted stock awards (5)	4.4	11.6	16.0	1.7	7.5	9.2
■ Deferred cash-based awards	13.0	30.1	43.1	8.8	56.5	65.3
■ Deferred share-based awards	64.2	145.3	209.5	17.8	68.0	85.8

1. Includes Asset Management Code Staff to whom the rules relating to remuneration structures in 2012 and 2011 were not applied based on guidance from the FSA/PRA.
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 2012, the cash component of variable compensation granted to managing directors and directors in the Investment Banking division is subject to specific restrictions over a three-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. In addition, for managing directors and directors in the Investment Banking division there are additional specific restrictions over a three-year period. These 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.

The following table sets out deferred compensation for Code Staff as at 31 December 2012 and 31 December 2011:

	2012			2011		
	Senior Management	Other Code Staff	Total	Senior Management	Other Code Staff	Total
Deferred compensation (USD million)						
Outstanding vested (1)	81.2	238.4	319.6	13.5	91.2	104.7
Outstanding unvested (2)	179.1	371.9	551.0	36.1	92.9	129.0
Deferred compensation awarded (3)	50.9	135.0	185.9	52.2	177.7	229.9
Deferred compensation paid out (4)	91.1	154.0	245.1	48.5	153.6	202.1
Deferred compensation reduced through performance adjustments in 2012	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 2012 and 2011, based on the share price as at 31 December of that year.
4. Actual value delivered to Code Staff during 2012 and 2011 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 2012 and 2011 to Code Staff:

	2012			2011		
	Senior Management	Other Code Staff	Total	Senior Management	Other Code Staff	Total
New sign-on payments (USD million)	0	0	0	0	0	0
Number of beneficiaries	0	0	0	0	0	0

The following table sets out 2012 and 2011 severance payments to Code Staff:

	2012 ⁽¹⁾			2011 ⁽²⁾		
	Senior Management	Other Code Staff	Total	Senior Management	Other Code Staff	Total
Severance payments made (USD million)	0.4	1.0	1.4	0	3.1	3.1
Number of beneficiaries	1	5	6	0	4	4
Highest individual award (USD million)	0.4	0.7	0.7	0	1.5	1.5

1. Includes severance payments made in 2012 in respect of individuals who ceased to hold a Code Staff position in 2011.
2. Includes severance payments made in 2011 in respect of individuals who ceased to hold a Code Staff position in 2010.

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.