

CREDIT SUISSE GROUP AG  
Form 6-K  
August 26, 2011

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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Form 6-K

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**REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13a-16 OR 15d-16  
UNDER THE SECURITIES EXCHANGE ACT OF 1934**

August 26, 2011

Commission File Number 001-15244

CREDIT SUISSE GROUP AG

(Translation of registrant's name into English)

Paradeplatz 8, P.O. Box 1, CH-8070 Zurich, Switzerland

(Address of principal executive office)

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Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F      Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

**Note:** Regulation S-T Rule 101(b)(1) only permits the submission in paper of a Form 6-K if submitted solely to provide an attached annual report to security holders.

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

**Note:** Regulation S-T Rule 101(b)(7) only permits the submission in paper of a Form 6-K if submitted to furnish a report or other document that the registrant foreign private issuer must furnish and make public under the laws of the jurisdiction in which the registrant is incorporated, domiciled or legally organized (the registrant's "home country"), or under the rules of the home country exchange on which the registrant's securities are traded, as long as the report or other document is not a press release, is not required to be and has not been distributed to the registrant's security holders, and, if discussing a material event, has already been the subject of a Form 6-K submission or other Commission filing on EDGAR.

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes      No

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-.

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**CREDIT SUISSE GROUP AG**

(Registrant)

Date: August 26, 2011

By:

/s/ Tobias Guldemann

Tobias Guldemann

Chief Risk Officer

By:

/s/ David R. Mathers

David R. Mathers

Chief Financial Officer

For purposes of this report, unless the context otherwise requires, the terms “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 only referring to Credit Suisse AG, the Swiss bank subsidiary of the Group, and its consolidated subsidiaries.

In various tables, use of “–” indicates not meaningful or not applicable.

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List of abbreviations

1. Introduction

The purpose of this Pillar 3 report is to provide updated information as of June 30, 2011 on our implementation of the Basel II framework and risk assessment processes in accordance with the Pillar 3 requirements. This document should be read in conjunction with the Credit Suisse Annual Report 2010 and the Credit Suisse 2Q11 Financial Report, which include important information on regulatory capital and risk management (specific references have been made herein to these documents). Since January 1, 2008, Credit Suisse has operated under the international capital adequacy standards set forth by the Basel Committee on Banking Supervision (BCBS), known as Basel II, as implemented by the Swiss Financial Market Supervisory Authority (FINMA).

In certain cases, the Pillar 3 disclosures differ from the way we manage our risks for internal management purposes and disclose them in the Annual Report. For further information regarding the way that we manage risk, refer to *III – Treasury, Risk, Balance sheet and Off-balance sheet – Risk management (pages 119 to 140)* in the Credit Suisse Annual Report 2010. For further information on economic capital, our core Group-wide risk management tool, refer to *III – Treasury, Risk, Balance sheet and Off-balance sheet – Treasury management (pages 115 to 118)* in the Credit Suisse Annual Report 2010.

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

The Pillar 3 report is produced and published semi-annually, in accordance with FINMA requirements.

This report was verified and approved internally in line with our Basel II Pillar 3 disclosure policy. The Pillar 3 report has not been audited by the Group's external auditors. However, it also includes information that is contained within the audited consolidated financial statements as reported in the Credit Suisse Annual Report 2010.

#### Scope of application

The highest consolidated entity in the Group to which Basel II applies is Credit Suisse Group. For further information on regulation, refer to *I – Information on the company – Regulation and supervision (pages 35 to 42)* and to *III – Treasury, Risk, Balance sheet and Off-balance sheet – Treasury management (pages 109 to 113)* in the Credit Suisse Annual Report 2010.

#### Principles of consolidation

For financial reporting purposes, our consolidation principles comply with accounting principles generally accepted in the US (US GAAP). For capital adequacy reporting purposes, however, entities that are not active in banking and finance are not subject to consolidation (i.e. insurance, real estate and commercial companies). These investments, which are not material to the Group, are treated in accordance with the regulatory rules and are either subject to a risk-weighted capital requirement or a deduction from regulatory capital. FINMA has advised the Group that it may continue to include equity from special purpose entities that are deconsolidated under US GAAP as tier 1 capital. We have also received an exemption from FINMA not to consolidate private equity fund type vehicles.

For a list of significant subsidiaries and associated entities of Credit Suisse, refer to *Note 38 – Significant subsidiaries and equity method investments in V – Consolidated financial statements – Credit Suisse Group (pages 338 to 340)* in the Credit Suisse Annual Report 2010.

#### Restrictions on transfer of funds or regulatory capital

We do not believe that legal or regulatory restrictions constitute a material limitation on the ability of our subsidiaries to pay dividends or our ability to transfer funds or regulatory capital within the Group.

For information on our liquidity, funding and capital management and dividends and dividend policy, refer to *III – Treasury, Risk, Balance sheet and Off-balance sheet – Treasury management (pages 96 to 118)* in the Credit Suisse Annual Report 2010.

#### Capital deficiencies

The Group's subsidiaries which are not included in the regulatory consolidation did not report any capital deficiencies in 6M11.

## 2. Capital

For information on our capital structure, eligible capital and shareholders' equity and capital adequacy refer to *III – Treasury, Risk, Balance sheet and Off-balance sheet – Treasury management (pages 101 to 110)* in the Credit Suisse Annual Report 2010 and *IV – Treasury, risk, balance sheet and off-balance sheet – Treasury management (pages 50 to 55)* in the Credit Suisse 2Q11 Financial Report.

Regulatory capital is calculated and managed according to Basel regulations and used to determine BIS ratios and, according to the Swiss Capital Adequacy Ordinance, the FINMA capital requirement covering ratio. Beginning in 2011, we implemented the Basel II market risk framework (Basel II.5) for FINMA regulatory capital purposes. The BCBS requires the national implementation of Basel II.5 no later than December 31, 2011. The main differences between the BIS and FINMA calculations are the multipliers used for certain risk classes and additional FINMA requirements for market risk. The main impact of the multipliers is related to credit non-counterparty-related risks, for which FINMA uses a multiplier of 3.0 versus 1.0 for BIS. The additional FINMA requirements for market risk are for Value-at-Risk (VaR) backtesting exceptions, where FINMA imposes higher multipliers than BIS for more than ten exceptions, and stress-test-based risk-weighted assets for hedge funds.

BIS ratios compare eligible capital by tier 1 and total capital with BIS risk-weighted assets whereas the FINMA capital requirement covering ratio compares total capital with FINMA required capital.

### Description of regulatory approaches

Basel II provides a range of options for determining the capital requirements in order to allow banks and supervisors the ability to select approaches that are most appropriate. 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. Basel II focuses on credit risk, market risk, operational risk, securitization risk and equity and interest rate risk in the banking book. The regulatory approaches for each of these risk exposures and the related disclosures under Pillar 3 are set forth below.

### Credit risk

Basel II permits banks a choice between two broad methodologies in calculating their capital requirements for credit risk, the internal ratings-based (IRB) approach or the standardized approach. Off-balance-sheet items are converted into credit exposure equivalents through the use of credit conversion factors (CCF).

The majority of our credit risk is with institutional counterparties (sovereigns, other institutions, banks and corporates) and arises from lending and trading activity in the Investment Banking and Private Banking divisions. The remaining credit risk is with retail counterparties and mostly arises in the Private Banking division from residential mortgage loans and other secured lending, including loans collateralized by securities.

Under the IRB approach, risk weights are determined by using internal risk parameters. We have received approval from FINMA to use, and have fully implemented, the advanced internal ratings-based (A-IRB) approach whereby we provide our own estimates for probability of default (PD), loss given default (LGD) and exposure at default (EAD). We use the A-IRB approach to determine our institutional credit risk and most of our retail credit risk.

PD parameters capture the risk of a counterparty defaulting over a one-year time horizon. PD estimates are based on time-weighted averages of historical default rates by rating grade, with low-default-portfolio estimation techniques applied for higher quality rating grades. Each PD reflects the internal rating for the relevant obligor.

LGD parameters consider seniority, collateral, counterparty industry and in certain cases fair value markdowns. LGD estimates are based on an empirical analysis of historical loss rates and are calibrated to reflect time and cost of

recovery as well as economic downturn conditions. For much of the Private Banking loan portfolio, the LGD is primarily dependent upon the type and amount of collateral pledged. For other retail credit risk, predominantly loans secured by financial collateral, pool LGDs differentiate between standard and higher risks, as well as domestic and foreign transactions. The credit approval and collateral monitoring process are based on loan-to-value limits. For mortgages (residential or commercial), recovery rates are differentiated by type of property.

EAD is either derived from balance sheet values or by using models. EAD for a non-defaulted facility is an estimate of the gross exposure upon default of the obligor. Estimates are derived based on a CCF approach using default-weighted averages of historical realized conversion factors on defaulted loans by facility type. Estimates are calibrated to capture negative operating environment effects.

We have received approval from FINMA to use the internal model method for measuring counterparty risk for the majority of our derivative and secured financing exposures.

Risk weights are calculated using either the PD/LGD approach or the supervisory risk weights (SRW) approach for certain types of specialized lending.

Under the standardized approach, risk weights are determined either according to credit ratings provided by recognized external credit assessment institutions or, for unrated exposures, by using the applicable regulatory risk weights. Less than 10% of our credit risk is determined using this approach.

#### Market risk

For calculating the capital requirements for market risk, the internal models approach (IMA) or the standardized approach is used. We have received approval from FINMA, as well as from certain other regulators of our subsidiaries, to use our VaR model to calculate trading book market risk capital requirements under the IMA. We apply the IMA to the vast majority of the positions in our trading book. We continue to receive regulatory approval for ongoing enhancements to the VaR methodology, and the VaR model is subject to regular reviews by regulators and auditors.

We use the standardized approach to determine our market risk for a small number of positions, which represent an immaterial proportion of our overall market risk exposure.

#### Operational risk

We have received approval from FINMA to use the advanced measurement approach (AMA) for measuring operational risk. Under this approach we have identified key scenarios that describe major operational risks relevant to us. 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 probabilities and severities into an event model that generates a loss distribution. 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. Based on the loss distribution, the level of capital required to cover operational risk can then be calculated.

#### Securitization risk

For securitizations, the regulatory capital requirements are calculated using IRB approaches: the ratings-based approach (RBA) and the supervisory formula approach (SFA).

#### Other risks

For equity type securities in the banking book, risk weights are determined using the IRB Simple approach based on the equity sub-asset type (qualifying private equity, listed equity and all other equity positions).

Regulatory fixed risk weights are applied to settlement and non-counterparty-related exposures. Settlement exposures arise from unsettled or failed transactions where cash or securities are delivered without a corresponding receipt. Non-counterparty-related exposures arise from holdings of premises and equipment, real estate and investments in real estate entities.

For other items, we received approval from FINMA to apply a simplified Institute Specific Direct Risk Weight approach to immaterial portfolios.

## Risk-weighted assets

|                                              | 6M11           |                   |                | 2010           |                   |                |
|----------------------------------------------|----------------|-------------------|----------------|----------------|-------------------|----------------|
| end of                                       | Ad-<br>vanced  | Stan-<br>dardized | Total          | Ad-<br>vanced  | Stan-<br>dardized | Total          |
| Risk-weighted assets (CHF million)           |                |                   |                |                |                   |                |
| Sovereigns                                   | 4,783          | 25                | 4,808          | 5,495          | –                 | 5,495          |
| Other institutions                           | 1,326          | 107               | 1,433          | 1,443          | –                 | 1,443          |
| Banks                                        | 17,834         | 416               | 18,250         | 20,268         | 74                | 20,342         |
| Corporates                                   | 79,513         | 100               | 79,613         | 87,987         | –                 | 87,987         |
| Residential mortgage                         | 12,015         | –                 | 12,015         | 11,665         | –                 | 11,665         |
| Qualifying revolving retail                  | 930            | –                 | 930            | 319            | –                 | 319            |
| Other retail                                 | 8,555          | 77                | 8,632          | 7,545          | 300               | 7,845          |
| Other exposures                              | –              | 5,713             | 5,713          | –              | 5,031             | 5,031          |
| Credit risk <sup>1</sup>                     | 124,956        | 6,438             | 131,394        | 134,722        | 5,405             | 140,127        |
| Market risk                                  | 14,090         | 1,507             | 15,597         | 17,647         | 1,277             | 18,924         |
| Operational risk                             | 33,337         | –                 | 33,337         | 33,662         | –                 | 33,662         |
| Equity type securities in the banking book   | 10,612         | –                 | 10,612         | 12,471         | –                 | 12,471         |
| Securitization risk                          | 3,615          | 63                | 3,678          | 3,585          | –                 | 3,585          |
| Settlement risk                              | –              | 360               | 360            | –              | 922               | 922            |
| Non-counterparty-related risk                | –              | 7,265             | 7,265          | –              | 7,380             | 7,380          |
| Other items                                  | –              | 1,498             | 1,498          | –              | 1,631             | 1,631          |
| <b>Total Basel II risk-weighted assets</b>   | <b>186,610</b> | <b>17,131</b>     | <b>203,741</b> | <b>202,087</b> | <b>16,615</b>     | <b>218,702</b> |
| Incremental Basel II.5 impact <sup>2</sup>   | 25,619         | 9,269             | 34,888         | –              | –                 | –              |
| <b>Total Basel II.5 risk-weighted assets</b> | <b>212,229</b> | <b>26,400</b>     | <b>238,629</b> | –              | –                 | –              |
| Other multipliers <sup>3, 4</sup>            | 512            | 15,416            | 15,928         | 788            | 15,542            | 16,330         |

|                                    |       |   |       |       |   |       |
|------------------------------------|-------|---|-------|-------|---|-------|
| VaR hedge fund add-on <sup>5</sup> | 2,327 | – | 2,327 | 2,436 | – | 2,436 |
|------------------------------------|-------|---|-------|-------|---|-------|

**Total FINMA**

|                             |                            |                           |                            |                |               |                |
|-----------------------------|----------------------------|---------------------------|----------------------------|----------------|---------------|----------------|
| <b>risk-weighted assets</b> | <b>215,068<sub>6</sub></b> | <b>41,816<sub>6</sub></b> | <b>256,884<sub>6</sub></b> | <b>205,311</b> | <b>32,157</b> | <b>237,468</b> |
|-----------------------------|----------------------------|---------------------------|----------------------------|----------------|---------------|----------------|

1 For a description of the asset classes refer to section 4 - Credit risk. 2 Impact reflects the additional risk-weighted assets, as specified by the BCBS and outlined in the revisions to the Basel II market risk framework (Basel II.5). 3 VaR methodology changes during 2Q11 are only reflected in BIS market risk capital from implementation but FINMA market risk capital is fully restated. 4 Primarily related to credit non-counterparty-related risk. 5 The VaR hedge fund capital add-on is stress-test-based and was introduced by the FINMA in 2008 for hedge fund exposures in the trading book. This capital add-on is required for the FINMA calculation in addition to the VaR-based market risk capital charge already included in BIS capital. For further information, refer to section 6 – Market risk. 6 Incremental Basel II.5 impact is only reflected in the 6M11 numbers prospectively. Inclusion of Basel II.5 resulted in an increase in FINMA risk-weighted assets, which otherwise would have decreased over the period. Prior year numbers have not been restated and reflect Basel II.

## BIS and FINMA statistics

|                                                     |                     | Group  |                     | Bank   |
|-----------------------------------------------------|---------------------|--------|---------------------|--------|
| end of                                              | 6M11                | 2010   | 6M11                | 2010   |
| BIS statistics (Basel II)                           |                     |        |                     |        |
| Tier 1 capital (CHF million)                        | 37,076              | 37,725 | 33,443              | 35,310 |
| Total eligible capital (CHF million)                | 48,088              | 47,799 | 46,451              | 47,569 |
| Tier 1 ratio (%)                                    | 18.2                | 17.2   | 17.5                | 17.1   |
| Total capital ratio (%)                             | 23.6                | 21.9   | 24.3                | 23.1   |
| BIS statistics (Basel II.5)                         |                     |        |                     |        |
| Tier 1 capital (CHF million) <sup>1</sup>           | 34,591              | -      | 30,958              | -      |
| Tier 1 ratio (%)                                    | 14.5                | -      | 13.7                | -      |
| FINMA statistics                                    |                     |        |                     |        |
| FINMA required capital (CHF million) <sup>2</sup>   | 20,551 <sub>3</sub> | 18,997 | 19,422 <sub>3</sub> | 17,856 |
| Capital requirement covering ratio (%) <sup>1</sup> | 209.8 <sub>3</sub>  | 251.6  | 213.6 <sub>3</sub>  | 266.4  |

1 The ratio includes the impact of additional Basel II.5 capital deductions of CHF 2,485 million. 2 Calculated as 8% of total FINMA risk-weighted assets under Basel II.5. 3 Incremental Basel II.5 impact is only reflected in the 6M11 numbers prospectively. Prior year numbers have not been restated and reflect Basel II.

## 3. Risk exposure and assessment



For information on risk governance, risk organization, risk types and risk limits, refer to *III – Treasury, Risk, Balance sheet and Off-balance sheet – Risk management (pages 119 to 140)* in the Credit Suisse Annual Report 2010.

#### 4. Credit risk

##### General

For information on our credit risk management approach, ratings and risk mitigation and impaired exposures and allowances, refer to *III – Treasury, Risk, Balance sheet and Off-balance sheet – Risk management (pages 129 to 139)* in the Credit Suisse Annual Report 2010.

For regulatory purposes, we categorize our exposures into broad classes of assets with different underlying risk characteristics including type of counterparty, size of exposure and type of collateral. The asset class categorization is driven by Basel II regulatory rules. The credit asset classes under Basel II are set forth below and are grouped as either institutional or retail.

##### Institutional credit risk

– Sovereigns: exposures to central governments, central banks, BIS, the International Monetary Fund, the European Central Bank and eligible Multilateral Development Banks (MDB).

– Other institutions: exposures to public bodies with the right to raise taxes or whose liabilities are guaranteed by a public sector entity.

– Banks: exposures to banks, securities firms, stock exchanges and those MDB that do not qualify for sovereign treatment.

– Corporates: exposures to corporations (except small businesses) and public sector entities with no right to raise taxes and whose liabilities are not guaranteed by a public entity. The Corporate asset class also includes specialized lending, in which the lender looks primarily to a single source of revenues to cover the repayment obligations and where only the financed asset serves as security for the exposure (e.g., income producing real estate or commodities finance).

##### Retail credit risk

– Residential mortgages: includes exposures secured by residential real estate collateral occupied or let by the borrower.

– Qualifying revolving retail: includes credit card receivables and overdrafts.

– Other retail: includes loans collateralized by securities and small business exposures.

##### Other credit risk

– Other exposures: includes exposures with insufficient information to treat under the A-IRB approach or to allocate under the Standardized approach into any other asset class.

Gross credit exposures by regulatory approach and risk-weighted assets

|        |                                   | Stan-<br>A-IRB | dardized<br>SRW       | Total | Risk-<br>weighted<br>assets |
|--------|-----------------------------------|----------------|-----------------------|-------|-----------------------------|
|        | PD/LGD                            |                |                       |       |                             |
|        | Pre-<br>substitution <sup>1</sup> |                | Post-<br>substitution |       |                             |
| end of |                                   |                |                       |       |                             |

6M11 (CHF million)

|                                             |                |                |              |               |                |                |
|---------------------------------------------|----------------|----------------|--------------|---------------|----------------|----------------|
| Sovereigns                                  | 68,572         | 68,047         | –            | 8,605         | 76,652         | 4,808          |
| Other institutions                          | 4,801          | 4,544          | –            | 502           | 5,046          | 1,433          |
| Banks                                       | 59,868         | 63,081         | 20           | 1,459         | 64,560         | 18,250         |
| Corporates                                  | 182,283        | 179,852        | 1,603        | 414           | 181,869        | 79,613         |
| <b>Total institutional credit exposures</b> | <b>315,524</b> | <b>315,524</b> | <b>1,623</b> | <b>10,980</b> | <b>328,127</b> | <b>104,104</b> |
| Residential mortgage                        | 93,655         | 93,655         | –            | –             | 93,655         | 12,015         |
| Qualifying revolving retail                 | 558            | 558            | –            | –             | 558            | 930            |
| Other retail                                | 50,025         | 50,025         | –            | 146           | 50,171         | 8,632          |
| <b>Total retail credit exposures</b>        | <b>144,238</b> | <b>144,238</b> | <b>–</b>     | <b>146</b>    | <b>144,384</b> | <b>21,577</b>  |
| Other exposures                             | –              | –              | –            | 10,519        | 10,519         | 5,713          |
| <b>Total gross credit exposures</b>         | <b>459,762</b> | <b>459,762</b> | <b>1,623</b> | <b>21,645</b> | <b>483,030</b> | <b>131,394</b> |

2010 (CHF million)

|                                             |                |                |              |               |                |                |
|---------------------------------------------|----------------|----------------|--------------|---------------|----------------|----------------|
| Sovereigns                                  | 68,190         | 68,465         | –            | –             | 68,465         | 5,495          |
| Other institutions                          | 5,115          | 4,972          | –            | –             | 4,972          | 1,443          |
| Banks                                       | 72,081         | 77,168         | 11           | 370           | 77,549         | 20,342         |
| Corporates                                  | 194,878        | 189,659        | 1,949        | –             | 191,608        | 87,987         |
| <b>Total institutional credit exposures</b> | <b>340,264</b> | <b>340,264</b> | <b>1,960</b> | <b>370</b>    | <b>342,594</b> | <b>115,267</b> |
| Residential mortgage                        | 90,939         | 90,939         | –            | –             | 90,939         | 11,665         |
| Qualifying revolving retail                 | 192            | 192            | –            | –             | 192            | 319            |
| Other retail                                | 50,833         | 50,833         | –            | 591           | 51,424         | 7,845          |
| <b>Total retail credit exposures</b>        | <b>141,964</b> | <b>141,964</b> | <b>–</b>     | <b>591</b>    | <b>142,555</b> | <b>19,829</b>  |
| Other exposures                             | –              | –              | –            | 9,220         | 9,220          | 5,031          |
| <b>Total gross credit exposures</b>         | <b>482,228</b> | <b>482,228</b> | <b>1,960</b> | <b>10,181</b> | <b>494,369</b> | <b>140,127</b> |

1 Gross credit exposures are shown pre- and post-substitution as, in certain circumstances, credit risk mitigation is reflected by shifting the counterparty exposure from the underlying obligor to the protection provider.

Gross credit exposures and risk-weighted assets

6M11

2010

|                                                             | End of         | Monthly<br>average | Risk-<br>weighted<br>assets | End of         | Monthly<br>average | Risk-<br>weighted<br>assets |
|-------------------------------------------------------------|----------------|--------------------|-----------------------------|----------------|--------------------|-----------------------------|
| Gross credit exposures (CHF million)                        |                |                    |                             |                |                    |                             |
| Loans, deposits with<br>banks and other assets <sup>1</sup> | 311,498        | 307,969            | 70,702                      | 302,088        | 305,385            | 71,565                      |
| Guarantees and<br>commitments                               | 61,742         | 69,749             | 24,890                      | 72,074         | 76,781             | 27,881                      |
| Securities financing<br>transactions                        | 30,477         | 33,198             | 4,008                       | 32,259         | 36,928             | 4,836                       |
| Derivatives                                                 | 79,313         | 86,474             | 31,794                      | 87,948         | 98,845             | 35,845                      |
| <b>Total</b>                                                | <b>483,030</b> | <b>497,390</b>     | <b>131,394</b>              | <b>494,369</b> | <b>517,939</b>     | <b>140,127</b>              |

<sup>1</sup> Includes interest bearing deposits with banks, banking book loans, available-for-sale debt securities and other receivables.

#### Geographic distribution of gross credit exposures

| end of                                                      | Switzerland    | EMEA           | Americas       | Asia<br>Pacific | Total          |
|-------------------------------------------------------------|----------------|----------------|----------------|-----------------|----------------|
| 6M11 (CHF million)                                          |                |                |                |                 |                |
| Loans, deposits with banks<br>and other assets <sup>1</sup> | 134,631        | 77,629         | 79,171         | 20,067          | 311,498        |
| Guarantees and commitments                                  | 13,627         | 16,622         | 29,446         | 2,047           | 61,742         |
| Securities financing<br>transactions                        | 3,106          | 9,574          | 16,840         | 957             | 30,477         |
| Derivatives                                                 | 6,024          | 43,113         | 22,308         | 7,868           | 79,313         |
| <b>Total</b>                                                | <b>157,388</b> | <b>146,938</b> | <b>147,765</b> | <b>30,939</b>   | <b>483,030</b> |
| 2010 (CHF million)                                          |                |                |                |                 |                |
| Loans, deposits with banks<br>and other assets <sup>1</sup> | 135,613        | 69,013         | 78,129         | 19,333          | 302,088        |
| Guarantees and commitments                                  | 13,753         | 23,482         | 32,508         | 2,331           | 72,074         |
| Securities financing<br>transactions                        | 5,199          | 8,769          | 17,088         | 1,203           | 32,259         |
| Derivatives                                                 | 6,626          | 45,935         | 26,692         | 8,695           | 87,948         |
| <b>Total</b>                                                | <b>161,191</b> | <b>147,199</b> | <b>154,417</b> | <b>31,562</b>   | <b>494,369</b> |

The geographic distribution is based on the country of incorporation or the nationality of the counterparty, shown pre-substitution.

<sup>1</sup> Includes interest bearing deposits with banks, banking book loans, available-for-sale debt securities and other receivables.

## Industry distribution of gross credit exposures

| end of                                                      | Financial<br>institutions | Commercial     | Consumer       | Public<br>authorities | Total          |
|-------------------------------------------------------------|---------------------------|----------------|----------------|-----------------------|----------------|
| 6M11 (CHF million)                                          |                           |                |                |                       |                |
| Loans, deposits with banks<br>and other assets <sup>1</sup> | 18,342                    | 119,307        | 107,112        | 66,737                | 311,498        |
| Guarantees and<br>commitments                               | 2,139                     | 54,134         | 2,667          | 2,802                 | 61,742         |
| Securities financing<br>transactions                        | 8,513                     | 18,953         | 30             | 2,981                 | 30,477         |
| Derivatives                                                 | 34,847                    | 34,556         | 1,506          | 8,404                 | 79,313         |
| <b>Total</b>                                                | <b>63,841</b>             | <b>226,950</b> | <b>111,315</b> | <b>80,924</b>         | <b>483,030</b> |

## 2010 (CHF million)

|                                                             |               |                |                |               |                |
|-------------------------------------------------------------|---------------|----------------|----------------|---------------|----------------|
| Loans, deposits with banks<br>and other assets <sup>1</sup> | 18,714        | 121,004        | 103,847        | 58,523        | 302,088        |
| Guarantees and<br>commitments                               | 1,920         | 65,931         | 1,864          | 2,359         | 72,074         |
| Securities financing<br>transactions                        | 14,639        | 14,270         | 34             | 3,316         | 32,259         |
| Derivatives                                                 | 38,275        | 39,347         | 1,551          | 8,775         | 87,948         |
| <b>Total</b>                                                | <b>73,548</b> | <b>240,552</b> | <b>107,296</b> | <b>72,973</b> | <b>494,369</b> |

Exposures are shown pre-substitution.

<sup>1</sup> Includes interest bearing deposits with banks, banking book loans, available-for-sale debt securities and other receivables.

## Remaining contractual maturity of gross credit exposures

| end of                                                      | within<br>1 year <sup>1</sup> | within<br>1-5 years | Thereafter    | Total          |
|-------------------------------------------------------------|-------------------------------|---------------------|---------------|----------------|
| 6M11 (CHF million)                                          |                               |                     |               |                |
| Loans, deposits with banks and<br>other assets <sup>2</sup> | 179,201                       | 98,374              | 33,923        | 311,498        |
| Guarantees and commitments                                  | 25,953                        | 32,464              | 3,325         | 61,742         |
| Securities financing transactions                           | 30,416                        | 60                  | 1             | 30,477         |
| Derivatives                                                 | 29,016                        | 48,753              | 1,544         | 79,313         |
| <b>Total</b>                                                | <b>264,586</b>                | <b>179,651</b>      | <b>38,793</b> | <b>483,030</b> |

## 2010 (CHF million)

|                                                             |         |        |        |         |
|-------------------------------------------------------------|---------|--------|--------|---------|
| Loans, deposits with banks and<br>other assets <sup>2</sup> | 181,826 | 86,185 | 34,077 | 302,088 |
| Guarantees and commitments                                  | 26,751  | 42,242 | 3,081  | 72,074  |
| Securities financing transactions                           | 32,254  | 0      | 5      | 32,259  |

|              |                |                |               |                |
|--------------|----------------|----------------|---------------|----------------|
| Derivatives  | 34,733         | 51,799         | 1,416         | 87,948         |
| <b>Total</b> | <b>275,564</b> | <b>180,226</b> | <b>38,579</b> | <b>494,369</b> |

1 Includes positions without agreed residual contractual maturity. 2 Includes interest bearing deposits with banks, banking book loans, available-for-sale debt securities and other receivables.

#### Portfolios subject to PD/LGD approach

##### Rating models

Rating models are based on statistical data and are subject to a thorough review before implementation. Each credit rating model has been developed by Risk Analytics & Reporting (RAR) or Credit Risk Management (CRM) and has been independently validated by Risk Model Validation (RMV) prior to use within the Basel II regulatory capital calculation, and thereafter on a regular basis. To ensure that ratings are consistent and comparable across all businesses, we have used an internal rating scale which is benchmarked to an external rating agency using the historical PD associated with external ratings.

At the time of initial credit approval and review, relevant quantitative data (such as financial statements and financial projections) and qualitative factors relating to the counterparty are used by CRM in the models and result in the assignment of a credit rating or PD, which measures the counterparty's risk of default over a one-year period.

New or materially changed rating models are submitted for approval to the Risk Processes and Standards Committee (RPSC) prior to implementation. RPSC reviews the continued use of existing models on an annual basis.

CRM is an independent function with responsibility for approving credit ratings and limits, monitoring and managing individual exposures and assessing and managing the quality of the segment and business area's credit portfolios. CRM and RAR report to the Chief Risk Officer.

##### Descriptions of the rating processes

For the purposes of internal ratings, we have developed a set of credit rating models tailored for different internal client segments in both Investment Banking and Private Banking (e.g., international corporates, financial institutions, asset finance, small and medium-sized entities, commodity traders, residential mortgages, etc.) and transaction types.

Counterparty and transaction rating process – international corporates, banks and sovereigns (primarily in the Investment Banking division)

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. Analysts make use of peer analysis, industry comparisons, other quantitative tools and the judgment of credit experts.

For structured and asset finance deals, the approach is more quantitative. The focus is on the performance of the underlying assets, which represent the collateral of the deal. The ultimate rating is dependent upon the expected performance of the underlying assets and the level of credit enhancement of the specific transaction. Additionally, a review of the originator and/or servicer is performed. External ratings and research (rating agency and/or fixed income and equity), where available, are incorporated into the rating justification, as is any available market information (e.g., bond spreads, equity performance).

Transaction ratings are based on the analysis and evaluation of both quantitative and qualitative factors. The specific factors analyzed include seniority, industry and collateral. The analysis emphasizes a forward looking approach.

Counterparty and transaction rating process – Swiss corporates, mortgages and other retail (primarily in the Private Banking division)

For Swiss corporates and mortgage lending, the statistically derived rating models, which are based on internal data history of quantitative and qualitative factors, are supplemented by the judgment of credit experts. For mortgages, information about the real estate property, including loan-to-value ratio, is also considered. Collateral loans, which form the largest part of “other retail”, are treated according to Basel II rules with pool PD and pool LGD based on historical loss experience. Most of the collateral loans are loans collateralized by securities.

As a rule, the allocation of exposures to institutional or retail as outlined in the following tables is based on the different rating models, but also takes into account further explicit regulatory rules.

#### Relationship between PD bands and counterparty ratings

|                                      | PD bands (%) <sup>1</sup> |              |
|--------------------------------------|---------------------------|--------------|
|                                      | 6M11                      | 2010         |
| Counterparty ratings                 |                           |              |
| AAA                                  | 0.000-0.022               | 0.000-0.022  |
| AA                                   | 0.022-0.045               | 0.022-0.045  |
| A                                    | 0.045-0.099               | 0.045-0.099  |
| BBB                                  | 0.099-0.501               | 0.099-0.501  |
| BB                                   | 0.501-2.528               | 0.501-2.528  |
| B or lower                           | 2.528-99.999              | 2.528-99.999 |
| Default (net of specific provisions) | –                         | –            |

1 PD bands are subject to slight changes over time as a result of routine recalibrations of PD parameters, which are generally updated on an annual basis.

#### Institutional credit exposures by counterparty rating under PD/LGD approach

|             | Total exposure (CHF m) | Exposure-weighted average LGD (%) | Exposure-weighted average risk weight (%) <sup>1</sup> | Undrawn commitments (CHF m) |
|-------------|------------------------|-----------------------------------|--------------------------------------------------------|-----------------------------|
| end of 6M11 |                        |                                   |                                                        |                             |
| Sovereigns  |                        |                                   |                                                        |                             |
| AAA         | 56,679                 | 9.62                              | 1.85                                                   | 34                          |
| AA          | 7,569                  | 51.09                             | 19.54                                                  | —                           |
| A           | 512                    | 52.30                             | 31.57                                                  | 15                          |
| BBB         | 2,754                  | 55.44                             | 39.31                                                  | —                           |
| BB          | 210                    | 38.45                             | 93.71                                                  | —                           |
| B or lower  | 321                    | 48.57                             | 169.21                                                 | —                           |
|             | 2                      | —                                 | —                                                      |                             |

Default (net of specific provisions)

|                                                |                |       |        |               |
|------------------------------------------------|----------------|-------|--------|---------------|
| <b>Total credit exposure</b>                   | <b>68,047</b>  | —     | —      | <b>49</b>     |
| Exposure-weighted average CCF (%) <sup>2</sup> | 99.90          | —     | —      | —             |
| Other institutions                             |                |       |        |               |
| AAA                                            | —              | —     | —      | —             |
| AA                                             | 2,993          | 53.57 | 17.00  | 281           |
| A                                              | 524            | 54.30 | 35.44  | 59            |
| BBB                                            | 791            | 45.29 | 36.82  | 248           |
| BB                                             | 173            | 50.43 | 92.25  | 7             |
| B or lower                                     | 63             | 46.96 | 168.10 | —             |
| Default (net of specific provisions)           | —              | —     | —      | —             |
| <b>Total credit exposure</b>                   | <b>4,544</b>   | —     | —      | <b>595</b>    |
| Exposure-weighted average CCF (%) <sup>2</sup> | 78.43          | —     | —      | —             |
| Banks                                          |                |       |        |               |
| AAA                                            | —              | —     | —      | —             |
| AA                                             | 21,223         | 53.86 | 16.59  | 498           |
| A                                              | 30,884         | 52.78 | 18.98  | 224           |
| BBB                                            | 6,922          | 51.00 | 47.50  | 138           |
| BB                                             | 2,661          | 52.61 | 93.77  | 32            |
| B or lower                                     | 1,030          | 32.94 | 125.56 | 1             |
| Default (net of specific provisions)           | 361            | —     | —      | —             |
| <b>Total credit exposure</b>                   | <b>63,081</b>  | —     | —      | <b>893</b>    |
| Exposure-weighted average CCF (%) <sup>2</sup> | 96.01          | —     | —      | —             |
| Corporates                                     |                |       |        |               |
| AAA                                            | —              | —     | —      | —             |
| AA                                             | 36,066         | 42.83 | 12.46  | 10,748        |
| A                                              | 45,192         | 48.46 | 19.54  | 12,869        |
| BBB                                            | 45,669         | 40.36 | 37.16  | 10,924        |
| BB                                             | 37,949         | 37.13 | 72.42  | 6,428         |
| B or lower                                     | 13,109         | 32.86 | 113.42 | 4,230         |
| Default (net of specific provisions)           | 1,867          | —     | —      | 33            |
| <b>Total credit exposure</b>                   | <b>179,852</b> | —     | —      | <b>45,232</b> |
|                                                | 79.49          | —     | —      | —             |

Exposure-weighted average CCF  
(%)<sup>2</sup>

**Total institutional credit  
exposure**

**315,524**                      –                      –                      **46,769**

1 The exposure-weighted average risk weights in percentage terms is the multiplier applied to regulatory exposures to derive risk-weighted assets, and may exceed 100%. 2 Calculated before credit risk mitigation.

Institutional credit exposures by counterparty rating under PD/LGD approach  
(continued)

|                                                   | Total<br>exposure<br>(CHF m) | Exposure-<br>weighted<br>average<br>LGD (%) | Exposure-<br>weighted<br>average<br>risk<br>weight (%) <sup>1</sup> | Undrawn<br>commit-<br>ments<br>(CHF m) |
|---------------------------------------------------|------------------------------|---------------------------------------------|---------------------------------------------------------------------|----------------------------------------|
| end of 2010                                       |                              |                                             |                                                                     |                                        |
| Sovereigns                                        |                              |                                             |                                                                     |                                        |
| AAA                                               | 55,195                       | 10.41                                       | 1.91                                                                | 5                                      |
| AA                                                | 8,852                        | 49.89                                       | 19.77                                                               | –                                      |
| A                                                 | 949                          | 48.51                                       | 26.43                                                               | 20                                     |
| BBB                                               | 2,830                        | 55.76                                       | 44.88                                                               | –                                      |
| BB                                                | 323                          | 44.64                                       | 108.09                                                              | –                                      |
| B or lower                                        | 314                          | 48.68                                       | 161.74                                                              | –                                      |
| Default (net of specific provisions)              | 2                            | –                                           | –                                                                   | –                                      |
| <b>Total credit exposure</b>                      | <b>68,465</b>                | –                                           | –                                                                   | <b>25</b>                              |
| Exposure-weighted average CCF<br>(%) <sup>2</sup> | 99.87                        | –                                           | –                                                                   | –                                      |
| Other institutions                                |                              |                                             |                                                                     |                                        |
| AAA                                               | –                            | –                                           | –                                                                   | –                                      |
| AA                                                | 3,227                        | 54.21                                       | 18.57                                                               | 231                                    |
| A                                                 | 670                          | 53.69                                       | 32.94                                                               | 162                                    |
| BBB                                               | 902                          | 45.72                                       | 36.86                                                               | 357                                    |
| BB                                                | 110                          | 46.48                                       | 91.78                                                               | 8                                      |
| B or lower                                        | 63                           | 47.16                                       | 170.55                                                              | –                                      |
| Default (net of specific provisions)              | –                            | –                                           | –                                                                   | –                                      |
| <b>Total credit exposure</b>                      | <b>4,972</b>                 | –                                           | –                                                                   | <b>758</b>                             |
| Exposure-weighted average CCF<br>(%) <sup>2</sup> | 81.72                        | –                                           | –                                                                   | –                                      |
| Banks                                             |                              |                                             |                                                                     |                                        |



|                                                |                |       |        |               |
|------------------------------------------------|----------------|-------|--------|---------------|
| AAA                                            | —              | —     | —      | —             |
| AA                                             | 23,751         | 53.64 | 14.25  | 27            |
| A                                              | 40,383         | 53.89 | 17.91  | 146           |
| BBB                                            | 8,738          | 53.52 | 49.26  | 365           |
| BB                                             | 3,320          | 51.20 | 87.75  | 14            |
| B or lower                                     | 777            | 39.47 | 138.67 | 7             |
| Default (net of specific provisions)           | 199            | —     | —      | —             |
| <b>Total credit exposure</b>                   | <b>77,168</b>  | —     | —      | <b>559</b>    |
| Exposure-weighted average CCF (%) <sup>2</sup> | 96.28          | —     | —      | —             |
| Corporates                                     |                |       |        |               |
| AAA                                            | —              | —     | —      | —             |
| AA                                             | 38,866         | 44.66 | 13.65  | 12,223        |
| A                                              | 50,136         | 50.37 | 23.80  | 15,028        |
| BBB                                            | 44,773         | 41.46 | 38.92  | 11,115        |
| BB                                             | 40,539         | 39.27 | 74.38  | 5,222         |
| B or lower                                     | 13,543         | 32.83 | 116.03 | 3,282         |
| Default (net of specific provisions)           | 1,802          | —     | —      | 56            |
| <b>Total credit exposure</b>                   | <b>189,659</b> | —     | —      | <b>46,926</b> |
| Exposure-weighted average CCF (%) <sup>2</sup> | 83.28          | —     | —      | —             |
| <b>Total institutional credit exposure</b>     | <b>340,264</b> | —     | —      | <b>48,268</b> |

1 The exposure-weighted average risk weights in percentage terms is the multiplier applied to regulatory exposures to derive risk-weighted assets, and may exceed 100%. 2 Calculated before credit risk mitigation.

#### Retail credit exposures by expected loss band under PD/LGD approach

|                       | Total exposure (CHF m) | Exposure-weighted average LGD (%) | Exposure-weighted average risk weight (%) <sup>1</sup> | Undrawn commitments (CHF m) |
|-----------------------|------------------------|-----------------------------------|--------------------------------------------------------|-----------------------------|
| end of 6M11           |                        |                                   |                                                        |                             |
| Residential mortgages |                        |                                   |                                                        |                             |
| 0.00%-0.15%           | 81,508                 | 16.79                             | 8.30                                                   | 1,217                       |
| 0.15%-0.30%           | 7,130                  | 24.45                             | 26.45                                                  | 238                         |
| 0.30%-1.00%           | 4,425                  | 29.14                             | 47.66                                                  | 150                         |

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|                                                |                |       |        |              |
|------------------------------------------------|----------------|-------|--------|--------------|
| 1.00% and above                                | 317            | 27.56 | 93.72  | 3            |
| Defaulted (net of specific provisions)         | 275            | —     | —      | 1            |
| <b>Total credit exposure</b>                   | <b>93,655</b>  | —     | —      | <b>1,609</b> |
| Exposure-weighted average CCF (%) <sup>2</sup> | 97.26          | —     | —      | —            |
| Qualifying revolving retail                    |                |       |        |              |
| 0.00%-0.15%                                    | —              | —     | —      | —            |
| 0.15%-0.30%                                    | —              | —     | —      | —            |
| 0.30%-1.00%                                    | —              | —     | —      | —            |
| 1.00% and above                                | 557            | 60.00 | 157.31 | —            |
| Defaulted (net of specific provisions)         | 1              | —     | —      | —            |
| <b>Total credit exposure</b>                   | <b>558</b>     | —     | —      | —            |
| Exposure-weighted average CCF (%) <sup>2</sup> | 99.92          | —     | —      | —            |
| Other retail                                   |                |       |        |              |
| 0.00%-0.15%                                    | 43,946         | 45.62 | 13.64  | 638          |
| 0.15%-0.30%                                    | 1,837          | 53.13 | 19.91  | 114          |
| 0.30%-1.00%                                    | 1,779          | 39.72 | 44.55  | 111          |
| 1.00% and above                                | 2,281          | 21.50 | 32.31  | 23           |
| Defaulted (net of specific provisions)         | 182            | —     | —      | 3            |
| <b>Total credit exposure</b>                   | <b>50,025</b>  | —     | —      | <b>889</b>   |
| Exposure-weighted average CCF (%) <sup>2</sup> | 94.56          | —     | —      | —            |
| <b>Total retail credit exposure</b>            | <b>144,238</b> | —     | —      | <b>2,498</b> |

1 The exposure-weighted average risk weights in percentage terms is the multiplier applied to regulatory exposures to derive risk-weighted assets, and may exceed 100%. 2 Calculated before credit risk mitigation.

Retail credit exposures by expected loss band under PD/LGD approach (continued)

|                       | Total exposure (CHF m) | Exposure-weighted average LGD (%) | Exposure-weighted average risk weight (%) <sup>1</sup> | Undrawn commitments (CHF m) |
|-----------------------|------------------------|-----------------------------------|--------------------------------------------------------|-----------------------------|
| end of 2010           |                        |                                   |                                                        |                             |
| Residential mortgages |                        |                                   |                                                        |                             |
| 0.00%-0.15%           | 79,372                 | 16.69                             | 8.38                                                   | 365                         |
| 0.15%-0.30%           | 6,801                  | 23.43                             | 26.39                                                  | 59                          |

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|                                                |                |       |        |              |
|------------------------------------------------|----------------|-------|--------|--------------|
| 0.30%-1.00%                                    | 4,151          | 28.19 | 47.23  | 33           |
| 1.00% and above                                | 312            | 28.29 | 94.06  | —            |
| Defaulted (net of specific provisions)         | 303            | —     | —      | 1            |
| <b>Total credit exposure</b>                   | <b>90,939</b>  | —     | —      | <b>458</b>   |
| Exposure-weighted average CCF (%) <sup>2</sup> | 99.23          | —     | —      | —            |
| Qualifying revolving retail                    |                |       |        |              |
| 0.00%-0.15%                                    | —              | —     | —      | —            |
| 0.15%-0.30%                                    | —              | —     | —      | —            |
| 0.30%-1.00%                                    | —              | —     | —      | —            |
| 1.00% and above                                | 191            | 60.00 | 157.31 | —            |
| Defaulted (net of specific provisions)         | 1              | —     | —      | —            |
| <b>Total credit exposure</b>                   | <b>192</b>     | —     | —      | —            |
| Exposure-weighted average CCF (%) <sup>2</sup> | 99.65          | —     | —      | —            |
| Other retail                                   |                |       |        |              |
| 0.00%-0.15%                                    | 45,754         | 53.37 | 9.73   | 923          |
| 0.15%-0.30%                                    | 923            | 50.23 | 31.61  | 144          |
| 0.30%-1.00%                                    | 1,661          | 35.71 | 43.07  | 165          |
| 1.00% and above                                | 2,239          | 42.38 | 61.12  | 21           |
| Defaulted (net of specific provisions)         | 256            | —     | —      | 3            |
| <b>Total credit exposure</b>                   | <b>50,833</b>  | —     | —      | <b>1,256</b> |
| Exposure-weighted average CCF (%) <sup>2</sup> | 95.24          | —     | —      | —            |
| <b>Total retail credit exposure</b>            | <b>141,964</b> | —     | —      | <b>1,714</b> |

1 The exposure-weighted average risk weights in percentage terms is the multiplier applied to regulatory exposures to derive risk-weighted assets, and may exceed 100%. 2 Calculated before credit risk mitigation.

Portfolios subject to the standardized and supervisory risk weights approaches

Standardized approach

Under the standardized approach, risk weights are determined either according to credit ratings provided by recognized external credit assessment institutions or, for unrated exposures, by using the applicable regulatory risk weights. Less than 10% of our credit risk is determined using this approach.

Supervisory risk weights approach

For specialized lending exposures, internal rating grades are mapped to one of five supervisory categories, each of which is associated with a specific risk weight under the SRW approach.

#### Equity IRB Simple approach

For equity type securities in the banking book, risk weights are determined using the IRB Simple approach, which differentiates by equity sub-asset types (qualifying private equity, listed equity and all other equity positions).

Standardized and supervisory risk weighted exposures after risk mitigation by risk weighting bands

| end of             | Standardized<br>approach <sup>1</sup> | SRW          | Equity<br>IRB<br>Simple | Total         |
|--------------------|---------------------------------------|--------------|-------------------------|---------------|
| 6M11 (CHF million) |                                       |              |                         |               |
| 0%                 | 12,197                                | 1,027        | 0                       | 13,224        |
| 1%-50%             | 4,509                                 | 23           | 0                       | 4,532         |
| 51%-100%           | 4,939                                 | 500          | 0                       | 5,439         |
| 101%-200%          | 0                                     | 69           | 2,863                   | 2,932         |
| 201%-400%          | 0                                     | 4            | 1,413                   | 1,417         |
| <b>Total</b>       | <b>21,645</b>                         | <b>1,623</b> | <b>4,276</b>            | <b>27,544</b> |
| 2010 (CHF million) |                                       |              |                         |               |
| 0%                 | 3,332                                 | 1,158        | 0                       | 4,490         |
| 1%-50%             | 2,565                                 | 316          | 0                       | 2,881         |
| 51%-100%           | 4,284                                 | 354          | 0                       | 4,638         |
| 101%-200%          | 0                                     | 45           | 3,264                   | 3,309         |
| 201%-400%          | 0                                     | 87           | 1,701                   | 1,788         |
| <b>Total</b>       | <b>10,181</b>                         | <b>1,960</b> | <b>4,965</b>            | <b>17,106</b> |

<sup>1</sup> Movements primarily reflect the reclassification of treasury liquidity positions to be calculated under standardized approach.

#### Credit risk mitigation used for A-IRB and standardized approaches

Credit risk mitigation processes used under the A-IRB and standardized approaches include on- and off-balance sheet netting and utilizing eligible collateral as defined under the IRB approach.

#### Netting

For information on policies and procedures for on- and off-balance sheet netting, refer to *III – Treasury, Risk, Balance sheet and Off-balance sheet – Risk management (page 138)* and to *Note 1 – Summary of significant accounting policies in V – Consolidated financial statements – Credit Suisse Group (page 223)* in the Credit Suisse Annual Report 2010.

#### Collateral valuation and management

The policies and processes for collateral valuation and management are driven by:

- a legal document framework that is bilaterally agreed with our clients; and
- a collateral management risk framework enforcing transparency through self-assessment and management reporting.

In substantially all cases, the valuation of the collateralized portfolio is performed daily. Exceptions are governed by the calculation frequency described in the legal documentation. The mark-to-market prices used for valuing collateral are a combination of firm and market prices sourced from trading platforms and service providers, where appropriate. The management of collateral is standardized and centralized to ensure complete coverage of traded products.

For the Private Banking mortgage lending portfolio, real estate property is valued at the time of credit approval and periodically afterwards, according to our internal directives and controls, depending on the type of loan (e.g., residential, commercial) and loan-to-value ratio.

#### Primary types of collateral

The primary types of collateral are described below.

Collateral securing foreign exchange transactions and OTC trading activities primarily includes:

- Cash and US Treasury instruments;
- G-10 government securities; and
- Gold or other precious metals.

Collateral securing loan transactions primarily includes:

- Financial collateral pledged against loans collateralized by securities of Private Banking clients (mostly cash and marketable securities);
- Real estate property for mortgages, mainly residential, but also multi-family buildings, offices and commercial properties; and
- Other types of lending collateral, such as accounts receivable, inventory, plant and equipment.

#### Concentrations within risk mitigation

Our Investment Banking division is an active participant in the credit derivatives market and trades with a variety of market participants, principally commercial banks and broker dealers. Credit derivatives are primarily used to mitigate investment grade counterparty exposures.

Concentrations in our Private Banking lending portfolio arise due to a significant volume of mortgages in Switzerland. The financial collateral used to secure loans collateralized by securities worldwide is generally diversified and the portfolio is regularly analyzed to identify any underlying concentrations, which may result in lower loan-to-value ratios. For further information on risk mitigation, refer to *III – Treasury, Risk, Balance sheet and Off-balance sheet – Risk management (pages 132 to 134)* in the Credit Suisse Annual Report 2010.

Credit risk mitigation used for A-IRB and standardized approaches

| end of                                                                                     | Eligible<br>financial<br>collateral | Other<br>eligible<br>IRB<br>collateral | Eligible<br>guarantees<br>/credit<br>derivatives |
|--------------------------------------------------------------------------------------------|-------------------------------------|----------------------------------------|--------------------------------------------------|
| 6M11 (CHF million)                                                                         |                                     |                                        |                                                  |
| Sovereigns                                                                                 | 18                                  | 0                                      | 1,214                                            |
| Other institutions                                                                         | 95                                  | 123                                    | 378                                              |
| Banks                                                                                      | 2,675                               | 0                                      | 1,441                                            |
| Corporates                                                                                 | 10,223                              | 22,516                                 | 17,303                                           |
| Residential mortgages                                                                      | 3,226                               | 71,077                                 | 41                                               |
| Other retail                                                                               | 39,294                              | 1,316                                  | 114                                              |
| <b>Total</b>                                                                               | <b>55,531</b>                       | <b>95,032</b>                          | <b>20,491</b>                                    |
| 2010 (CHF million)                                                                         |                                     |                                        |                                                  |
| Sovereigns                                                                                 | 99                                  | 0                                      | 1,066                                            |
| Other institutions                                                                         | 92                                  | 91                                     | 230                                              |
| Banks                                                                                      | 1,922                               | 0                                      | 1,412                                            |
| Corporates                                                                                 | 8,371                               | 21,606                                 | 22,758                                           |
| Residential mortgages                                                                      | 3,141                               | 69,106                                 | 45                                               |
| Other retail                                                                               | 40,736                              | 1,126                                  | 154                                              |
| <b>Total</b>                                                                               | <b>54,361</b>                       | <b>91,929</b>                          | <b>25,665</b>                                    |
| Excludes collateral used to adjust EAD (e.g. as applied under the internal models method). |                                     |                                        |                                                  |

## Counterparty credit risk

### Counterparty exposure

Counterparty exposure arises from OTC derivatives, repurchase agreements, securities lending and borrowing and other similar products and activities. These exposures depend on the value of underlying market factors (e.g., interest rates and foreign exchange rates), which can be volatile and uncertain in nature.

We have received approval from FINMA to use the internal model method for measuring counterparty risk for the majority of our derivative and secured financing exposures.

### Credit limits

All credit exposure is approved, either by approval of an individual transaction/facility (e.g., lending facilities), or under a system of credit limits (e.g., OTC derivatives). Credit exposure is monitored daily to ensure it does not exceed the approved credit limit. These credit limits are set either on a derivative loan equivalent (DLE) exposure basis or on a notional exposure basis. DLE is a form of potential future exposure calculation allowing a fair comparison between loan and unsecured derivative exposures. Secondary debt inventory positions are subject to separate limits that are set at the issuer level.

For further information on counterparty credit risk, including counterparty and transaction rating, credit approval process and provisioning, refer to *III – Treasury, Risk, Balance sheet and Off-balance sheet – Risk management (pages 129 to 139)* in the Credit Suisse Annual Report 2010.

#### Wrong-way exposures

Correlation risk arises when we enter into a financial transaction where market rates are correlated to the financial health of the counterparty. In a wrong-way trading situation, our exposure to the counterparty increases while the counterparty's financial health and its ability to pay on the transaction diminishes.

Capturing wrong-way risk requires the establishment of basic assumptions regarding correlations within a given trading product. We have multiple processes that allow us to capture and estimate wrong-way risk.

#### Credit approval and reviews

A primary responsibility of CRM is to monitor counterparty exposure and the creditworthiness of a counterparty, both at the initiation of the relationship and on an ongoing basis. Part of the review and approval process is an analysis and discussion to understand the motivation of the client and to identify the directional nature of the trading in which the client is engaged. Credit limits are sized to the level of comfort the CRM officer has with the strategy of the counterparty, the level of disclosure of financial information and the amount of risk mitigation that is present in the trading relationship (e.g., level of collateral).

#### Exposure adjusted risk calculation

Material trades that feature specific wrong-way risk have higher risk weighting built into the exposure calculation process compared to "right-way" trades.

- Purchased credit default swaps, equity puts and other derivatives – Specific wrong-way risk exists where the counterparty and the underlying reference asset belong to the same group. In these cases, exposure is calculated assuming default and applying the recovery value of the underlying reference asset.
  - Equity finance – If there is a high relatedness between the counterparty and the underlying equity, exposure is calculated as full notional (i.e., zero equity recovery).
  - Reverse repurchase agreements – Specific wrong-way risk exists where the underlying issuer and the counterparty are affiliated. In these cases, collateral used as an offset in the exposure calculation process is lowered to its recovery value.
- #### Wrong-way risk monitoring
- Regular reporting of wrong-way risk at both the individual trade and portfolio level allows wrong-way risk to be monitored and corrective action taken by CRM in the case of heightened concern.
- Country exposure reporting – Exposure is reported against country limits established for emerging market countries. As part of the exposure reporting process, exposures that exhibit wrong-way characteristics are given a higher risk weighting versus non-correlated transactions. This weighting results in a greater amount of country limit usage for wrong-way transactions.
  - Counterparty exposure reporting – Transactions that contain specific wrong-way risk (e.g., repurchase agreements, equity finance) are risk weighted as part of the daily exposure calculation process. Transactions identified as specific wrong-way risk utilize more of the credit limit.
  - Correlated repurchase and foreign exchange reports – Monthly reports produced by CRM capture correlated finance and foreign exchange positions for information and review by credit officers.

– Scenario risk reporting – In order to capture wrong-way risk at the industry level, a set of defined scenarios are run on the credit portfolio each month. The scenarios are determined by CRM and involve stressing the underlying risk drivers to determine where portfolios are sensitive to these stressed parameters.

– Scenario risk reporting also covers client groups, particularly hedge funds, which are exposed to particular risk sensitivities and also may have collateral concentrations due to the direction and strategy of the fund.

#### Effect of a credit rating downgrade

On a daily basis, we monitor the level of incremental collateral that would be required by derivative counterparties in the event of a Credit Suisse ratings downgrade. Collateral triggers are maintained by our collateral management department and vary by counterparty. For further information on the effect of a one, two or three notch downgrade as of June 30, 2011, refer to *IV – Treasury, risk, balance sheet and off-balance sheet – Treasury management (page 48)* in the Credit Suisse 2Q11 Financial Report.

The impact of downgrades in the Bank's long-term debt ratings are considered in the stress assumptions used to determine the conservative funding profile of our balance sheet and would not be material to our liquidity and funding planning. For further information on liquidity and funding management, refer to *III – Treasury, Risk, Balance sheet and Off-balance sheet – Treasury management (pages 96 to 100)* in the Credit Suisse Annual Report 2010.

#### Credit exposures on 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 currency and credit risk. Derivative exposure 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. Derivative exposures are calculated according to regulatory methods, using either the current exposures method or approved internal models method. These regulatory methods take into account potential future movements and as a result generate risk exposures that are greater than the net replacement values disclosed for US GAAP.

As of the end of 2010, no credit derivatives were utilized that qualify for hedge accounting under US GAAP. For further information on derivative instruments, refer to *III – Treasury, Risk, Balance sheet and Off-balance sheet – Risk management (pages 136 to 139)*, *Note 30 – Derivatives and hedging activities in V – Consolidated financial statements – Credit Suisse Group (pages 284 to 292)* in the Credit Suisse Annual Report 2010 and *Note 23 – Derivatives and hedging activities in V – Condensed consolidated financial statements – unaudited (pages 114 to 122)* in the Credit Suisse 2Q11 Financial Report.

#### Derivative exposure at default after netting

|                                              |               |               |
|----------------------------------------------|---------------|---------------|
| end of                                       | 6M11          | 2010          |
| Derivative exposure at default (CHF million) |               |               |
| Internal models method                       | 49,027        | 51,719        |
| Current exposure method                      | 30,286        | 36,229        |
| <b>Total derivative exposure</b>             | <b>79,313</b> | <b>87,948</b> |

#### Collateral used for risk mitigation

|                                                                                  |        |        |
|----------------------------------------------------------------------------------|--------|--------|
| end of                                                                           | 6M11   | 2010   |
| Collateral used for risk mitigation for the internal models method (CHF million) |        |        |
| Financial collateral - cash / securities                                         | 29,132 | 32,367 |



|                                                                                   |               |               |
|-----------------------------------------------------------------------------------|---------------|---------------|
| Other eligible IRB collateral                                                     | 391           | 591           |
| <b>Total collateral used for the internal models method</b>                       | <b>29,523</b> | <b>32,958</b> |
| Collateral used for risk mitigation for the current exposure method (CHF million) |               |               |
| Financial collateral - cash / securities                                          | 4,619         | 4,323         |
| Other eligible IRB collateral                                                     | 32            | 7             |
| <b>Total collateral used for the current exposure method</b>                      | <b>4,651</b>  | <b>4,330</b>  |

Credit derivatives that create exposures to counterparty credit risk (notional value)

|                                                                                    | 6M11              |                 | 2010              |                 |
|------------------------------------------------------------------------------------|-------------------|-----------------|-------------------|-----------------|
| end of                                                                             | Protection bought | Protection sold | Protection bought | Protection sold |
| Credit derivatives that create exposures to counterparty credit risk (CHF billion) |                   |                 |                   |                 |
| Credit default swaps                                                               | 1,007.8           | 936.5           | 1,003.3           | 961.6           |
| Total return swaps                                                                 | 4.5               | 1.1             | 5.5               | 1.2             |
| First-to-default swaps                                                             | 0.2               | 0.0             | 0.3               | 0.0             |
| Other credit derivatives                                                           | 7.0               | 15.0            | 3.1               | 14.6            |
| <b>Total</b>                                                                       | <b>1,019.5</b>    | <b>952.6</b>    | <b>1,012.2</b>    | <b>977.4</b>    |

Allowances and impaired loans

The following tables provide additional information on allowances and impaired loans by geographic distribution and changes in the allowances for impaired loans.

Geographic distribution of allowances and impaired loans

|                    | Specific allowances | Inherent credit loss allowances | Total allowances | Loans with specific allowances | Loans with inherent credit loss allowances | Total impaired loans |
|--------------------|---------------------|---------------------------------|------------------|--------------------------------|--------------------------------------------|----------------------|
| 6M11 (CHF million) |                     |                                 |                  |                                |                                            |                      |
| Switzerland        | 488                 | 192                             | 680              | 959                            | 187                                        | 1,146                |
| EMEA               | 61                  | 17                              | 78               | 197                            | 64                                         | 261                  |
| Americas           | 49                  | 17                              | 66               | 121                            | 18                                         | 139                  |
| Asia Pacific       | 70                  | 22                              | 92               | 98                             | 0                                          | 98                   |
| <b>Total</b>       | <b>668</b>          | <b>248</b>                      | <b>916</b>       | <b>1,375</b>                   | <b>269</b>                                 | <b>1,644</b>         |
| 2010 (CHF million) |                     |                                 |                  |                                |                                            |                      |
| Switzerland        | 563                 | 199                             | 762              | 1,118                          | 182                                        | 1,300                |
| EMEA               | 68                  | 21                              | 89               | 257                            | 10                                         | 267                  |

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|              |            |            |              |              |            |              |
|--------------|------------|------------|--------------|--------------|------------|--------------|
| Americas     | 55         | 21         | 76           | 184          | 3          | 187          |
| Asia Pacific | 63         | 27         | 90           | 92           | 17         | 109          |
| <b>Total</b> | <b>749</b> | <b>268</b> | <b>1,017</b> | <b>1,651</b> | <b>212</b> | <b>1,863</b> |

The geographic distribution of impaired loans is based on the location of the office recording the transaction. This presentation does not reflect the way the Group is managed.

Changes in the allowances for impaired loans

| in                                                             | 6M11                |                                 |              | 6M10                |                                 |              |
|----------------------------------------------------------------|---------------------|---------------------------------|--------------|---------------------|---------------------------------|--------------|
|                                                                | Specific allowances | Inherent credit loss allowances | Total        | Specific allowances | Inherent credit loss allowances | Total        |
| Changes in the allowances for impaired loans (CHF million)     |                     |                                 |              |                     |                                 |              |
| <b>Balance at beginning of period</b>                          | <b>749</b>          | <b>268</b>                      | <b>1,017</b> | <b>984</b>          | <b>411</b>                      | <b>1,395</b> |
| Net additions/(releases) charged to income statement           | 30                  | (15)                            | 15           | (6)                 | (11)                            | (17)         |
| Gross write-offs                                               | (108)               | 0                               | (108)        | (176)               | 0                               | (176)        |
| Recoveries                                                     | 23                  | 0                               | 23           | 33                  | 0                               | 33           |
| Net write-offs                                                 | (85)                | 0                               | (85)         | (143)               | 0                               | (143)        |
| Provisions for interest                                        | 5                   | 0                               | 5            | 3                   | 0                               | 3            |
| Foreign currency translation impact and other adjustments, net | (31)                | (5)                             | (36)         | 27                  | (12)                            | 15           |
| <b>Balance at end of period</b>                                | <b>668</b>          | <b>248</b>                      | <b>916</b>   | <b>865</b>          | <b>388</b>                      | <b>1,253</b> |

For further information on allowances and impaired loans by industry distribution and the industry distribution of charges and write-offs, refer to *Note 16 – Loans, allowance for loan losses and credit quality in V – Condensed consolidated financial statements – unaudited (pages 100 to 107)* in the Credit Suisse 2Q11 Financial Report.

## 5. Securitization risk

The disclosures in this section, which also considers the “Industry good practice guidelines on Pillar 3 disclosure requirements for securitization”, refer to traditional and synthetic securitizations held in the banking book and regulatory capital on these exposures calculated according to the Basel II IRB approach to securitization exposures. A traditional securitization is a structure where an underlying pool of assets is sold to a special purpose entity (SPE) which in turn issues tranching securities that are collateralized by, and which pay a return based on the return on, the underlying asset pool. A synthetic securitization is a tranching structure where the credit risk of an underlying pool of exposures is transferred, in whole or in part, through the use of credit derivatives or guarantees that serve to hedge the credit risk of the portfolio. Many synthetic securitizations are not accounted for as securitizations under US GAAP. In both traditional and synthetic securitizations, risk is dependent on the seniority of the retained interest and the performance of the underlying asset pool.

The Group is active in various roles in connection with securitization, including originator, investor and sponsor. As originator, the Group creates or purchases financial assets (e.g., residential mortgages or corporate loans) and then securitizes them in a traditional or synthetic transaction that achieves significant risk transfer to third party investors. The Group acts as liquidity provider to Alpine Securitization Corp. (Alpine), a multi-seller commercial paper conduit administered by Credit Suisse. In addition, the Group invests in securitization-related products created by third parties and provides interest rate and currency swaps to SPEs involved in securitization activity.

For further information on all traditional securitizations, including trading book, covering objectives, activities and accounting policies, refer to *Note 32 – Transfers of financial assets and variable interest entities in V – Consolidated financial statements – Credit Suisse Group (pages 297 to 308)* in the Credit Suisse Annual Report 2010 and *Note 25 – Transfers of financial assets and variable interest entities in V – Condensed consolidated financial statements – unaudited (pages 127 to 139)* in the Credit Suisse 2Q11 Financial Report.

#### Regulatory approaches

Regulatory exposures and capital requirements for securitization exposures are calculated in accordance with the Basel II IRB framework using either the RBA or the SFA, depending on the nature of the exposure.

#### Sources of external ratings for securitizations

External ratings used in regulatory capital calculations for securitization risk exposures are obtained from Fitch, Moody's, Standard & Poor's or Dominion Bond Rating Service.

#### Securitization exposures purchased or retained

|                                          |                    | Traditional   | Synthetic    |               |
|------------------------------------------|--------------------|---------------|--------------|---------------|
| end of                                   | Sponsor            | Other<br>role | Other role   | Total         |
| 6M11 (CHF million)                       |                    |               |              |               |
| Commercial mortgage loans                | 0                  | 2,515         | 0            | 2,515         |
| Residential mortgage loans               | 0                  | 2,339         | 0            | 2,339         |
| CDO                                      | 0                  | 1,264         | 7,153        | 8,417         |
| Other ABS                                | 6,706 <sub>1</sub> | 1,265         | 27           | 7,998         |
| <b>Total</b>                             | <b>6,706</b>       | <b>7,383</b>  | <b>7,180</b> | <b>21,269</b> |
| of which subject to capital requirements |                    |               |              | 20,753        |
| of which subject to deductions           |                    |               |              | 516           |
| 2010 (CHF million)                       |                    |               |              |               |
| Commercial mortgage loans                | 0                  | 2,712         | 0            | 2,712         |
| Residential mortgage loans               | 0                  | 2,836         | 0            | 2,836         |
| CDO                                      | 0                  | 1,958         | 5,448        | 7,406         |
| Other ABS                                | 6,124 <sub>1</sub> | 1,499         | 15           | 7,638         |
| <b>Total</b>                             | <b>6,124</b>       | <b>9,005</b>  | <b>5,463</b> | <b>20,592</b> |

|                                          |        |
|------------------------------------------|--------|
| of which subject to capital requirements | 19,948 |
| of which subject to deductions           | 644    |

1 Represents the liquidity facility provided to Alpine.

Synthetic structures predominantly represent structures where Credit Suisse has mitigated its risk by selling the mezzanine tranche of a reference portfolio. Amounts disclosed, however, are the gross exposures securitized and senior notes retained.

The following table represents the total amounts of banking book loans securitized by Credit Suisse that fall within the Basel II Securitization Framework and where the Group continues to retain at least some interests. As of the end of June 30, 2011 and December 31, 2010, the Group's economic interests in these securitizations were CHF 19.1 billion and CHF 17.8 billion, respectively.

Loans securitized by Credit Suisse Group in which the Group has retained interests

|                             |              | Traditional   | Synthetic     |               |
|-----------------------------|--------------|---------------|---------------|---------------|
|                             | Sponsor      | Other role    | Other role    | Total         |
| end of                      |              |               |               |               |
| 6M11 (CHF million)          |              |               |               |               |
| Commercial mortgage loans   | 0            | 4,904         | 0             | 4,904         |
| Residential mortgage loans  | 0            | 2,581         | 0             | 2,581         |
| CDO                         | 0            | 2,645         | 11,267        | 13,912        |
| Other ABS                   | 6,706        | 999           | 0             | 7,705         |
| <b>Total</b>                | <b>6,706</b> | <b>11,129</b> | <b>11,267</b> | <b>29,102</b> |
| of which retained interests |              |               |               | <b>19,087</b> |
| 2010 (CHF million)          |              |               |               |               |
| Commercial mortgage loans   | 0            | 5,271         | 0             | 5,271         |
| Residential mortgage loans  | 0            | 2,833         | 0             | 2,833         |
| CDO                         | 0            | 4,018         | 9,980         | 13,998        |
| Other ABS                   | 6,124        | 1,077         | 0             | 7,201         |
| <b>Total</b>                | <b>6,124</b> | <b>13,199</b> | <b>9,980</b>  | <b>29,303</b> |
| of which retained interests |              |               |               | <b>17,815</b> |

Losses related to securitizations recognized during the period

|                    |         | Traditional | Synthetic  |       |
|--------------------|---------|-------------|------------|-------|
|                    | Sponsor | Other role  | Other role | Total |
| end of             |         |             |            |       |
| 6M11 (CHF million) |         |             |            |       |

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|              |          |          |          |          |
|--------------|----------|----------|----------|----------|
| CDO          | 0        | 0        | 0        | 0        |
| <b>Total</b> | <b>0</b> | <b>0</b> | <b>0</b> | <b>0</b> |

2010 (CHF million)

|              |          |          |           |            |
|--------------|----------|----------|-----------|------------|
| CDO          | 0        | 3        | 99        | 102        |
| <b>Total</b> | <b>0</b> | <b>3</b> | <b>99</b> | <b>102</b> |

Impaired or past due assets securitized

| end of                                                | 6M11        |            |            | 2010        |            |            |
|-------------------------------------------------------|-------------|------------|------------|-------------|------------|------------|
|                                                       | Other role  |            |            | Other role  |            |            |
|                                                       | Traditional | Synthetic  | Total      | Traditional | Synthetic  | Total      |
| Impaired or past due assets securitized (CHF million) |             |            |            |             |            |            |
| CDO                                                   | 0           | 448        | 448        | 0           | 392        | 392        |
| Other ABS                                             | 28          | 0          | 28         | 75          | 0          | 75         |
| <b>Total</b>                                          | <b>28</b>   | <b>448</b> | <b>476</b> | <b>75</b>   | <b>392</b> | <b>467</b> |

Risk-weighted assets related to securitization exposures

| end of                                                                 | 6M11                          |                             | 2010                          |                             |
|------------------------------------------------------------------------|-------------------------------|-----------------------------|-------------------------------|-----------------------------|
|                                                                        | EAD<br>purchased/<br>retained | Risk-<br>weighted<br>assets | EAD<br>purchased/<br>retained | Risk-<br>weighted<br>assets |
| Risk-weighted assets related to securitization exposures (CHF million) |                               |                             |                               |                             |
| RBA                                                                    | 14,745                        | 2,184                       | 15,116                        | 2,245                       |
| SFA                                                                    | 6,008                         | 1,494                       | 4,832                         | 1,340                       |
| <b>Total</b>                                                           | <b>20,753</b>                 | <b>3,678</b>                | <b>19,948</b>                 | <b>3,585</b>                |

Risk-weighted assets related to securitization exposures in the RBA by rating grade

| end of                                                                                            | 6M11                          |                             | 2010                          |                             |
|---------------------------------------------------------------------------------------------------|-------------------------------|-----------------------------|-------------------------------|-----------------------------|
|                                                                                                   | EAD<br>purchased/<br>retained | Risk-<br>weighted<br>assets | EAD<br>purchased/<br>retained | Risk-<br>weighted<br>assets |
| Risk-weighted assets related to securitization exposures in the RBA by rating grade (CHF million) |                               |                             |                               |                             |
| AAA                                                                                               | 13,823                        | 1,484                       | 14,096                        | 1,507                       |
| AA                                                                                                | 298                           | 33                          | 442                           | 47                          |

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|              |               |              |               |              |
|--------------|---------------|--------------|---------------|--------------|
| A            | 289           | 93           | 210           | 37           |
| BBB          | 219           | 176          | 212           | 143          |
| BB           | 116           | 398          | 156           | 511          |
| <b>Total</b> | <b>14,745</b> | <b>2,184</b> | <b>15,116</b> | <b>2,245</b> |

Risk-weighted assets related to securitization exposures in the SFA by risk weight band

| end of                                                                                                | 6M11                          |                             | 2010                          |                             |
|-------------------------------------------------------------------------------------------------------|-------------------------------|-----------------------------|-------------------------------|-----------------------------|
|                                                                                                       | EAD<br>purchased/<br>retained | Risk-<br>weighted<br>assets | EAD<br>purchased/<br>retained | Risk-<br>weighted<br>assets |
| Risk-weighted assets related to securitization exposures in the SFA by risk weight band (CHF million) |                               |                             |                               |                             |
| 0%-10%                                                                                                | 4,346                         | 252                         | 2,157                         | 137                         |
| 11%-50%                                                                                               | 287                           | 73                          | 1,231                         | 138                         |
| 51%-100%                                                                                              | 1,020                         | 666                         | 40                            | 31                          |
| 101%-650%                                                                                             | 353                           | 479                         | 1,404                         | 1,034                       |
| 651%-1250%                                                                                            | 2                             | 24                          | 0                             | 0                           |
| <b>Total</b>                                                                                          | <b>6,008</b>                  | <b>1,494</b>                | <b>4,832</b>                  | <b>1,340</b>                |

Deductions from eligible capital related to securitization exposures

| end of                                                                             | 6M11                                              |                    |            | 2010                                              |                    |            |
|------------------------------------------------------------------------------------|---------------------------------------------------|--------------------|------------|---------------------------------------------------|--------------------|------------|
|                                                                                    | Credit<br>enhancing<br>interest<br>only<br>strips | Other<br>exposures | Total      | Credit<br>enhancing<br>interest<br>only<br>strips | Other<br>exposures | Total      |
| Deductions from eligible capital related to securitization exposures (CHF million) |                                                   |                    |            |                                                   |                    |            |
| Residential mortgage<br>loans                                                      | 0                                                 | 6                  | 6          | 0                                                 | 4                  | 4          |
| CDO                                                                                | 0                                                 | 146                | 146        | 0                                                 | 209                | 209        |
| Other ABS                                                                          | 0                                                 | 364                | 364        | 0                                                 | 431                | 431        |
| <b>Total</b>                                                                       | <b>0</b>                                          | <b>516</b>         | <b>516</b> | <b>0</b>                                          | <b>644</b>         | <b>644</b> |

Securitization activity

6M11

6M10

| in                                          | Amount of<br>loans<br>securitized | Recognized<br>gain/(loss)<br>on sale | Amount of<br>loans<br>securitized | Recognized<br>gain/(loss)<br>on sale |
|---------------------------------------------|-----------------------------------|--------------------------------------|-----------------------------------|--------------------------------------|
| Securitization activity (CHF million)       |                                   |                                      |                                   |                                      |
| Residential mortgage loans -<br>traditional | 375                               | 0                                    | 0                                 | 0                                    |
| CDO - synthetic                             | 2,043                             | 0                                    | 0                                 | 0                                    |
| <b>Total</b>                                | <b>2,418</b>                      | <b>0</b>                             | <b>0</b>                          | <b>0</b>                             |

## 6. Market risk

The majority of market risk is managed under the IMA approach. For further information on market risk, including information on risk measurement and VaR refer to *III – Treasury, Risk, Balance sheet and Off-balance sheet – Risk management (pages 123 to 129)* in the Credit Suisse Annual Report 2010 and *IV – Treasury, risk, balance sheet and off-balance sheet – Risk management – Market risk (pages 63 to 67)* in the Credit Suisse 2Q11 Financial Report. In addition, details on risk-weighted assets for market risk under the standardized approach, a description of the valuation process and details on the hedge funds capital add-on are included below.

### Valuation process

The Basel II capital adequacy framework and FINMA circular 2008/20 provide guidance for systems and controls, valuation methodologies and valuation adjustments and reserves to provide prudent and reliable valuation estimates.

Financial instruments in the trading book are carried at fair value. The fair value of the majority of these financial instruments is marked to market based on quoted prices in active markets or observable inputs. Additionally, the Group holds financial instruments which are marked to models where the determination of fair values requires subjective assessment and varying degrees of judgment depending on liquidity, concentration, pricing assumptions and the risks affecting the specific instrument.

Control processes are applied to ensure that the reported fair values of the financial instruments, including those derived from pricing models, are appropriate and determined on a reasonable basis. These control processes include approval of new instruments, timely review of profit and loss, risk monitoring, price verification procedures and validation of models used to estimate the fair value. These functions are managed by senior management and personnel with relevant expertise, independent of the trading and investment functions.

In particular, the price verification function is performed by Product Control, independent from the trading and investment functions, reporting directly to the Chief Financial Officer, a member of the Executive Board.

The valuation process is governed by separate policies and procedures. To arrive at fair values, the following type of valuation adjustments are typically considered and regularly assessed for appropriateness: model, parameter, credit and exit-risk-related adjustments.

Management believes it complies with the relevant valuation guidance and that the estimates and assumptions used in valuation of financial instruments are prudent, reasonable and consistently applied.

For further information on fair value, refer to *II – Operating and financial review – Core Results – Fair valuations (page 60)* and *– Critical accounting estimates – Fair value (pages 89 to 90)* and *Note 33 – Financial Instruments in V*

– Consolidated financial statements – Credit Suisse Group (pages 309 to 328) in the Credit Suisse Annual Report 2010.

## Hedge funds

In 2008, FINMA introduced a stress-test-based capital add-on for hedge fund positions for Swiss banks using the IMA for trading book market risk. The capital add-on is based on the outcome of a series of stress tests taking into account the degree of diversification in the portfolio. These positions are also included in our VaR model, and the overall FINMA capital charge is the sum of the stress test add-on and the VaR.

## Risk-weighted assets for market risk under the standardized approach

| end of                                                                             | 6M11         | 2010         |
|------------------------------------------------------------------------------------|--------------|--------------|
| Risk-weighted assets for market risk under the standardized approach (CHF million) |              |              |
| Interest rate risk                                                                 | 447          | 321          |
| Equity position risk                                                               | 339          | 301          |
| Foreign exchange risk                                                              | 642          | 597          |
| Precious metals risk                                                               | 4            | 11           |
| Commodity risk                                                                     | 75           | 47           |
| <b>Total</b>                                                                       | <b>1,507</b> | <b>1,277</b> |

## 7. Operational risk

For information on operational risk, refer to *III – Treasury, Risk, Balance sheet and Off-balance sheet – Risk management (page 139)* in the Credit Suisse Annual Report 2010.

## 8. Equity securities in the banking book

### Overview

The classification of our equity securities into trading book and banking book is made for regulatory reporting purposes. The banking book includes all items that are not classified in the trading book.

Most of our equity securities in the banking book are classified as investment securities whereas the remaining part is classified as trading assets.

For equity type securities in the banking book, risk weights are determined using the IRB Simple approach based on the equity sub-asset type.

The numbers below present the balance sheet value of banking book equity investments and the regulatory exposures to which capital is applied. The main differences are the scope of consolidation (deconsolidation of private equity investments for capital adequacy purposes as we do not have a significant economic interest) and regulatory approaches such as the net-long calculation and the look-through approach on certain equity securities.

## Risk measurement and management



Our banking book equity portfolio includes positions in hedge funds, private equity and other instruments that may not be strongly correlated with general equity markets. Equity risk on banking book 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.

For further information on risk measurement and management of our banking portfolios, refer to *III – Treasury, Risk, Balance sheet and Off-balance sheet – Risk management (pages 127 to 129)* in the Credit Suisse Annual Report 2010.

#### Valuation and accounting policies of equity holdings in the banking book

For information on valuation and accounting policies of investment securities and trading assets, refer to *Note 1 – Summary of significant accounting policies in V – Consolidated financial statements – Credit Suisse Group (pages 223 to 232)* in the Credit Suisse Annual Report 2010.

#### Equity securities in the banking book

|                                                                              |        |        |
|------------------------------------------------------------------------------|--------|--------|
| end of / in                                                                  | 6M11   | 2010   |
| Equity securities in the banking book (CHF million)                          |        |        |
| Balance sheet value of investments at fair value                             | 13,322 | 15,891 |
| Regulatory exposures <sup>1</sup>                                            | 4,276  | 4,965  |
| Fair value of regulatory exposures                                           | 4,288  | 4,977  |
| Realized gains/(losses) <sup>2</sup>                                         | 92     | 143    |
| Cumulative unrealized gains/(losses) <sup>2</sup>                            | (394)  | (965)  |
| Cumulative unrealized gains/(losses) included in tier 1 capital <sup>2</sup> | (406)  | (978)  |

1 Primarily privately held. 2 Gains/(losses) are reported gross of tax.

#### 9. Interest rate risk in the banking book

##### Overview

We have systems and controls in place to manage interest rate risk in the banking book. Risk sensitivity figures are provided for the impact of a one basis point change in interest rates, which is one of the primary ways in which these risks are assessed for internal risk management purposes. In addition, we confirm that the economic impacts of an adverse parallel shift in interest rates of 200 basis points and a statistical 1 year, 99% confidence adverse change in yield curves are significantly below the threshold of 20% of eligible regulatory capital used by regulators to identify banks that potentially run excessive levels of non-trading interest rate risk. Given our low levels of interest rate risk in the banking book, we do not have any regulatory requirement to hold capital against this risk, nor do we expect that the regulators will apply such a requirement in the future.

##### Management strategy and process

The interest rate risk exposures in our non-trading portfolios arise from a number of sources, including funding maturity mismatches, money market activities, long-term debt issuance, liquidity holdings, equity investment strategy and exposures to credit spreads.

Most material non-trading interest rate risk arises from the financial intermediation activities of the Private Banking division, resulting in non-trading directional interest rate risk embedded in the balance sheet. Those risks are transferred from the originating businesses to Treasury. Treasury then manages the risk position centrally within approved limits using hedging instruments such as interest rate swaps.

While the risks associated with fixed maturity transactions are transferred to Treasury by individual back-to-back transactions, certain products such as variable rate mortgages or savings deposits cannot be transferred in this way as those products do not have direct market-linked interest rates or contractual maturities. The interest rate risk associated with these products, referred to as non-maturing products, is estimated using the methodology of replicating portfolios and transferred to Treasury on a pooled basis. Based on the past behavior of interest rates and volume changes, this methodology assigns the position balance associated with a non-maturing banking product to several time bands. The methodology is based, where possible, on the principle of finding a stable relationship between the changes of client rates of the non-maturing product and an underlying investment portfolio. Where this is not possible, the maturity of the product is assessed based on volume stability only. These schedules can then be used to evaluate the product's interest rate sensitivity. The structure and parameters of the replicating portfolios are reviewed periodically to ensure continued relevance of the portfolios in light of changing market conditions and client behavior. The methodology, maximum tenor and allocation of tranches in the replicating portfolios are ratified by the RPSC.

Interest rate risk also arises from the foreign exchange and interest rate positioning strategy with respect to our equity balance. The respective allocation strategy is defined by the Capital Allocation & Risk Management Committee and implemented by Treasury.

While the majority of our non-trading interest rate risk resides with Treasury or arises in conjunction with the interest rate positioning of our equity balance, some branches, subsidiaries and businesses also take on non-trading interest rate risk, which is managed within approved limits.

#### Risk measurement

The risks associated with the non-trading interest rate-sensitive portfolios are measured, monitored and limited using a range of tools, including the following key measures:

- Interest rate sensitivity (DV01): Expresses the impact of a one basis point (0.01%) parallel shift in yield curves on a portfolio's fair value. DV01 represents a transparent and intuitive (non-statistical) indicator of outright directional interest rate risk.
- Value-at-risk (VaR): Statistical indicator of the potential fair value loss, taking into account the probability of interest rate movements and observed correlations across yield curve tenors and currencies. In addition, VaR takes into account yield curve risk, spread and basis risks, as well as foreign exchange and equity risk. VaR is based on a ten-day holding period with a 99% confidence level for risk management and regulatory capital purposes. For both risk management VaR and regulatory VaR, we disclose one-day, 99% VaR, which is ten-day VaR adjusted to a one-day holding period based on a 99% confidence level.
- Economic capital: Similar to VaR, economic capital represents a statistical risk indicator, taking into account market risks and other sources of risk, including counterparty exposure. Economic capital is calibrated to a 1-year holding period with a 99% confidence level for risk management purposes.
- Economic value scenario analysis: Expresses the impact of a severe instantaneous change in interest rates on a portfolio's fair value. In particular, we assess compliance with regulatory requirements regarding appropriate levels of

non-trading interest rate risk by estimating the economic impact of adverse 200 basis point parallel shifts in yield curves and adverse interest rate shifts calibrated to a 1-year holding period with a 99% confidence level and then relating those impacts to the total eligible regulatory capital. This analysis is performed for the Group and our major legal entities, including the Bank, on a monthly basis.

The measures listed above focus on the loss potential on a fair value basis taking into account the present value of all future cash flows associated with the current positions. Since non-trading books are not marked-to-market through earnings, the related accrual accounting impacts generally differ from the fair value impacts. In order to assess the risk profile in a manner consistent with the accounting basis, we periodically perform risk calculations of net interest income.

## Risk profile

The following table shows the impact of a one basis point parallel increase of the yield curves on the fair value of interest rate-sensitive banking book positions as of the end of 6M11 and 2010.

### One-basis-point parallel increase in yield curves by currency - banking book positions

| end of                                                                   | CHF | USD | EUR | GBP | Other | Total |
|--------------------------------------------------------------------------|-----|-----|-----|-----|-------|-------|
| 6M11 (CHF million)                                                       |     |     |     |     |       |       |
| Fair value impact of a one-basis-point parallel increase in yield curves | 0.5 | 6.2 | 0.8 | 0.1 | 0.3   | 7.9   |
| 2010 (CHF million)                                                       |     |     |     |     |       |       |
| Fair value impact of a one-basis-point parallel increase in yield curves | 0.1 | 7.8 | 0.1 | 0.1 | 0.4   | 8.5   |

This risk is monitored on a daily basis. The monthly analysis of the potential impact resulting from a significant change in yield curves indicates that as of the end of 6M11 and 2010, the fair value impact of an adverse 200 basis point move in yield curves and adverse interest rate moves calibrated to a 1-year holding period with a 99% confidence level in relation to the total eligible regulatory capital, was significantly below the 20% threshold used by regulators to identify banks that potentially run excessive levels of non-trading interest rate risk. This was true for the Group and all legal entities covered in the assessment process, including the Bank.

## List of abbreviations

|       |                                          |
|-------|------------------------------------------|
| A     |                                          |
| ABS   | Asset-backed securities                  |
| A-IRB | Advanced Internal Ratings-Based Approach |
| AMA   | Advanced Measurement Approach            |
| B     |                                          |
| BCBS  | Basel Committee on Banking Supervision   |

|         |                                                    |
|---------|----------------------------------------------------|
| BIA     | Basic Indicator Approach                           |
| BIS     | Bank for International Settlements                 |
| C       |                                                    |
| CCF     | Credit Conversion Factor                           |
| CDO     | Collateralized Debt Obligation                     |
| CRM     | Credit Risk Management                             |
| D       |                                                    |
| DLE     | Derivative Loan Equivalent                         |
| E       |                                                    |
| EAD     | Exposure at Default                                |
| F       |                                                    |
| FINMA   | Swiss Financial Market Supervisory Authority FINMA |
| I       |                                                    |
| IAA     | Internal Assessment Approach                       |
| IMA     | Internal Models Approach                           |
| IRB     | Internal Ratings-Based Approach                    |
| L       |                                                    |
| LGD     | Loss Given Default                                 |
| M       |                                                    |
| MDB     | Multilateral Development Banks                     |
| O       |                                                    |
| OTC     | Over-the-counter                                   |
| P       |                                                    |
| PD      | Probability of Default                             |
| R       |                                                    |
| RAR     | Risk Analytics & Reporting                         |
| RBA     | Ratings-Based Approach                             |
| RMV     | Risk Model Validation                              |
| RPSC    | Risk Processes and Standards Committee             |
| S       |                                                    |
| SFA     | Supervisory Formula Approach                       |
| SPE     | Special purpose entity                             |
| SRW     | Supervisory Risk Weights Approach                  |
| U       |                                                    |
| US GAAP | Accounting principles generally accepted in the US |
| V       |                                                    |
| VaR     | Value-at-Risk                                      |

### **Cautionary statement regarding forward-looking information**

This report contains statements that constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act. In addition, in the future we, and others on our behalf, may make statements that constitute forward-looking statements. Such forward-looking statements may include, without limitation, statements relating to the following:

- our plans, objectives or goals;
- our future economic performance or prospects;
- the potential effect on our future performance of certain contingencies; and
- assumptions underlying any such statements.

Words such as “believes,” “anticipates,” “expects,” “intends” and “plans” and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements. We do not intend to update these forward-looking statements except as may be required by applicable securities laws.

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that predictions, forecasts, projections and other outcomes described or implied in forward-looking statements will not be achieved. We caution you that a number of important factors could cause results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements. These factors include:

- the ability to maintain sufficient liquidity and access capital markets;
- market and interest rate fluctuations and interest rate levels;
- the strength of the global economy in general and the strength of the economies of the countries in which we conduct our operations, in particular the risk of continued slow economic recovery in the US or other developed countries in 2011 and beyond;
- the direct and indirect impacts of continuing deterioration or slow recovery in residential and commercial real estate markets;
- adverse rating actions by credit rating agencies in respect of sovereign issuers, structured credit products or other credit-related exposures;
- the ability of counterparties to meet their obligations to us;
- the effects of, and changes in, fiscal, monetary, trade and tax policies, and currency fluctuations;

- political and social developments, including war, civil unrest or terrorist activity;
- the possibility of foreign exchange controls, expropriation, nationalization or confiscation of assets in countries in which we conduct our operations;
- operational factors such as systems failure, human error, or the failure to implement procedures properly;
- actions taken by regulators with respect to our business and practices in one or more of the countries in which we conduct our operations;
- the effects of changes in laws, regulations or accounting policies or practices;
- competition in geographic and business areas in which we conduct our operations;
- the ability to retain and recruit qualified personnel;
- the ability to maintain our reputation and promote our brand;
- the ability to increase market share and control expenses;
- technological changes;
- the timely development and acceptance of our new products and services and the perceived overall value of these products and services by users;
- acquisitions, including the ability to integrate acquired businesses successfully, and divestitures, including the ability to sell non-core assets;
- the adverse resolution of litigation and other contingencies;
- the ability to achieve our cost efficiency goals and cost targets; and
- our success at managing the risks involved in the foregoing.

We caution you that the foregoing list of important factors is not exclusive. When evaluating forward-looking statements, you should carefully consider the foregoing factors and other uncertainties and events, as well as the information set forth in our Annual Report 2010 – Additional Information – Risk Factors.