CREDIT SUISSE

Credit Suisse Securities (Europe) Limited

Annual Report 2011

Board of Directors

Fawzi Kyriakos-Saad (Chairman and CEO)

Costas P Michaelides

Eric Varvel

James Henry Leigh Pemberton

Rudolf Bless

Tobias Guldimann

Chris Carpmael

Noreen Doyle (Non executive)

Stephen Kingsley (Non-Executive)

Company Secretary

Paul E Hare

Directors' Report for the Year ended 31 December 2011

The directors present their Report and the Financial Statements for the year ended 31 December 2011.

International Financial Reporting Standards

Credit Suisse Securities (Europe) Limited's 2011 financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted for use in the European Union ('EU').

The Financial Statements were authorised for issue by the Directors on 29 March 2012.

Business Review

Profile

Credit Suisse Group AG ('CSG'), a company domiciled in Switzerland, is the ultimate parent of a worldwide group of companies (collectively referred to as the 'CS group') specialising in Investment Banking, Private Banking and Asset Management.

As a leading financial services provider, CS group is committed to delivering its combined financial experience and expertise to corporate, institutional and government clients and high-net-worth individuals worldwide, as well as to retail clients in Switzerland. CS group serves its diverse clients through three divisions, Investment Banking, Private Banking and Asset Management, which co-operate closely to provide holistic financial solutions based on innovative products and specially tailored advice. Founded in 1856, CS group has a truly global reach today, with operations in over 50 countries and a team of more than 49,700 employees from approximately 100 different nations.

CSG prepares financial statements under US Generally Accepted Accounting Principles ('US GAAP'). These accounts are publicly available and can be found at www.credit-suisse.com.

Credit Suisse Securities (Europe) Limited (the 'Company') is a wholly owned subsidiary of Credit Suisse Investment Holdings (UK) (the 'Parent') and indirectly wholly owned subsidiary of CSG. It is regulated in the United Kingdom by the Financial Services Authority ('FSA') and is a listed money market institution under the Financial Services and Markets Act, 2000. Its principal activities are the arranging of finance for clients in the international capital markets, the provision of financial advisory services and acting as dealer in securities, derivatives and foreign exchange on a principal and agency basis.

The Company has branch operations in Frankfurt, Paris, Amsterdam, Milan, Seoul, Warsaw and Stockholm. The Frankfurt, Paris, Amsterdam, Milan, Warsaw and Stockholm branches provide equity broking and investment banking services. The Warsaw office opened on 1 January 2011 and the Stockholm office opened on 11 July 2011. In addition to providing these activities, the Seoul branch has received approval from South Korea's Financial Supervisory Commission to engage in over-the-counter (OTC) derivatives business and is a member of the Korean Securities Dealers Association. The Company also maintains representative offices in Ukraine, Switzerland and South Africa.

The Credit Suisse Securities (Europe) Limited Group (the 'CSS(E)L Group') consists of the Company, its consolidated subsidiaries and special purpose entities ('SPE').

Principal Product areas

The CSS(E)L Group has three principal business divisions which are managed as part of the Investment Banking Division of CS group;

- The Fixed Income division provides a range of derivative products including forward rate agreements, interest rate and currency swaps, interest rate options, bond options, insurance, commodities and credit derivatives for the financing, risk management and investment needs of its customers. Fixed Income also engages in underwriting, securitising, trading and distributing a broad range of financial instruments in developed and emerging markets including US Treasury and government agency securities, US and foreign investment-grade and high yield corporate bonds, money market instruments, life finance transactions, foreign exchange and real estate related assets.

- The Equity division engages in a broad range of equity activities for investors including sales, trading, brokerage and market making in international equity and equity related securities, futures and both OTC and exchange traded options. Additionally, the Prime Services business provides brokerage services to hedge funds.

- The Investment Banking division's activities include financial advisory services regarding mergers and acquisitions, origination and distribution of equity and fixed income securities, leveraged finance and private equity investments and, in conjunction with the Equity and Fixed Income businesses, capital raising services.

Economic environment

The global economy began showing signs of recovery in 2011, with manufacturing gains in most major economies and unemployment levels declining in the US and Europe. By mid-year, however, it was clear the global economy was cooling after a relatively robust post-crisis rebound. Significant causes included political unrest in the Middle East and North Africa, the European sovereign debt crisis, economic disruptions resulting from the natural disaster in Japan and US budgetary indecisiveness and a related downgrading of US Sovereign debt. This situation culminated in a summer equity market sell-off. Fear that the global economy could re-enter a recession eased somewhat towards the end of the year as indicators of economic growth in the US began to strengthen and central banks continued with their expansionary monetary policies.

In the UK, the unemployment rate rose to 8.4% at the end of 2011, with an overall lacklustre economic recovery in 2011. After growing by 2.1% in 2010, UK Gross Domestic Product ('GDP') eased to 0.9% in 2011.

In the first half of the year global inflation was increasing. In the UK, despite the weakness in the domestic economy, an increase in the rate of value added tax and rising oil prices early in the year pushed the annual rate of Consumer Price Index ('CPI') inflation to 5.2% in September 2011, before moderating to 3.6% in December 2011. This was well above the Bank of England's 2% target. The Bank of England left interest rates unchanged at 0.5% throughout the year, and the Asset Purchase Programme was increased by GBP 75 billion to GBP 275 billion in October 2011.

The European Central Bank ('ECB') raised interest rates in April. After a second increase in July, the ECB signaled in September that it would not raise them further. In the fourth quarter, the ECB lowered interest rates again to levels seen at the beginning of the year due to the weaker economic outlook in the Eurozone area.

The US Federal Reserve ('Fed') maintained interest rates unchanged through the year and completed its plan to purchase USD 60 billion of long-term treasuries in an effort to stimulate the economic recovery.

The Fed announced it would keep short-term interest rates at low levels through mid-2013 and changed the composition of its US Treasury securities holdings to hold a greater proportion of longer maturities.

In the emerging markets, monetary policy actions were diverse. Brazil's central bank increased its benchmark rate by 1.75% from the beginning of the year until August, but then lowered rates gradually in the second half of the year. India's central bank raised rates throughout the year, and China tightened monetary policy by requiring banks to hold higher reserves against margin deposits. By the end of 2011, inflation was falling in many emerging markets again and slowing in developed countries.

In 2011, the indebtedness of several developed countries was cause for substantial concern. In the third quarter, the ratings agency, Standard & Poor's, downgraded the US long-term debt rating to AA+. Several European countries also had their ratings downgraded, and Italian and Spanish government bond spreads reached new highs, while German bond yields fell to record lows. Greece remained an open issue with Eurozone leaders moving to increase the haircut on Greek government bonds held by private investors. In July, the Eurozone and EU finance ministers agreed to increase the effective capacity of the European Financial Stability Facility and to widen the scope of its mandate.

Equity markets were highly volatile in 2011. Volatility, as indicated by the Chicago Board of Options Exchange Market Volatility Index ('VIX'), reached its highest level in the third quarter when both developed and emerging equity markets corrected sharply. In the fourth quarter, most equity markets recovered somewhat as overall corporate earnings proved fairly solid, but overall equity trading volumes were low. US equities outperformed European stocks and were stronger than emerging market equities in Asia and Latin America. During 2011 the UK FTSE100 closed down 5.5% from the beginning of the year.

In fixed income markets, government bond yields across most major markets declined during the year. 10-year US treasury bonds traded below 2% in the second half of the year, and Swiss 10-year treasuries yields were below 70 basis points at the end of 2011. Gilts were amongst the best performing bonds globally benefitting from the UK's AAA credit rating and the Bank of England's decision in the fourth quarter to launch a further round of quantitative easing.

After a good performance for credit markets in the first half of 2011, the debt crisis in Europe drove yields of fiscally weaker European sovereigns and European banks to record highs. In 2011, the US high yield credit market posted positive total returns supported by improving US economic data, outperforming the European market, which recorded negative returns for the year.

In currency markets, the European debt crisis, US dollar funding pressure and concerns over global growth were the key drivers. Low interest rates in the US and its external deficit prevented the US dollar from appreciating until the fourth quarter when the US dollar was broadly stronger, particularly verses European currencies. The Sterling initially strengthened against the US Dollar during 2011 but fell back to close the year slightly weaker and the Euro closed the year slightly higher after a volatile year. The Japanese yen was the strongest currency among the G10 over the year driven by its safe-haven status. Emerging market currencies weakened against the US dollar and Sterling on concerns over global growth at the end of the year.

Commodity markets were volatile, beginning with a sharp increase in prices in the first quarter, due to heightened political tensions in the Middle East and North Africa (oil prices rose sharply in the first quarter) followed by declining (stabilising) prices in the middle of the year. Energy markets saw significant gains at the end of the year, mainly due to rising oil prices, driven by robust consumption and falling inventories. Gold ended the year below USD 1,600 per ounce after having reached a high of over USD 1,900 per ounce in September 2011.

Sector environment

2011 was a challenging year for the banking sector. European bank stocks lost more than 30% in 2011 due to, among other challenges, the deepening sovereign debt crisis. US bank stocks ended the year about 8% lower matching the performance of stocks globally. Volatility in the sector was high.

Industry participants took further steps to adjust their business models to reflect the sectors changing regulatory framework. The sector's underperformance reflected the regulatory uncertainty, including, for example, proposals to ring fence certain bank activities, requirements for higher equity capital ratios and the imposition of financial transaction taxes. European banks' underperformance was largely due to the impact of discussions regarding the need for a recapitalisation of the banks.

Funding availability, especially for the European banks, was difficult in 2011. Increased uncertainty due to sovereign debt concerns in Europe and higher capital and liquidity requirements from regulators forced many banks to present restructuring and deleveraging plans. In addition, the weak operating environment throughout the year and subdued business activity exacerbated banks' existing challenges.

In the investment banking sector, the global fee pool saw a relatively good level of activity in the first two quarters of the year. The second half of the year, however, was affected by a significant reduction in the investor risk appetite and weakening of capital markets. Overall, the fee pool was flat compared to 2010. Contributions from loans and mergers and acquisitions ('M&A') activity increased, whereas the contribution of debt and equity capital markets decreased. 2011 equity market volumes were slightly lower than in 2010, with improved trading activity in US stocks and decreased activity in Europe. US fixed income volumes were higher in 2011 than in 2010, though with similar overall levels of volatility.

Performance

For the year ended 31 December, the CSS(E)L Group reported a net loss attributable to shareholders of USD 694 million (2010: USD 748 million loss). Net revenues amounted to USD 1,951 million (2010: USD 2,482 million). After operating expenses the CSS(E)L Group reported a loss before tax of USD 526 million (2010: USD 371 million loss).

CSS(E)L Group's net loss attributable to the shareholders for the year includes an impairment in its deferred tax asset position of USD 213 million (2010: USD 309 million) following a conclusion that there is insufficient forecast income to earn out the full deferred tax asset within a period over which future income can reasonably be forecast.

The 2011 financial performance of the CSS(E)L Group was markedly impacted by the severe dislocation in markets which had the following features:

- Significantly reduced activity in primary equity and debt issuances and M&A;
- Low client risk appetite;
- High volatility in both the Fixed Income and Equity Divisions which led to difficult trading conditions;
- Sovereign contagion concerns, impacting a number of Eurozone states; and
- Continued political uncertainties in the Eurozone and the US causing heightened market concerns about whether policy makers would address underlying issues.

Fixed Income recorded revenues of USD 875 million in 2011 (2010: USD 1,044 million). The reduction in revenues was predominantly due to difficult trading conditions impacting the Credit Products and Life Finance business which reported reduced revenues of USD 91 million and USD 78 million respectively.

The Equity division generated revenues of USD 1,556 million in 2011 (2010: USD 1,675 million). Revenues were lower in 2011 as a result of USD 145 million reduction in revenues in the Cash Equities business due to lower volumes reflecting the cautious market sentiment driven by the European sovereign debt crisis. This reduction was offset largely by gains of USD 47 million in the Proprietary Trading business primarily due to new market strategies. Prime Services continued to strengthen its franchise with stable revenues.

Revenues in Investment Banking were USD 451 million (2010: USD 416 million). The increase of USD 35 million year on year was mainly due to an increase in Capital Markets of USD 28 million and Mergers and Acquisition of USD 11 million.

The remainder of net revenues, USD 931 million (2010; USD 653 million) include impact of Transfer Pricing agreements' expense with other CS group companies. The CSS(E)L Group recognised an expense for the year of USD 325 million (2010: USD 599 million). Additionally, net revenues include an expense of USD 669 million relating to treasury funding charges (2010: USD 280 million). This increased cost of USD 389 million was due to more expensive long term funding that was obtained during through 2010 to replace short term borrowings in response to the UK FSA liquidity requirements and new subordinated debt issued in October 2010.

CSS(E)L Group's operating expenses were USD 2,477 million (2010: USD 2,853 million). The reduction in expenses of USD 376 million was driven by an increase in expenses recharged to other CS group companies of USD 286 million and a reduction in Compensation and Benefits of USD 90 million driven by the non-recurring UK bank payroll tax in 2010 of USD 179 million. This was offset by an increase in salaries due to increased severance costs of USD 115 million.

During 2011 the UK Government introduced a new tax, the UK Bank Levy, for all Banks and Banking groups operating in the UK. The tax is charged on a firm's liabilities as at the statement of financial position date (i.e. 31 December 2011) at a rate of 7.5 basis points for all short-term liabilities and 3.75 basis points for long-term liabilities. The CSS(E)L Group has recognised an expense of USD 41 million in 2011 for the UK Bank Levy. The rates announced for 2012 are 8.8 basis points for short term liabilities and 4.4 basis points for long term liabilities.

The effective tax rate for 2011 was -32.0% (2010: -101.59%). The high effective tax rate for the current period is due primarily to the impairment of the deferred tax asset.

CSS(E)L Group's total assets decreased to USD 276,582 million (2010: USD 280,460 million as restated). This was due primarily to a decrease in trading assets offset by an increase in securities purchased under resale agreements and securities borrowing transactions, and other assets.

The Company paid GBP 53 million on 31 January 2012 for a lump sum contribution to the UK defined benefit pension scheme.

Off-balance sheet arrangements are highlighted in Note 33 Guarantees and Commitments.

Outlook

The CSS(E)L Group's short term business outlook is for relatively subdued economic growth and the low interest rate environment to continue. Further low levels of client activity and a volatile trading environment may also continue in the short term.

As a response to market conditions, the CS group carried out a strategic review in 2011 with the aim of enhancing the profitability of its business globally. The outcome of the strategic review was announced together with the publication of the third quarter results, and for the Investment Banking Division entails the following:

- Reinforcement of the Bank's integrated client-focused, capital-efficient strategy with decisive actions to leverage client revenue and cost synergies and to intensify investment in growth businesses;
- Benefit from first-mover advantage in adapting to the new regulatory and market environment;

- Acceleration of previously announced plans to reduce risk-weighted assets in the Fixed Income Division under pro-forma Basel III rules by half by 2014; and
- Obtaining greater financial flexibility by significantly reducing the cost base, including headcount reductions, process optimization, vendor and demand management, and more fully integrated bank operations, as well as rationalization of the business footprint.

The impact of these actions will provide the CSS(E)L Group with substantial opportunity for growth and stronger overall performance, particularly when economic and market conditions improve.

Fair Value Measurement

Financial instruments carried at fair value are categorised under the three levels of the IFRS fair value hierarchy, where Level 3 comprises assets and liabilities for which the inputs for the asset or liability are not based on observable market data (unobservable inputs).

Total Level 3 assets for CSS(E)L Group were USD 4.4 billion (2010: USD 3.7 billion), which was equivalent to 1.59% of total assets.

Total Level 3 liabilities for CSS(E)L Group were USD 1.3 billion (2010: USD 1.9 billion) which was equivalent to 0.46% of total liabilities

The increase in Level 3 assets is predominantly driven by the Longevity Markets Group due to an increase in Premium Finance Loans, Single Premium Immediate Annuities and Physical Life Settlement Policies.

Selected European credit risk exposures

CSS(E)L Group's exposure to certain European countries is as summarised in the table below. Gross credit risk exposures presented on a risk-based view include investments (such as cash, securities and other investments) and all exposures of derivatives (not limited to credit protection purchased and sold), after consideration of legally enforceable netting agreements. Net exposures reflect risk mitigation including Credit Default Swaps (CDS) and other hedges, guarantees, insurance and collateral (primarily cash and securities). Collateral values applied for the calculation of the net exposure are determined in accordance with risk management policies and reflect applicable margining considerations.

Credit risk exposure to these European countries is managed as part of the overall CS group risk management process. This management includes the use of country limits, and the performance of scenario analyses on a regular basis including analyses on indirect sovereign credit risk exposures arising from exposures to selected European financial institutions.

31 December 2011		**Sovereign**	**Financial Institutions**			**Corporate**
USD millions	**Gross Exposure**	**Net Exposure**	**Gross Exposure**	**Net Exposure**	**Gross Exposure**	**Net Exposure**
Greece	1	1	-	-	2	2
Ireland	-	-	78	76	6	6
Italy	3	3	87	84	271	212
Portugal	-	-	14	14	4	4
Spain	73	73	248	248	29	29
Total	**77**	**77**	**427**	**422**	**312**	**253**

Capital Resources

Throughout the year the Company reviews the need for the injection of capital and funding from CS group to ensure ongoing stability and support of its business activities. The Company issued USD 750 million of common shares during 2011. The Company continues to closely monitor its capital and funding requirements on a daily basis. CS group has confirmed that it will ensure that the Company is able to meet its debt obligations and maintain a sound financial position over the foreseeable future.

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

The capital in CSS(E)L Group was restructured post year end; refer Note 41 Subsequent Events.

Dividends

No dividends were paid or are proposed for 2011 (2010: USD Nil).

Risk Management (Audited except where specifically noted)

Overview

CSS(E)L Group is part of CS group and its risks are managed as part of the global CS group of entities. The CS group risk management process is designed to ensure that there are sufficient independent controls to measure, monitor and control risks in accordance with CS group's control framework and in consideration of industry best practices. The primary responsibility for risk management within the CS group's lies with the CS group's senior business line managers. They are held accountable for all risks associated with their businesses, including counterparty risk, market risk, liquidity risk, operational risk, legal risk, settlement risk, country risk and reputational risk.

Risk governance

The prudent taking of risk in line with CS group's strategic priorities is fundamental to its business as a leading global bank. To meet the challenges in a fast changing industry with new market players and innovative and complex products, CS group continuously strengthens the risk function, which is independent of, but closely interacts with, the trading functions to ensure the appropriate flow of information. CS group's risk management framework is based on transparency, management accountability and independent oversight. As a consequence of the increased complexity of risks, CS group has defined its risk perspective broadly. Risk management plays an important role in CS group's business planning process and is strongly supported by senior management and the Board of Directors. The primary objectives of risk management are to protect CS group's financial strength and reputation, while ensuring that capital is well deployed to support business activities and grow shareholder value. Although CS group has implemented risk management processes and control systems, it works to limit the impact of negative developments by managing concentrations of risks.

Risk organisation

Risks arise in all of CS group's business activities and cannot be completely eliminated, but they are managed through its internal control environment. CS group's risk management organisation reflects the specific nature of the various risks in order to ensure that risks are managed within limits set in a transparent and timely manner. At the level of the Boards of Directors, including through its committees, this includes the following responsibilities:

- CSG Board of Directors: Responsible to shareholders for the strategic direction, supervision and control of CS group and for defining its overall tolerance for risk.
- Boards of Directors of other CS group legal entities: Responsible for the strategic direction, supervision and control of the respective legal entity and for defining the legal entity's tolerance for risk.

- Risk Committees: Responsible for assisting the Boards of Directors of CSG and other CS group legal entities in fulfilling their oversight responsibilities by providing guidance regarding risk governance and the development of the risk profile and capital adequacy, including the regular review of major risk exposures and the approval of overall risk limits.
- Audit Committees: Responsible for assisting the Boards of Directors of the CSG and other CS group legal entities in fulfilling their oversight responsibilities by monitoring management's approach with respect to financial reporting, internal controls, accounting, legal and regulatory compliance. Additionally, the Audit Committees are responsible for monitoring the independence and the performance of the internal and external auditors.

Overall risk limits are set by the CSG Board of Directors and its Risk Committee. On a monthly basis, the Capital Allocation and Risk Management Committee ('CARMC') of CSG's Executive Board reviews risk exposures, concentration risks and risk-related activities. CARMC is responsible for supervising and directing CS group's risk profile on a consolidated basis, recommending risk limits to the Board of Directors and its Risk Committee and for establishing and allocating risk limits within the various businesses. CARMC meetings focus on the following three areas on a rotating basis: asset and liability management/liquidity; market and credit risk; and operational risk/legal and compliance.

Committees are implemented at a senior management level to support risk management. The Risk Processes and Standards Committee is responsible for establishing and approving standards regarding risk management and risk measurement, including methodology and parameters. The Credit Portfolio and Provisions Review Committee review the quality of the credit portfolio with a focus on the development of impaired assets and the assessment of related provisions and valuation allowances. The Reputational Risk and Sustainability Committee set policies, and reviews processes and significant cases relating to reputational risks. There are also Divisional Risk Management Committees ('RMC'), which manage risk on a divisional basis.

The risk committees are further supported by Treasury, which is responsible for the management of CS group's balance sheet, capital management, liquidity and related hedging policies.

The risk management function which is independent of the business, includes:

- Strategic Risk Management ('SRM')
- Risk Analytics and Reporting ('RAR')
- Credit Risk Management ('CRM')
- Bank Operational Risk Oversight ('BORO')
- Business Continuity Management
- Reputational Risk Management

The risk management function is responsible for providing risk management oversight and establishing an organisational basis to manage all risk management matters through four primary risk functions: SRM assesses the CS group's overall risk profile on a strategic basis, recommending corrective action where necessary, and is also responsible for market risk management including measurement and limits; RAR is responsible for risk analytics, reporting, systems implementation and policies; CRM is responsible for approving credit limits, monitoring and managing individual exposures and assessing and managing the quality of credit portfolios and allowances; and BORO acts as the central hub for the divisional operational risk functions. The risk management function also addresses critical risk areas such as business continuity and reputational risk management.

Risk limits

A sound system of risk limits is fundamental to effective risk management. The limits define CS group's maximum balance sheet and off-balance sheet exposure given the market environment, business strategy and financial resources available to absorb losses. CS group uses an Economic Capital ('EC') limit structure to manage overall risk-taking. The overall risk limits for the CSS(E)L Group are set by the CSS(E)L Board and are binding. Any excess of these limits will result in notification to the Chairman of the CSS(E)L Board and the CEO of the CSS(E)L Group, and written notification to the CSS(E)L Board at its next meeting. The CS group CRO can approve positions that exceed the Board limits by no more than an approved percentage with any such approval being reported to the CSS(E)L Board. Positions that exceed the CSS(E)L Board limits by more than such approved percentage can only be approved by the CS group CRO and the CSS(E)L Board acting jointly.

In the context of the overall risk appetite of the CSS(E)L Group, as defined by the limits set by the CSS(E)L Board, CARMC is responsible for setting legal entity and divisional risk limits and more specific limits deemed necessary to control the concentration of risk within individual lines of business. Limit measures used include VaR, economic capital, exposure, risk sensitivity and scenario analysis. The framework encompasses specific limits on a large number of different product and risk type concentrations. For example, there are consolidated controls over trading exposures, the mismatch of interest-earning assets and interest-bearing liabilities, private equity and seed money, and emerging market country exposures. Risk limits are allocated to lower organisational levels within the businesses, and numerous other limits are established for specific risks, including a system of individual counterparty credit limits that is used to control concentration risks. CARMC limits are binding and generally set at a tight level to ensure that any meaningful increase in risk exposures is promptly escalated.

The majority of these limits are monitored on a daily basis. Limits for which the inherent calculation time is longer (such as those for economic capital) are monitored on a weekly basis. A smaller sub-set of limits relating to exposures for which the risk profile changes more infrequently (for example, those relating to illiquid investments) is monitored on a monthly basis.

The CSS(E)L Group's financial risk management objectives and policies and the exposure of the CSS(E)L Group to market risk, credit risk, liquidity risk and currency risk are outlined in Note 38 Financial Instruments Risk Positions.

Economic capital and position risk

Economic Capital ('EC') is the core CS group-wide risk management tool and is integrated throughout, being calculated, reported and monitored at both the legal entity level (for material subsidiaries) and on a divisional basis. It represents current market practice for measuring and reporting all quantifiable risks and measures risk in terms of economic realities rather than regulatory or accounting rules. It also provides a common terminology for risk across CS group, which increases risk transparency and improves knowledge-sharing. The development and usage of EC methodologies and models have evolved over time without a standardised approach within the industry; therefore, comparisons across firms may not be meaningful.

Position Risk, which is a component of the EC framework, is used to assess, monitor and report risk exposures throughout CS group. Position Risk EC is the level of unexpected loss in economic value on CS group's portfolio of positions over a one-year horizon that is exceeded with a given small probability (1% for risk management purposes; 0.03% for capital management purposes).

CS group regularly reviews the EC methodology to ensure the model remains relevant as markets and business strategies evolve. In 2011, a number of enhancements to the position risk methodology for risk management purposes, including for emerging markets positions were made.

As of 31 December 2011 the 99% Position risk was USD 579 million (2010: USD 1,006 million) for CSS(E)L Group which was within the agreed limit set by the CSS(E)L Group's board of directors[1].

Directors

The names of the directors as at the date of this report are set out on page 1. Changes in the directorate since 31 December 2010 and up to the date of this report are as follows:

Appointment	
Noreen Doyle	26 August 2011
James Henry Leigh Pemberton	9 December 2011
Eric Varvel	9 December 2011
Stephen Kingsley	29 March 2012
Chris Carpmael	29 March 2012

Resignation	
Eraj Shirvani	9 December 2011
Daniel McHugh	9 December 2011
Luigi de Vecchi	9 December 2011
Christopher Home	9 December 2011
Stephen B Dainton	9 December 2011

None of the directors who held office at the end of the financial year were directly beneficially interested, at any time during the year, in the shares of the Company. Directors of the Company benefited from qualifying third party indemnity provisions in place during the financial year and at the date of this report.

Internal Control and Financial Reporting

The directors are responsible for internal control in CSS(E)L Group and for reviewing its effectiveness. Procedures have been designed for safeguarding assets against unauthorised use of disposition; for maintaining proper accounting records; and for the reliability of financial information used within the business or for publication. Such procedures are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement, errors, losses or fraud.

The key procedures that the directors have established are designed to provide effective internal control within CSS(E)L Group. Such procedures for the ongoing identification, evaluation and management of the significant risks faced by CSS(E)L Group have been in place throughout the year and up to 29 March 2012, the date of approval of the Consolidated Annual Report for 2011.

Key risks identified by the directors are formally reviewed and assessed at least once a year by the Board, in addition to which key business risks are identified, evaluated and managed by operating management on an ongoing basis by means of procedures such as credit and other authorisation limits, and segregation of duties.

The Board also receives regular reports on any risk matters that need to be brought to its attention. Significant risks identified in connection with the development of new activities are subject to consideration by the Board.

[1]Unaudited

There are well established budgeting procedures in place and reports are presented regularly to the Board detailing the performance of each principal business unit, variances against budget and prior year, and other performance data.

Credit Suisse Securities (Europe) Limited Audit Committee

The purpose of the Committee is to:

- review the Internal Audit Plan to ensure its adequacy, as it pertains to CSS(E)L Group;
- review reports on systems of accounting, internal controls, and compliance with regulatory and legal requirements, and on litigation;
- review reports on quality and accuracy of financial reporting to external bodies;
- review other Internal Audit, regulatory examination reports and External Audit reports / management letters;
- review the Annual Financial Statements on behalf of the Board; and
- report significant issues to the Board.

Disclosure of Information to Auditors

The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which CSS(E)L Group's auditors are unaware and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that CSS(E)L Group's auditors are aware of that information.

Employment of Disabled Persons

The CSS(E)L group adopts the CS Group's policies relating to employment of disabled persons and gives full and fair consideration to disabled persons in employment applications, training and career development including those who become disabled during their period of employment.

The CS group has a Disability Interest Forum in place as a UK initiative. This forum:

- provides a support network;
- facilitates information sharing for those with a disability or those caring for a family member or friend with a disability; and
- invites all those who want to participate and who have an interest.

The forum raises awareness of issues related to disability and promotes an environment where disabled employees are supported and are given the opportunity to reach their full potential.

Donations

During the year CSS(E)L Group made USD 1.1 million (2010: USD 0.9 million) of charitable donations. There were no political donations made by CSS(E)L Group during the year (2010: USD Nil).

Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG Audit Plc will therefore continue in office.

Subsequent Events

In December 2010, The Basel Committee on Banking Supervision (BCBS) issued the Basel III framework, with higher minimum capital requirements and new conservation and countercyclical buffers, revised risk-based capital measures, a leverage ratio and liquidity standards. The framework was designed to strengthen the resilience of the banking sector. The new capital standards and capital buffers will require banks to hold more capital, mainly in the form of common equity. The new capital standards will be phased in from 1 January 2013 through 1 January 2019.

In anticipation of the implementation of Basel III, the capital in the Company was restructured in February 2012. The nominal amount of the ordinary shares in issue before the restructuring was reduced from USD 1 to USD 0.10 each, with the difference being credited to share premium. The net effect on core tier one capital was nil. Upper Tier Two subordinated loans totaling USD 900 million (nominal) have been repaid, and Core Tier One capital has been increased through the issuance of Non-Voting participating shares (USD 0.10 each) with associated share premium. In the case of the Company's subordinated loan repayment, the amount payable by the Company for early redemption exceeded the nominal amount of the loans by USD 43.6 million, which represents a loss for the Company. This loss was counterbalanced by the issue of additional participating shares. The shares were issued to Credit Suisse PSL GmbH and this entity has now become an additional shareholder of the Company.

On 29 February 2012, USD 300 million was injected into CSS(E)L in the form of new participating shares which will contribute to core Tier 1 equity.

In the budget announcement of 21 March 2012, the UK government announced its intention to further reduce the corporation tax rate by 1% with effect from 1 April 2012. This rate reduction was substantively enacted on 26 March 2012. If this rate reduction had been substantively enacted as at 31 December 2011 it would have had the impact of decreasing the deferred tax asset recorded by USD 13 million.

By Order of the Board

Paul E Hare
Company Secretary

One Cabot Square
London E14 4QJ
29 March 2012

COMPANY REGISTRATION NUMBER: 891554

Statement of Directors' responsibility

The directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the directors to prepare CSS(E)L Group and Company Financial Statements for each financial year. Under that law they have elected to prepare both the CSS(E)L Group and Company Financial Statements in accordance with IFRSs as adopted by the EU and applicable law.

Under company law the directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the CSS(E)L Group and Company and of their profit or loss for that period. In preparing each of the CSS(E)L Group and Company Financial Statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the CSS(E)L Group and the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the CSS(E)L Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the CSS(E)L Group and Company and enable them to ensure that its Financial Statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the CSS(E)L Group and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

Signed on behalf of the Board of Directors on 29 March 2012 by:

C. P. M.

Costas P. Michaelides
Director

Independent Auditor's Report to the Members of Credit Suisse Securities (Europe) Limited

We have audited the Financial Statements of Credit Suisse Securities (Europe) Limited for the year ended 31 December 2011 set out on pages 17 to 148. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU and, as regards the parent company ("the Company") Financial Statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 14, the directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the Financial Statements

A description of the scope of an audit of Financial Statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on Financial Statements

In our opinion:

- the Financial Statements give a true and fair view of the state of the Company's and of the CSS(E)L Group's affairs as at 31 December 2011 and of the CSS(E)L Group's and Company's loss for the year then ended;
- the CSS(E)L Group Financial Statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the Company Financial Statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company Financial Statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Nicholas J Edmonds
(Senior Statutory Auditor)

for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
29 March 2012

Consolidated Statement of Income for the Year ended 31 December 2011

	Reference to note	2011	2010
Consolidated Statement of Income (USD million)			
Interest income	4	1,784	1,156
Interest expense	4	(2,690)	(1,650)
Net interest expense		**(906)**	**(494)**
Commission and fee income	5	1,501	1,749
Commission and fee expense	5	(136)	(124)
Net gains from financial assets/liabilities at fair value through profit or loss	6	1,817	1,950
Revenue sharing agreements' expense	7	(325)	(599)
Net revenues		**1,951**	**2,482**
Compensation and benefits	8	(1,804)	(1,894)
General and administrative expenses	9	(673)	(959)
Net operating expenses		**(2,477)**	**(2,853)**
Loss before taxes		**(526)**	**(371)**
Income tax expense	10	(168)	(377)
Net loss attributable to Credit Suisse Securities (Europe) Limited shareholders		**(694)**	**(748)**

All losses for both 2011 and 2010 is from continuing operations.

The notes on pages 26 to 148 form an integral part of the Financial Statements.

Company Statement of Income for the Year ended 31 December 2011

	Reference to note	2011	2010
Consolidated Statement of Income (USD million)			
Interest income	4	1,784	1,156
Interest expense	4	(2,690)	(1,650)
Net interest expense		**(906)**	**(494)**
Commission and fee income	5	1,505	1,754
Commission and fee expense	5	(136)	(124)
Net gains from financial assets/liabilities at fair value through profit or loss	6	1,813	1,945
Revenue sharing agreements' expense	7	(325)	(599)
Net revenues		**1,951**	**2,482**
Compensation and benefits	8	(1,804)	(1,894)
General and administrative expenses	9	(673)	(959)
Net operating expenses		**(2,477)**	**(2,853)**
Loss before taxes		**(526)**	**(371)**
Income tax expense	10	(168)	(377)
Net loss attributable to Credit Suisse Securities (Europe) Limited shareholders		**(694)**	**(748)**

All losses for both 2011 and 2010 is from continuing operations.

The notes on pages 26 to 148 form an integral part of the Financial Statements.

Statement of Comprehensive Income for the Year ended 31 December 2011

CSS(E)L Group and Company

Statement of Comprehensive Income (USD million)	**Reference to note**	**2011**	**2010**
Net loss		**(694)**	**(748)**
Foreign currency translation losses	26	(28)	(12)
Net loss on financial assets available-for-sale	26	(4)	(1)
Other comprehensive loss, net of tax		**(32)**	**(13)**
Comprehensive loss		**(726)**	**(761)**
Comprehensive loss attributable to Credit Suisse Securities (Europe) Limited shareholders		**(726)**	**(761)**

The notes on pages 26 to 148 form an integral part of the Financial Statements.

Consolidated Statement of Financial Position as at 31 December 2011

	Reference to note	2011	2010 (Restated)[1]	1 Jan 2010 (Restated)[1]
Assets (USD million)				
Cash and due from banks		19,914	20,344	13,051
Securities purchased under resale agreements and securities borrowing transactions	12	36,202	28,978	41,716
Trading financial assets at fair value through profit or loss	13	73,536	90,598	72,864
of which positive market values from derivative instruments		17,168	14,218	12,023
Financial assets designated at fair value through profit or loss	14	103,423	102,526	101,448
Financial assets available-for-sale	15	35	37	36
Other loans and receivables	17	1,575	1,483	1,483
Current tax assets		80	70	54
Deferred tax assets	11	417	513	945
Other assets	16	41,362	35,866	32,235
Goodwill	20	7	7	8
Property, equipment and intangible assets	21	31	38	33
Total assets		**276,582**	**280,460**	**263,873**
Liabilities (USD million)				
Deposits	22	4,305	3,935	2,327
Securities sold under repurchase agreements and securities lending transactions	12	34,460	37,170	47,380
Trading financial liabilities at fair value through profit or loss	13	47,257	46,736	48,543
of which negative market values from derivative instruments		18,479	15,771	13,642
Financial liabilities designated at fair value through profit or loss	14	87,422	86,540	86,687
Short term borrowings	23	36,416	48,049	38,973
Current tax liabilities		4	4	10
Deferred tax liabilities	11	80	46	109
Other liabilities	16	45,341	36,423	31,600
Provisions	24	9	5	8
Long term debt	25	16,510	16,798	2,721
Total liabilities		**271,804**	**275,706**	**258,358**
Shareholders' equity				
Called-up share capital	27	4,277	3,527	3,527
Capital contribution		5,390	5,390	5,390
Retained earnings		(4,626)	(3,932)	(3,184)
Accumulated other comprehensive income	26	(263)	(231)	(218)
Total Credit Suisse Securities (Europe) Limited shareholders' equity		**4,778**	**4,754**	**5,515**
Total liabilities and equity		**276,582**	**280,460**	**263,873**

The notes on pages 26 to 148 form an integral part of the Financial Statements.

Approved by the Board of Directors on 29 March 2012 and signed on its behalf by:

C. P. M.

Costas P. Michaelides
Director

[1] On 1 January 2011, the CSS(E)L Group voluntarily adopted settlement date accounting for regular-way trading securities replacing trade date accounting. Comparative information has been restated accordingly (see Note 2(b)).

Company Statement of Financial Position as at 31 December 2011

Assets (USD million)	Reference to note	2011	2010 (Restated)[1]	1 Jan 2010 (Restated)[1]
Cash and due from banks		19,812	20,241	12,945
Securities purchased under resale agreements and securities borrowing transactions	12	36,202	28,978	41,716
Trading financial assets at fair value through profit or loss	13	73,708	92,352	74,986
of which positive market values from derivative instruments		17,454	16,390	14,141
Financial assets designated at fair value through profit or loss	14	103,261	100,375	99,274
Financial assets available-for-sale	15	31	34	36
Other loans and receivables	17	1,575	1,483	1,483
Current tax assets		80	70	54
Deferred tax assets	11	417	513	945
Other assets	16	40,808	35,537	32,236
Goodwill	20	7	7	8
Property, equipment and intangible assets	21	31	38	33
Total assets		**275,932**	**279,628**	**263,716**
Liabilities (USD million)				
Deposits	22	4,305	3,935	2,327
Securities sold under repurchase agreements and securities lending transactions	12	34,460	37,170	47,380
Trading financial liabilities at fair value through profit or loss	13	47,150	46,625	48,426
of which negative market values from derivative instruments		18,372	15,660	13,524
Financial liabilities designated at fair value through profit or loss	14	87,028	86,268	86,406
Short term borrowings	23	36,416	48,049	38,973
Current tax liabilities		4	4	10
Deferred tax liabilities	11	80	46	109
Other liabilities	16	45,325	36,406	31,845
Provisions	24	9	5	8
Long term debt	25	16,381	16,370	2,721
Total liabilities		**271,158**	**274,878**	**258,205**
Shareholders' equity				
Called-up share capital	27	4,277	3,527	3,527
Capital contribution		5,390	5,390	5,390
Retained earnings		(4,630)	(3,936)	(3,188)
Accumulated other comprehensive income	26	(263)	(231)	(218)
Total Credit Suisse Securities (Europe) Limited shareholders' equity		**4,774**	**4,750**	**5,511**
Total liabilities and equity		**275,932**	**279,628**	**263,716**

The notes on pages 26 to 148 form an integral part of the Financial Statements.

Approved by the Board of Directors on 29 March 2012 and signed on its behalf by:

C. P. M.

Costas P. Michaelides
Director

[1] On 1 January 2011, the CSS(E)L Group voluntarily adopted settlement date accounting for regular-way trading securities replacing trade date accounting. Comparative information has been restated accordingly (see Note 2(b)).

Consolidated Statement of Changes in Equity for the year ended 31 December 2011

2011	Common shares	Capital contribution	Retained earnings	AOCI[1]	Total shareholders' equity
Consolidated Statement of Changes in Equity (USD million)					
Balance at 1 January 2011	**3,527**	**5,390**	**(3,932)**	**(231)**	**4,754**
Foreign exchange translation differences	-	-	-	(23)	(23)
Net loss on hedges of net investments in foreign entities taken to equity	-	-	-	(5)	(5)
Net loss on financial assets available-for-sale	-	-	-	(4)	(4)
Net loss recognised directly in equity	**-**	**-**	**-**	**(32)**	**(32)**
Net loss for the year	-	-	(694)	-	(694)
Total loss recognised for the year	**-**	**-**	**(694)**	**(32)**	**(726)**
Issuance of common shares	750	-	-	-	750
Balance at 31 December 2011	**4,277**	**5,390**	**(4,626)**	**(263)**	**4,778**

2010	Common shares	Capital contribution	Retained earnings	AOCI[1]	Total shareholders' equity
Consolidated Statement of Changes in Equity (USD million)					
Balance at 1 January 2010	**3,527**	**5,390**	**(3,184)**	**(218)**	**5,515**
Foreign exchange translation differences	-	-	-	14	14
Net loss on hedges of net investments in foreign entities taken to equity	-	-	-	(26)	(26)
Net loss on financial assets available-for-sale	-	-	-	(1)	(1)
Net loss recognised directly in equity	**-**	**-**	**-**	**(13)**	**(13)**
Net loss for the year	-	-	(748)	-	(748)
Total loss recognised for the year	**-**	**-**	**(748)**	**(13)**	**(761)**
Issuance of common shares	**-**	**-**	**-**	**-**	**-**
Balance at 31 December 2010	**3,527**	**5,390**	**(3,932)**	**(231)**	**4,754**

[1]AOCI refers to Accumulated Other Comprehensive Income

Company Statement of Changes in Equity for the year ended 31 December 2011

2011	Common shares	Capital contribution	Retained earnings	AOCI[1]	Total shareholders' equity
Company Statement of Changes in Equity (USD million)					
Balance at 1 January 2011	**3,527**	**5,390**	**(3,936)**	**(231)**	**4,750**
Foreign exchange translation differences	-	-	-	(23)	(23)
Net loss on hedges of net investments in foreign entities taken to equity	-	-	-	(5)	(5)
Net loss on financial assets available-for-sale	-	-	-	(4)	(4)
Net loss recognised directly in equity	**-**	**-**	**-**	**(32)**	**(32)**
Net loss for the year	-	-	(694)	-	(694)
Total loss recognised for the year	**-**	**-**	**(694)**	**(32)**	**(726)**
Issuance of common shares	750	-	-	-	750
Balance at 31 December 2011	**4,277**	**5,390**	**(4,630)**	**(263)**	**4,774**

2010	Common shares	Capital contribution	Retained earnings	AOCI[1]	Total shareholders' equity
Company Statement of Changes in Equity (USD million)					
Balance at 1 January 2010	**3,527**	**5,390**	**(3,188)**	**(218)**	**5,511**
Foreign exchange translation differences	-	-	-	14	14
Net loss on hedges of net investments in foreign entities taken to equity	-	-	-	(26)	(26)
Net loss on financial assets available-for-sale	-	-	-	(1)	(1)
Net loss recognised directly in equity	**-**	**-**	**-**	**(13)**	**(13)**
Net loss for the year	-	-	(748)	-	(748)
Total loss recognised for the year	**-**	**-**	**(748)**	**(13)**	**(761)**
Issuance of common shares	**-**	**-**	**-**	**-**	**-**
Balance at 31 December 2010	**3,527**	**5,390**	**(3,936)**	**(231)**	**4,750**

[1]AOCI refers to Accumulated Other Comprehensive Income

Consolidated Statement of Cash Flows for the year ended 31 December 2011

	Reference to notes	2011	2010 (Restated)[1]
Cash flows from operating activities (USD million)			
Loss before tax for the period		(526)	(371)
Adjustments to reconcile net profit to net cash used in operating activities			
Non-cash items included in net profit/(loss) before tax and other adjustments:			
■ Impairment, depreciation and amortisation	20, 21	8	7
■ Pension plan charge	28	-	12
■ Foreign exchange losses / (gains)		2	18
■ Interest accrued on long term debt		747	435
■ Share-based payment expense		(465)	(448)
■ Foreign exchange loss through equity		(28)	(12)
■ Unrealised losses on financial assets available-for-sale	26	(4)	(1)
Cash generated before changes in operating assets and liabilities		**260**	**11**
Net (increase) /decrease in operating assets:			
■ Securities purchased under resale agreements and securities borrowing transactions	12	(7,224)	12,738
■ Trading financial assets at fair value through profit or loss	13	17,062	(17,734)
■ Financial assets designated at fair value through profit or loss	14	(897)	(1,078)
■ Financial assets available-for-sale	15	2	(1)
■ Other assets	16	(5,579)	(3,523)
Net decrease /(increase) in operating assets		**3,364**	**(9,598)**
Net increase /(decrease) in operating liabilities:			
■ Securities sold under repurchase agreements and securities lending transactions	12	(2,710)	(10,210)
■ Deposits	22	370	1,608
■ Short term borrowings	23	(11,633)	9,076
■ Trading financial liabilities at fair value through profit or loss	13	521	(1,807)
■ Financial liabilities designated at fair value through profit or loss	14	882	(147)
■ Accrued expenses and other liabilities	16	9,076	5,129
■ Provisions	24	4	(3)
Net (decrease) / increase in operating liabilities		**(3,490)**	**3,646**
Income taxes paid		(48)	(30)
Pension plan contribution	28	(11)	(136)
Net cash used in operating activities		**(451)**	**(6,478)**
Cash flows from investing activities (USD million)			
Proceeds from sale of premises, equipment and intangible assets	20,21	198	157
Capital expenditure for property, equipment and intangible assets	20,21	(199)	(170)
Net cash used in from investing activities		**(1)**	**(13)**
Cash flows from financing activities (USD million)			
(Repayment) / issuances of long term debt (including long term debt at fair value through profit or loss)		(728)	13,784
Issue of shares	27	750	-
Net cash provided by financing activities		**22**	**13,784**
Net (decrease) / increase in cash and due from banks		**(430)**	**7,293**
Cash and due from banks at beginning of period		**20,344**	**13,051**
Cash and due from banks at end of period		**19,914**	**20,344**
Cash and due from banks		15,225	12,629
Demand deposits		4,689	7,715
Cash and due from banks at end of period		**19,914**	**20,344**

[1]On 1 January 2011, the CSS(E)L Group voluntarily adopted settlement date accounting for regular-way trading securities replacing trade date accounting. Comparative information has been restated accordingly (see Note 2(b)).

Company Statement of Cash Flows for the year ended 31 December 2011

	Reference to notes	2011	2010 (Restated)[1]
Cash flows from operating activities (USD million)			
Loss before tax for the period		(526)	(371)
Adjustments to reconcile net profit to net cash used in operating activities			
Non-cash items included in net profit/(loss) before tax and other adjustments:			
■ Impairment, depreciation and amortisation	20, 21	8	7
■ Pension plan charge	28	-	12
■ Foreign exchange losses / (gains)		2	18
■ Interest accrued on long term debt		747	435
■ Share-based payment expense		(465)	(448)
■ Foreign exchange loss through equity		(28)	(12)
■ Unrealised losses on financial assets available-for-sale	26	(4)	(1)
Cash generated before changes in operating assets and liabilities		**260**	**11**
Net (increase) /decrease in operating assets:			
■ Securities purchased under resale agreements and securities borrowing transactions	12	(7,224)	12,738
■ Trading financial assets at fair value through profit or loss	13	18,644	(17,366)
■ Financial assets designated at fair value through profit or loss	14	(2,886)	(1,101)
■ Financial assets available-for-sale	15	3	2
■ Other assets	16	(5,354)	(3,193)
Net decrease / (increase) in operating assets		**3,183**	**(8,920)**
Net increase /(decrease) in operating liabilities:			
■ Securities sold under repurchase agreements and securities lending transactions	12	(2,710)	(10,210)
■ Deposits	22	370	1,608
■ Short term borrowings	23	(11,633)	9,076
■ Trading financial liabilities at fair value through profit or loss	13	525	(1,801)
■ Financial liabilities designated at fair value through profit or loss	14	760	(138)
■ Accrued expenses and other liabilities	16	9,077	4,867
■ Provisions	24	4	(3)
Net (decrease) / increase in operating liabilities		**(3,607)**	**3,399**
Income taxes paid		(48)	(30)
Pension plan contribution	28	(11)	(136)
Net cash (used in)/from operating activities		**(749)**	**(6,047)**
Cash flows from investing activities (USD million)			
Proceeds from sale of premises, equipment and intangible assets	20,21	198	157
Capital expenditure for property, equipment and intangible assets	20,21	(199)	(170)
Net cash used in investing activities		**(1)**	**(13)**
Cash flows from financing activities (USD million)			
(Repayment) / issuances of long term debt (including long term debt at fair value through profit or loss)		(429)	13,356
Issue of shares	27	750	-
Net cash provided by financing activities		**321**	**13,356**
Net (decrease) / increase in cash and due from banks		**(429)**	**7,296**
Cash and due from banks at beginning of period		**20,241**	**12,945**
Cash and due from banks at end of period		**19,812**	**20,241**
Cash and due from banks		15,225	12,629
Demand deposits		4,587	7,612
Cash and due from banks at end of period		**19,812**	**20,241**

[1]On 1 January 2011, the CSS(E)L Group voluntarily adopted settlement date accounting for regular-way trading securities replacing trade date accounting. Comparative information has been restated accordingly (see Note 2(b)).

Notes to the consolidated financial statements

Notes to the Financial Statements for the year ended 31 December 2011

1. General

Credit Suisse Securities (Europe) Limited) is domiciled in the United Kingdom. The address of the CSS(E)L Group's registered office is One Cabot Square, London, E14 4QJ. The Consolidated Financial Statements for the year ended 31 December 2011 comprise Credit Suisse Securities (Europe) Limited) and its subsidiaries (including special purpose entities).

2. Significant Accounting Policies

a) Statement of compliance

Both the Company Financial Statements and the CSS(E)L Group Financial Statements have been prepared on a going concern basis and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU ('Adopted IFRSs').

b) Basis of preparation

The Consolidated Financial Statements are presented in United States Dollars (USD) rounded to the nearest million. They are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, financial instruments held for trading, financial instruments that are hedged as part of a designated hedging relationship and financial instruments designated by the CSS(E)L Group at fair value through profit or loss.

The preparation of Financial Statements in conformity with adopted IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. Critical accounting estimates and judgements applied to these Financial Statements are set out in Note 3 Critical Accounting Estimates and Judgements in Applying Accounting Polices.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision has a significant effect on both current and future periods.

The CSS(E)L Group and the Company have unrestricted and direct access to funding sources by CSG. After making enquiries of the CSG, the Directors of the Company have received confirmation that CSG will ensure that the Company maintains a sound financial position and is able to meet its debt obligations for the foreseeable future. Accordingly the Directors have prepared these accounts on a going concern basis.

Settlement date accounting: Under IAS 39 an entity is required to recognise a financial asset or a financial liability in its Statement of Financial Position when, and only when, the entity becomes a party to the contractual provisions of the instrument.

IAS 39 permits a choice between trade date and settlement date accounting for recording regular way transactions.

During 2011, the CSS(E)L Group has changed its accounting for regular way trading securities transactions from trade date to settlement date accounting. This is considered by the Directors to show a more relevant and reliable representation of the assets and liabilities of the company at the Consolidated Statement of Financial Position date for the following reasons:

- It applies a consistent basis for the recognition of all financial instruments at the time at which the contract has been settled, consummated or delivery has otherwise been perfected, and

- It defers the recording of assets on the Statement of Financial Position at a time when the CSS(E)L Group is still exposed to settlement risks.

In accordance with IAS 39, when the purchase of an asset is accounted for using settlement date accounting, movements in fair value between trade date and settlement date are reflected as they occur, with the movement in fair value taken through profit or loss.

Changes have been applied retrospectively in accordance with IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors" (IAS 8) resulting in the restatement of prior year financial information. As a result of the voluntary accounting policy change the following changes have been made to the Financial Statements as at 31 December 2010: Trading financial assets at fair value through profit or loss has decreased by USD 212 million (1 January 2010: increase of USD 1,041 million), Other assets decreased by USD 9,901 million (1 January 2010: USD 7,210 million), Trading financial liabilities at fair value through profit or loss decreased by USD 1,280 million (1 January 2010: USD increase of USD 513 million) and Other liabilities decreased by USD 8,834 million (1 January 2010: USD 6,682 million).

The impact of the voluntary accounting policy change on the current year is as follows: Trading financial assets at fair value through profit or loss has increased by USD 13 million, Other assets decreased by USD 6,809 million, Trading financial liabilities at fair value through profit or loss increased by USD 349 million and Other liabilities decreased by USD 7,145 million.

Standards and Interpretations effective in the current period

The CSS(E)L Group has adopted the following amendments and interpretations in the current year:

- Revised IAS 24 Related Party Disclosures: In November 2009, the IASB issued revisions to IAS 24, "Related Party Disclosures" (IAS 24). The objective of the revised IAS 24 is to simplify and ensure that an entity's Financial Statements contain the disclosures necessary to draw attention to the possibility that its financial position and profit or loss may have been affected by the existence of related parties and by transactions and outstanding balances with such parties. The CSS(E)L Group has adopted the revisions to IAS 24 and did not have a material impact on the existing related party disclosures. For further information, refer to *Note 30 – Related Parties.*
- Improvements to IFRS's 2010: In May 2010, the IFRS issued "Improvements to IFRSs", which contains numerous amendments to IFRS that the IASB considers non-urgent but necessary. The "Improvements to IFRSs" comprise amendments that result in accounting changes for presentation, recognition or measurement purposes, as well as terminology or editorial amendments related to a variety of individual IFRS standards. The adoption of 'Improvements to IFRS's did not have a material impact on the CSS(E)L Group's financial position, results of operations or cash flows. The disclosures required as a result of adoption are included in the Notes to the Financial Statements for the year ending 31 December 2011. For further information, refer to *Note 35 – Financial Instruments.*
- Prepayments of a minimum funding requirement (Amendments to IFRIC 14): In November 2009, the IASB issued "Prepayments of a Minimum Funding Requirement" (Amendments to IFRIC 14). The

adoption of Amendments to IFRIC 14 did not have a material impact on the CSS(E)L Group's financial position, results of operations or cash flows.

- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments: In November 2009, the IASB issued IFRIC 19, "Extinguishing Financial Liabilities with Equity Instruments" (IFRIC 9). The adoption of IFRIC 19 did not have a material impact on the CSS(E)L Group's financial position, results of operations or cash flows.

Standards and Interpretations endorsed by the EU and not yet effective

The CSS(E)L Group is not required to adopt the following standards and interpretations which are issued by the IASB but not yet effective.

- Amendments to IFRS 7 Disclosures – Transfers of Financial Assets: The amendments improved the understanding of transfer transactions of financial assets (for example, securitisations) by users of Financial Statements, including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. The amendments are effective for annual periods beginning on or after 1 July 2011. As the amendments are for disclosures only, the adoption of the standard will not have a material impact on the CSS(E)L Group's financial position, results of operation or cash flows.

Standards and Interpretations not endorsed by the EU and not yet effective

The CSS(E)L Group is not required to adopt the following standards and interpretations which are issued by the IASB but not yet effective and have not yet been endorsed by the EU.

- IFRS 10 Consolidated Financial Statements: In May 2011, the IASB issued IFRS 10, "Consolidated Financial Statements" (IFRS 10). The objective of IFRS 10 is to establish principles for the presentation and preparation of Consolidated Financial Statements when an entity controls one or more other entities. IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the Consolidated Financial Statements of the parent company. The standard provides additional guidance to assist in the determination of control where this may be difficult to assess. IFRS 10 is effective for annual periods beginning on or after 1 January 2013. The CSS(E)L Group is currently evaluating the impact of adopting IFRS 10.

- IFRS 11 Joint Arrangements: In May 2011, the IASB issued IFRS 11, "Joint Arrangements" (IFRS 11). IFRS 11 specifies that a party to a joint arrangement determines the type of joint arrangement in which it is involved by assessing its rights and obligations. IFRS 11 is effective for annual period beginning on or after 1 January 2013. The CSS(E)L Group is currently evaluating the impact of adopting IFRS 11.

- IFRS 12 Disclosure of Interests in Other Entities: In May 2011, the IASB issued IFRS 12, "Disclosures of Interests in Other Entities" (IFRS 12). IFRS 12 requires entities to disclose information that enables users of the Financial Statements to evaluate the nature of and any associated risks of its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows. IFRS 12 requires disclosure requirements for subsidiaries, joint arrangements and associates and introduces new requirements for unconsolidated structured entities. IFRS 12 is effective for annual periods beginning on or after 1 January 2013. As IFRS 12 requires disclosures only it will not have a material impact on the CSS(E)L Group's financial position, results of operation or cash flows.

- IFRS 9 Financial Instruments: In November 2009 the IASB issued IFRS 9, "Financial Instruments" (IFRS 9) covering the classification and measurement of financial assets which introduces new requirements for classifying and measuring financial assets. In October 2010, the IASB reissued IFRS 9, which incorporated new requirements on the accounting for financial liabilities. The effective date of IFRS 9 was revised in December 2011, making it applicable for annual periods beginning 1 January 2015. The CSS(E)L Group is currently evaluating the impact of adopting IFRS 9.
- IFRS 13 Fair Value Measurement: In May 2011, the IASB issued IFRS 13, "Fair Value Measurement" (IFRS 13). IFRS 13 defines fair value, sets out a framework for measuring fair value and requires disclosure requirements about fair value measurements. IFRS 13 applies to IFRSs that require or permit fair value measurements or disclosures about fair value measurements, except in specified circumstances. IFRS 13 is effective for annual periods beginning on or after 1 January 2013. The CSS(E)L Group is currently evaluating the impact of adopting IFRS 13.
- IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities In December 2011, the IASB issued amendments to IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities. The amendments require disclosures about the effect or potential effects of offsetting financial assets and financial liabilities and related arrangements on an entity's financial position. The amendments are effective for annual periods beginning on or after 1 January 2013. As the amendment requires disclosures only it will not have a material impact on the CSS(E)L Group's financial position, results of operations or cash flows.
- IAS 32 Offsetting Financial Assets and Financial Liabilities: In December 2011, the IASB issued amendments to IAS 32, "Offsetting Financial Assets and Financial Liabilities" (IAS 32). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 'Financial Instruments – Presentation'. The amendments are effective for annual periods beginning on or after 1 January 2014. The CSS(E)L Group is currently evaluating the impact of adopting the IAS 32 amendments.
- Amendments to IAS 1 – Presentation of Items of Other Comprehensive Income In June 2011, the IASB issued "Presentation of Items of Other Comprehensive Income" (Amendments to IAS 1). The amendments require entities to group together items within Other Comprehensive Income that will and will not subsequently be reclassified to the profit or loss section of the income statement. The amendments also reaffirm existing requirements that items in Other Comprehensive Income and profit or loss should be presented as either a single statement or two consecutive statements. The amendments are effective for annual periods beginning on or after 1 July 2012. As the amendments impact presentation only, they will not have a material impact on the CSS(E)L Group's financial position, results of operations or cash flows.
- Amendments to IAS 19 Employee Benefits In June 2011, the IASB issued Amendments to IAS 19, "Employee Benefits" (IAS 19). Among other changes, the amendments eliminate the option that allowed an entity to defer the recognition of changes in net defined benefit liability and amend the disclosure requirements for defined benefit plans and multi-employer plans. The amendments are effective for annual periods beginning on or after 1 January 2013. The CSS(E)L Group is currently evaluating the impact of adopting the IAS 19 amendments.

The accounting policies have been applied consistently by CSS(E)L Group entities.

Certain reclassifications have been made to the prior year Consolidated Financial Statements of the CSS(E)L Group to conform to the current year's presentation.

c) Basis of consolidation

The Consolidated Financial Statements include the results and positions of the CSS(E)L Group and its subsidiaries (including special purpose entities). The Consolidated Financial Statements include the Statement of Income, Statement of Comprehensive Income, Consolidated Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Equity, and the related notes of the CSS(E)L Group.

A subsidiary is an entity in which the CSS(E)L Group holds, directly or indirectly, more than 50% of the outstanding voting rights, or which it otherwise has the power to control. Control is achieved where the CSS(E)L Group has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. In assessing control, the potential voting rights that presently are exercisable are taken into account. The results of subsidiaries acquired are included in the Consolidated Financial Statements from the date that control commences until the date that control ceases. The CSS(E)L Group reassesses consolidation status at least every quarterly reporting date.

The CSS(E)L Group also consolidates subsidiaries when the substance of the relationship between the CSS(E)L Group and the subsidiary indicates that the subsidiary is controlled by the CSS(E)L Group in accordance with the Standing Interpretations Committee Interpretation (SIC) No. 12, "*Consolidation – Special Purpose Entities*" (SIC 12).

The acquisition method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed, plus any costs directly related to the acquisition. The excess of the cost of an acquisition over the CSS(E)L Group's share of the fair value of the identifiable net assets acquired is recorded as goodwill. If the acquisition cost is below the fair value of the identifiable net assets (negative goodwill), a gain may be reported in other income.

The effects of intercompany transactions and balances have been eliminated in preparing the Consolidated Financial Statements. Noncontrolling interests are presented in the Consolidated Statement of Financial Position as a separate component of equity. Net profit attributable to noncontrolling interests is shown separately in the Consolidated Statement of Income.

The effects of intercompany transactions and balances have been eliminated in preparing the Consolidated Financial Statements.

d) Foreign currency

The company's functional currency is United States Dollars. Transactions denominated in currencies other than the functional currency of the reporting entity are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to USD at the foreign exchange rate ruling at that date. Foreign exchange differences arising from translation are recognized in the Consolidated Statement of Income. Non-monetary assets and liabilities denominated in foreign currencies at the reporting date are not revalued for movements in foreign exchange rates.

Assets and liabilities of CSS(E)L Group companies with functional currencies other than USD are translated to USD at foreign exchange rates ruling at the Consolidated Statement of Financial position date. The revenue and expenses of these CSS(E)L Group companies are translated to USD at the average foreign exchange rates for the year. The resulting translation differences are recognized directly in a separate component of equity. On disposal, these translation differences are reclassified to the Consolidated Statement of Income as part of gain or loss on disposal.

e) Cash and due from Banks

For the purpose of preparation and presentation of Consolidated Statement of Cash Flows, cash and cash equivalents comprise the components of cash and due from banks that are short term, highly liquid instruments with original maturities of three months or less which are subject to an insignificant risk of changes in their fair value and that are held or utilized for the purpose of cash management.

Where cash is received or deposited as collateral, the obligation to repay or the right to receive that collateral is recorded in “Other assets” or “Other liabilities”.

The CSS(E)L Group holds money on behalf of clients in accordance with the client money rules of the UK's FSA. This money is included within cash and due from banks on the Statement of Financial Position and the corresponding liability is included in “Other Liabilities”.

f) Securities purchased or sold under resale agreements

Securities purchased under resale agreements (‘reverse repurchase agreements’) and securities sold under resale agreements (‘repurchase agreements’) do not constitute economic sales and are therefore treated as collateralised financing transactions. In reverse repurchase agreements, the cash advanced, including accrued interest is recognised on the Consolidated Statement of Financial Position as an asset. In repurchase agreements, the cash received, including accrued interest is recognized on the Consolidated Statement of Financial Position as a liability.

Securities received under reverse repurchase agreements and securities delivered under repurchase agreements are not recognised or derecognised unless all or substantially all the risks and rewards are obtained or relinquished. The CSS(E)L Group monitors the market value of the securities received or delivered on a daily basis and provides or requests additional collateral in accordance with the underlying agreements.

Interest earned on reverse repurchase agreements and interest incurred on repurchase agreements is recognised on an effective yield basis and recorded as interest income or interest expense.

g) Securities borrowing and lending transactions

Securities borrowing and securities lending transactions are generally entered into on a collateralised basis. The transfer of the securities themselves is not reflected on the Statement of Financial Position unless the risks and rewards of ownership are also transferred. If cash collateral is advanced or received, securities borrowing and lending activities are recorded at the amount of cash collateral advanced (cash collateral on securities borrowed) or received (cash collateral on securities lent). The sale of securities received in a security borrowing transaction results in the recognition of a trading liability (short sale).

The CSS(E)L Group monitors the market value of the securities borrowed and lent on a daily basis and provides or requests additional collateral in accordance with the underlying agreements. Fees are recognised on an accrual basis and interest received or paid is recognised on an effective yield basis and recorded as interest income or interest expense.

h) Derivative financial instruments and hedging

All freestanding derivative contracts are carried at fair value in the Consolidated Statement of Financial Position regardless of whether these instruments are held for trading or risk management purposes.

Derivatives classified as trading assets and liabilities include those held for trading purposes and those used for risk management purposes that do not qualify for hedge accounting. Derivatives held for trading purposes arise from proprietary trading activity and from customer-based activity, with changes in fair value included in 'Net gains/(losses) from financial assets/liabilities at fair value through profit or loss'. Derivative contracts, which are both designated and qualify for hedge accounting, are reported in the Consolidated Statement of Financial Position as 'Other assets' or 'Other liabilities' and hedge accounting is applied.

The fair value recorded for derivative instruments does not indicate future gains or losses, but rather the unrealised gains and losses from valuing all derivatives at a particular point in time. The fair value of exchange-traded derivatives is typically derived from observable market prices and/or observable market parameters. Fair values for OTC derivatives are determined on the basis of internally developed proprietary models using various input parameters. Where the input parameters cannot be validated using observable market data, reserves are established for unrealised gains or losses evident at the inception of the contracts so that no gain or loss is recorded at inception. Such reserves are amortised to income over the life of the instrument or released into income when observable market data becomes available. For further information on fair value determination of derivative instruments, refer to Note 35 – Financial Instruments.

Embedded derivatives

When derivative features embedded in certain contracts that meet the definition of a derivative are not considered clearly and closely related to the host instrument, the embedded feature will be accounted for separately at fair value, with changes in fair value recorded in the Consolidated Statement of Income unless, consistent with the provisions of IAS 39, the fair value option is elected (as described in Note 2 (i) below) or the entire hybrid instrument is classified as held for trading, in which case the entire instrument is recorded at fair value with changes in fair value recorded in the Consolidated Statement of Income. Once separated, the derivative is recorded in the same line in the Consolidated Statement of Financial Position as the host instrument.

Hedge accounting

Where hedge accounting is applied, the CSS(E)L Group formally documents all relationships between hedging instruments and hedged items, including the risk management objectives and strategy for undertaking hedge transactions. At inception of a hedge and on an ongoing basis, the hedge relationship is formally assessed to determine whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values of hedged items attributable to the hedged risk on both a retrospective and prospective basis. The CSS(E)L Group discontinues hedge accounting prospectively in circumstances where:

- it is determined that the derivative is no longer effective in offsetting changes in the fair value of a hedged item (including forecasted transactions);
- the derivative expires or is sold, terminated, or exercised;
- the derivative is no longer designated as a hedging instrument because it is unlikely that the forecasted transaction will occur; or
- the CSS(E)L Group otherwise determines that designation of the derivative as a hedging instrument is no longer appropriate.

Cash flow hedge accounting

For hedges of the variability of cash flows from forecasted transactions and floating rate assets or liabilities, the effective portion of the change in the fair value of a designated derivative is recorded in accumulated other comprehensive income (AOCI) as part of shareholders' equity. These amounts are reclassified into the Consolidated Statement of Income when the variable cash flow from the hedged item impacts earnings (e.g. when periodic settlements on a variable rate asset or liability are recorded in the Consolidated Statement of Income or when the hedged item is disposed of). Hedge ineffectiveness is recorded in 'Net gains/(losses) from financial assets/liabilities at fair value through profit or loss'.

When hedge accounting is discontinued on a cash flow hedge, the net gain or loss will remain in AOCI and be reclassified into the Consolidated Statement of Income in the same period or periods during which the formerly hedged transaction is reported in the Consolidated Statement of Income.

When the CSS(E)L Group discontinues hedge accounting because a forecasted transaction is no longer expected to occur, the derivative will continue to be carried on the Consolidated Statement of Financial Position at its fair value, and gains and losses that were previously recorded in equity will be recognized immediately in the Consolidated Statement of Income. When the CSS(E)L Group discontinues hedge accounting but the forecasted transaction is still expected to occur, the derivative will continue to be recorded at its fair value with all subsequent changes in value recorded directly in the Consolidated Statement of Income. Any gains or losses recorded in equity prior to the date hedge accounting is no longer applied will be reclassified to net income when the forecasted transaction takes place.

Net investment hedges

For hedges of a net investment in a foreign operation, the change in the fair value of the hedging derivative is recorded in AOCI to the extent the hedge is effective. The change in fair value representing hedge ineffectiveness is recorded in 'Net gains/(losses) from financial assets/liabilities at fair value through profit or loss'. The CSS(E)L Group uses the forward method of determining effectiveness for net investment hedges, which results in the time value portion of a foreign currency forward being reported in AOCI to the extent the hedge is effective.

i) Financial assets and liabilities at fair value through profit or loss

The CSS(E)L Group classifies certain financial assets and liabilities as either held for trading or designated at fair value through profit or loss. Financial assets and liabilities with either classification are carried at fair value. Fair value is defined as the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction other than an involuntary liquidation or distressed sale. Quoted market prices are used when available to measure fair value. In cases where quoted market prices are not available, fair value is estimated using valuation techniques consistent with those used in the financial markets. Where the input parameters cannot be validated using observable market data, reserves are established for unrealised gains or losses evident at the inception of the contracts so that no gain or loss is recorded at inception. Such reserves are amortised to income over the life of the instrument or released into income when observable market data becomes available.

Related realised and unrealised gains and losses are included in 'Net gains/(losses) from financial assets/liabilities at fair value through profit or loss'.

Reclassification of financial assets

IAS 39- Financial Instruments: Recognition and Measurement (IAS 39) permits an entity to reclassify non derivative financial assets, other than those designated at fair value through profit or loss (i.e. trading financial assets) upon initial recognition, out of the fair value through profit or loss category if they are no longer held for the purpose of being sold or repurchased in the near term, as follows:

(i) if the financial asset would have met the definition of loans and receivables, if the financial asset had not been required to be classified as held for trading at initial recognition, then it may be reclassified if the entity has the intention and ability to hold the financial asset for the foreseeable future or until maturity.

(ii) if the financial asset would not have met the definition of loans and receivables, then it may be reclassified out of the trading category only in 'rare circumstances'.

Trading financial assets and financial liabilities at fair value through profit or loss

Trading financial assets and financial liabilities include mainly debt and equity securities, derivative instruments and loans. These assets and liabilities are included as part of the trading portfolio based on management's intention to sell the assets or repurchase the liabilities in the near term, and are carried at fair value.

Financial instruments designated as held at fair value through profit or loss

Financial assets and liabilities are only designated as held at fair value through profit or loss if the instruments contain a substantive embedded derivative, or when doing so results in more relevant information, because either:

(i) it eliminates or significantly reduces an inconsistency in measurement or recognition (sometimes referred to as an 'accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. This election is used for instruments that would otherwise be accounted for under an accrual method of accounting where their economic risks are hedged with derivative instruments that require fair value accounting. This election eliminates or significantly reduces the measurement mismatch between accrual accounting and fair value accounting;

(ii) a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the CSS(E)L Group is provided internally on that basis to the entity's key management personnel. This election is used for instruments purchased or issued by business units that manage their performance on a fair value basis. For all instruments elected under this criterion, the business maintains a documented strategy that states that these instruments are risk managed on a fair value basis. Additionally, management relies upon the fair value of these instruments in evaluating the performance of the business.

The fair value option has been applied to certain debt instruments, equity securities and loans and the related assets and liabilities are presented as 'Financial assets designated at fair value through profit or loss' or 'Financial liabilities designated at fair value through profit or loss'. Movements in 'Fnancial assets designated at fair value through profit or loss' or 'Financial liabilities designated at fair value through profit or loss' are recognised in 'Net gains/(losses) from financial assets/liabilities at fair value through profit or loss'. Once designated this election is irrevocable. All fair value changes related to these financial instruments held at fair value through profit or loss are recognised in 'Net gains/(losses) from financial assets/liabilities at fair value through profit or loss'.

Financial assets available-for-sale

Financial assets that are not classified at fair value through profit or loss, as loans and receivables or as held-to-maturity investments are classified as available-for-sale. Certain marketable equity securities are classified as available-for-sale.

Equity securities available-for-sale

Equity securities classified as available-for-sale are initially recognized at fair value plus transaction costs that are directly attributable to the acquisition of the securities. Securities available-for-sale are carried at fair value with the changes in fair value reported in AOCI until such investments are sold or impaired. For equity securities available-for-sale, the gain or loss is recognized in AOCI including any related foreign exchange component. Gains and losses recorded in AOCI are transferred to the Consolidated Statement of Income on disposal of assets available-for-sale and presented as other revenues. Generally, the weighted average cost method is used to determine the gain or loss on disposals.

Interest and dividend income on available-for-sale financial assets is presented in net interest income.

The CSS(E)L Group assesses at each Consolidated Statement of Financial position date whether there is objective evidence that an asset or group of assets available-for-sale is impaired. In the case of equity securities available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below cost. Where there is evidence of impairment, the cumulative unrealized loss previously recognized in AOCI within equity is transferred to the Consolidated Statement of Income for the period and reported in other revenues. This amount is determined as the difference between the acquisition cost (net of any principal repayments and amortization) and current fair value of the asset less any impairment loss on that investment previously recognized in the Consolidated Statement of Income. Impairment losses on equity securities available-for-sale are not reversed; increases in their fair value after impairment are recognized in AOCI.

j) Recognition and derecognition

Recognition

The CSS(E)L Group recognises financial instruments on its Consolidated Statement of Financial Position when the CSS(E)L Group becomes a party to the contractual provisions of the instrument.

Regular-way securities transactions

A regular-way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned. The CSS(E)L Group recognises regular-way purchases or sales of financial assets at the settlement date.

Derecognition

The CSS(E)L Group enters into transactions where it transfers assets recognised on its Consolidated Statement of Financial Position, but retains either all risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, the transferred assets are not derecognised from the Consolidated Statement of Financial Position. Transactions where substantially all risk and rewards are retained include securities purchased or sold under resale agreements, securities borrowing and lending transactions, and sales of financial assets with concurrent total rate of return swaps on the transferred assets.

In transactions where the CSS(E)L Group neither retains nor transfers substantially all risks and rewards of ownership of a financial asset, it derecognises the asset if control over the asset is lost. The rights and obligations retained in the transfer are recognised separately as assets and liabilities as appropriate. In transfers where control over the asset is retained, the CSS(E)L Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

The CSS(E)L Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. Where the CSS(E)L Group has a financial liability and a financial instrument is exchanged for a new financial instrument with the same counterparty, which is substantially different, or when an existing financial instrument classified as a financial liability is substantially modified, the old financial instrument is deemed to be extinguished and a new financial liability is recognised. Any gain or loss due to derecognition of the extinguished instrument is recorded in the Consolidated Statement of Income. Where a modification and not an extinguishment is deemed to have occurred, the difference is adjusted to the carrying value of the new instrument and reclassified into income using the effective interest method.

Securitisation

The CSS(E)L Group securitises assets, which generally results in the sale of these assets to special purpose entities, which in turn issue securities to investors. The transferred assets may qualify for derecognition in full or in part, under the above mentioned policy on derecognition of financial assets.

Interests in securitised financial assets may be retained in the form of senior or subordinated tranches, interest only strips or other residual interests (collectively referred to as “retained interests”). Provided the CSS(E)L Group’s retained interests do not result in consolidation of the special purpose entity, nor in continued recognition of the transferred assets, these retained tranches are typically recorded in trading financial assets at fair value through Statement of Income. Gains or losses on securitisation are recognised in Statement of Income. The line item in the Consolidated Statement of Income, in which the gain or loss is presented, will depend on the nature of the asset securitised.

k) Netting

The CSS(E)L Group only offsets financial assets and liabilities and presents the net amount on the Statement of Financial Position where it:

- currently has a legally enforceable right to set off the recognised amounts; and
- intends either to settle on a net basis, or to realise the asset and liability simultaneously.

In many instances the CSS(E)L Group's net position on multiple transactions with the same counterparty is legally protected by Master Netting Agreements. Such agreements ensure that the net position is settled in the event of default of either counterparty and effectively limits credit risk on gross exposures. However, if the transactions themselves are not intended to be settled net, nor will they settle simultaneously, it is not permissible under IAS 32 Financial Instruments: Presentation (IAS 32) to offset transactions falling under Master Netting Agreements.

l) Dividends

Dividends on ordinary shares are recognised as a liability and deducted from equity when declared.

m) Income tax

Income tax recognisd in Statement of Income for the year comprises current and deferred taxes. Income tax is recognised in the Consolidated Statement of Income except to the extent that it relates to items recognised directly in equity, in which case the income tax is recognised in equity. For items initially recognised in equity and subsequently recognised in the Consolidated Statement of Income, the related income tax initially recognised in equity is also subsequently recognised in the Consolidated Statement of Income.

Current tax is the expected tax payable on the taxable income for the year and includes any adjustment to tax payable in respect of previous years. Current tax is calculated using tax rates enacted or substantively enacted at the reporting date.

For UK corporation tax purposes the company may surrender or claim certain losses from another UK group company. The surrendering company will be compensated in full for the value of the tax losses surrendered by the claimant company.

Deferred tax is provided using the Statement of Financial Position liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax-base. The amount of deferred tax provided is based on the amount at which it is expected to recover or settle the carrying amount of assets and liabilities on the Consolidated Statement of Financial Position, using tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the Consolidated Statement of Financial Position date.

Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Tax assets and liabilities of the same type (current or deferred) are offset when they arise from the same tax reporting group, they relate to the same tax authority, the legal right to offset exists, and they are intended to be settled net or realised simultaneously.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend arises. Information as to the calculation of income tax recognised in Statement of Income for the periods presented is included in Note 10 Income Tax.

Certain reclassifications have been made to the prior year Consolidated Financial Statements of the CSS(E)L Group to conform to the current year's presentation. These reclassifications had no impact on net income/(loss) or total shareholders' equity.

n) Goodwill

Goodwill arises on the acquisition of subsidiaries and equity method investments. It is measured as the excess of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previously held equity interest in the acquired subsidiary, over the net of the acquisition-date fair values of the identifiable assets acquired and the liabilities assumed. Acquisition related costs are expensed as incurred.

For the purpose of calculating goodwill, fair values of assets acquired and liabilities assumed are calculated using quoted market prices, if available, or by applying appropriate valuation techniques.

Goodwill on the acquisition of subsidiaries is capitalized and reviewed annually for impairment, or more frequently if there are indications that impairment may have occurred. Goodwill is allocated to cash-generating units for purpose of impairment testing considering the level at which goodwill is monitored for internal management purposes. An impairment loss is recognized if the carrying amount of a cash-generating unit exceeds its recoverable amount. The recoverable amount of a cash-generating unit is the greater of its value in use and its fair value less cost to sell.

Goodwill on the acquisition of equity method investments is included in the amount of the investments and is reviewed annually for impairment, or more frequently if there is an indication that impairment may have occurred.

If goodwill has been allocated to a cash-generating unit and an operation within that unit is disposed of, the attributable goodwill is included within the carrying amount of the operation when determining the gain or loss on disposal.

o) Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the CSS(E)L Group and the cost of the item can be reliably measured. All other repairs and maintenance are charged to the Consolidated Statement of Income during the financial period in which they are incurred. Depreciation on assets is calculated using the straight-line method to allocate their cost to their residual values over their maximum useful lives, as follows:

Long leasehold buildings	50 years
Leasehold improvements	10 years
Computer equipment	2-7 years
Office equipment	5 years

Property and equipment are tested for impairment at least annually and an impairment charge is recorded in profit and loss to the extent the recoverable amount, which is the higher of fair value less costs to sell and value in use, is less than its carrying amount. Value in use is the present value of the future cash flows expected to be derived from the asset. After the recognition of impairment, the depreciation charge is adjusted in future periods to reflect the asset's revised carrying amount. The carrying amount of an asset for which an impairment loss has been recognized in prior years shall be increased to its recoverable amount only in a change of estimate in the asset's recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the Consolidated Statement of Income.

p) Retirement benefit costs

The CSS(E)L Group has both defined contribution and defined benefit pension plans. The defined benefit plans are CSG schemes, in which the Company is the sponsoring entity. Obligations for contributions to defined contribution pension plans are recognised as an expense in the Consolidated Statement of Income as incurred.

The CSS(E)L Group's expense relating to the defined benefit pension plans is accrued over the employees' service periods based upon the actuarially determined cost for the period. Actuarial gains and losses are recognised as income or expense when the net cumulative unrecognised actuarial gains and losses for each individual plan at the end of the previous reporting year exceed 10% of the higher of the defined benefit obligation and the fair value of plan assets at that date. These gains or losses are recognised over the expected average remaining working lives of the employees participating in the plans. The Company has no contractual agreement or stated policy for charging the net defined benefit cost to participating entities.

q) Long term debt

Debt issued by the CSS(E)L Group is initially measured at fair value, which is the fair value of the consideration received, net of transaction costs incurred. Subsequent measurement is at amortised cost, using the effective interest method to amortise cost at inception to the redemption value over the life of the debt.

Debt with embedded derivatives

The CSS(E)L group issues long term debt containing embedded derivatives, most of which have been designated as financial liabilities at fair value through profit or loss. For more information on the criteria that must be met to designate a financial instrument at fair value please refer to the previous section of this disclosure with the same name. Both the host instrument and embedded derivative in these long term debt are remeasured at each reporting period with changes in fair value being reported in 'Net gains/(losses) from financial assets/liabilities at fair value through profit or loss' in the Statement of Income.

r) Contingent liabilities

Contingent liabilities are possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity or are present obligations where it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability. A contingent liability is not recognised as a liability but is disclosed, unless the possibility is remote. A contingent liability, acquired under a business combination, is recognised at fair value.

s) Provisions

Provisions are recognised for present obligations as a result of past events which can be reliably measured, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation as of the Consolidated Statement of Financial Position date, taking into account the risks and uncertainties surrounding the obligation. The expense recognised when provisions are established is recorded in 'general and administrative expenses' on the Consolidated Statement of Income. Provisions for loan losses are recorded in 'Provision for credit losses' in the Consolidated Statement of Income.

t) Share-based payments

The CSS(E)L Group accounts for share based transactions with its employees as cash-settled share based payment transactions, as the CSS(E)L Group has the legal obligation to settle the arrangement by delivering an asset that is not an equity instrument of the CSS(E)L Group. This entails the recognition of a liability, incurred and related to share-based payments, over the service period and in proportion to the service delivered at fair value. If the employee is eligible for normal or early retirement, the award is expensed over that shorter required service period and if an award consist of individual tranches that vest in installments (i.e. graded vesting), each tranche of the award is expensed separately over its individual service period. The fair value of the liability is remeasured until the liability is settled and the changes in fair value are recognised in the income statement.

u) Other compensation plans

The CS group sponsors other deferred compensation plans which can be in the form of fixed or variable deferred cash compensation. The expense for these awards is recognised over the service period, which is the period the employee is obligated to work in order to become entitled to the cash compensation. Fixed deferred cash compensation is generally awarded in the form of sign-on bonuses and employee forgivable loans. Variable deferred cash compensations are awards where the final cash payout is determined by the performance of certain assets, a division or the CS group as a whole. The awards are expensed over the required service period and accruals are adjusted for changes to the expected final payout.

v) Interest income and expense

Interest income and expense includes interest income and expense on the CSS(E)L Group's financial instruments owned and financial instruments sold not yet purchased, short-term and long-term borrowings, reverse repurchase and repurchase agreements and securities borrowed and securities lending transactions. Interest income and expense does not include interest flows on the CSS(E)L Group's trading derivatives (except for hedging relationships), trading instruments and financial instruments classified as at fair value through profit or loss. Interest income and expense is accrued, and any related net deferred premiums, discounts, origination fees or costs are amortised as an adjustment to the yield over the life of the related asset or liability.

w) Commissions and fees

In accordance with IAS 18 Revenue Recognition, when the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

(a) The amount of revenue can be measured reliably;
(b) It is probable that the economic benefits associated with the transaction will flow to the entity;
(c) The stage of completion of the transaction at the reporting date can be measured reliably; and
(d) The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Fee revenue is recognised from a diverse range of services provided to its customers. Fee income is accounted for as follows:

- income earned on the execution of a significant act (for example, fees arising from negotiating, or participating in the negotiation of, a transaction for a third party, such as fees from mergers and acquisitions and other corporate finance advisory services) is recognised as revenue when the act is completed;
- income earned from the provision of services (for example, portfolio management, customer trading and custody services) is recognised as revenue as the services are provided and
- income which forms an integral part of the effective interest rate of a financial instrument is recognised as an adjustment to the effective interest rate and recorded in 'Interest income'.
- Performance linked fees or fee components are recognised when the recognition criteria are fulfilled.

Incremental costs that are directly attributable to securing investment management contracts are recognised as an asset if they can be identified separately and measured reliably and if it is probable that they will be recovered. These assets are amortised as the CSS(E)L Group recognises the related revenue.

x) Operating leases

The leases entered into by the CSS(E)L Group are exclusively operating leases. The total payments made under operating leases are charged to the Consolidated Statement of Income on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any early termination payment required to be made to the lessor is recognised as an expense in the period in which termination takes place.

If the CSS(E)L Group is the lessor in an operating lease it continues to present the asset subject to the lease in its Financial Statements and recognises interest income on a straight line basis over the period of the lease.

y) Subleases

The subleases entered into by the CSS(E)L Group are exclusively operating leases. Sublease payments received are recognised through the Consolidated Statement of Income.

z) Other loans and receivables

Other loans and receivables are recognised when cash is advanced to borrowers. They are initially recorded at fair value, plus any directly attributable transaction costs and subsequently are amortised on an effective interest method, less impairment losses.

When calculating the effective interest, the CSS(E)L Group estimates cash flows considering all contractual terms of the financial instruments including premiums, discounts, fees and transactions costs but not future credit losses.

Impairment on other loans and receivables

The CSS(E)L Group assesses at each Consolidated Statement of Financial Position date whether there is objective evidence that a significant loan position or a portfolio of loans is impaired. A significant individual loan position or portfolio of loans is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition of the asset and prior to the Consolidated Statement of Financial Position date ("a loss event") and that loss event or events has had an impact on the estimated future cash flows of the financial asset or the portfolio that can be reliably estimated. All individually significant loans are assessed for specific impairment. Individually significant loans found not to be impaired are then collectively assessed for impairment that has been incurred, but not yet been identified. Loans that are not individually significant are assessed collectively for impairment. Loans subject to collective impairment testing are grouped to loan portfolios on the basis of similar risk, industry or country rating. Objective evidence that an individual loan is impaired can include significant financial difficulty of the borrower, default or delinquency by the borrower and indications that a borrower will enter bankruptcy. Objective evidence that a loan portfolio is impaired can include changes of the payment status of borrowers in the group or economic conditions that correlate with defaults in the group.

Many factors can affect the CSS(E)L Group's estimate of the impairment losses on loans, including volatility of default probabilities, rating migrations and loss severity. The estimate of the component of the allowance for specifically identified credit losses on impaired loans is based on a regular and detailed analysis of each loan in the portfolio considering collateral and counterparty risk. For certain non-collateral dependent impaired loans, impairment charges are measured using the present value of estimated future cash flows discounted at the asset's original effective interest rate.

The estimation of impairment for a loan portfolio involves applying historical loss experience, adjusted to reflect current market conditions, to homogeneous loans based on risk rating and product type. The amount of the loss is recognised in the Consolidated Statement of Income in 'Provision for credit losses'. The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. An allowance for impairment is reversed only if the amount of the impairment loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognised.

Write-off of loans

When it is considered certain that there is no realistic prospect of recovery and all collateral has been realised or transferred to the CSS(E)L Group, the loan and any associated allowance is written off. Any repossessed collateral is initially measured at fair value. The subsequent measurement will depend on the nature of the collateral.

Loan commitments

Certain loan commitments are classified as financial assets/liabilities at fair value through profit or loss in accordance with the policy discussed above. All other loan commitments remain off-balance sheet. If such commitments are considered onerous, a provision is raised in accordance with IAS 37, "Provisions, Contingent Liabilities and Contingent Assets" (IAS 37) based upon management's best estimate of the expenditure required to settle the obligation.

aa) Equity method investments

An equity method investment is an entity in which the CSS(E)L Group has significant influence, but not control, over the operating and financial management policy decisions. This is generally demonstrated by the CSS(E)L Group holding in excess of 20%, but no more than 50%, of the voting rights. In assessing significant influence, potential voting rights that are presently exercisable are taken into account. Other factors that are considered in determining whether the CSS(E)L Group has significant influence over another entity include representation on the board of directors, the interchange of managerial personnel and material intercompany transactions between the CSS(E)L Group and the entity. Consideration of those factors might indicate that the CSS(E)L Group has significant influence over another entity even though the CSS(E)L Group's investment is for less than 20% of the voting rights.

Equity method investments are initially recorded at cost and increased (or decreased) each year by the CSS(E)L Group's share of the post-acquisition net income (or loss), or other movements reflected directly in the equity of the equity method investment. Goodwill arising on the acquisition of an equity method investment is included in the carrying amount of the investment. When the CSS(E)L Group's share of losses in an equity method investment equals or exceeds the recorded share of profits, including any other unsecured long - term receivables, the CSS(E)L Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the entity.

bb) Intangible assets

Intangible assets consist primarily of internally developed software. Expenditure on internally developed software is recognised as an asset when the CSS(E)L Group is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and can reliably measure the costs to complete the development. The capitalised costs of internally developed software include all costs directly attributable to developing the software.

Intangible assets are stated at cost less accumulated depreciation and impairment losses, and are depreciated over an estimated useful life of three years using the straight-line method upon completion or utilisation. The amortisation of the intangible assets is included in the 'General and administrative expenses' in the Consolidated Statement of Income.

The carrying amounts of the CSS(E)L Group's intangible assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in Consolidated Statement of Income.

cc) Deposits

Deposits are overdrawn bank accounts. The amount booked to the Consolidated Statement of Financial position represents the nominal values of the deposits less any unearned discounts or nominal value plus any unamortized premiums. Subsequent measurement is at amortized cost.

3. Critical Accounting Estimates and Judgements in Applying Accounting Policies

In order to prepare the Consolidated Financial Statements in accordance with IFRS, management is required to make certain accounting estimates to ascertain the value of assets and liabilities. These estimates are based upon judgement and the information available at the time, and actual results may differ materially from these estimates. Management believes that the estimates and assumptions used in the preparation of the Consolidated Financial Statements are prudent, reasonable and consistently applied.

For further information on significant accounting policies, refer to Note 2, specifically the following:

h) Derivative financial instruments and hedging
i) Financial assets and liabilities at fair value through profit or loss
j) Recognition and derecognition
m) Income tax
p) Retirement benefit costs
r) Contingent liabilities
s) Provisions
t) Share-based payments
z) Other loans and receivables

Management believes that the critical accounting estimates discussed below involve the most significant judgements and assessments. Use of available information and application of judgement are inherent in the formation of estimates. Actual results in the future could differ from such estimates and the differences, may be material to the Consolidated Financial Statements.

Fair Value

Trading financial assets and liabilities, derivative instruments, financial assets and liabilities designated at fair value and financial assets available-for-sale are recorded at fair value in the Consolidated Statement of Financial Position. Related changes in the fair value are recognised in the Consolidated Statement of Income with the exception for financial assets available-for-sale, for which changes in fair value are recorded directly in equity until realised or the assets are considered impaired.

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

In addition, the CSS(E)L Group holds financial instruments for which no prices are available and which have little or no observable inputs (level 3). For these instruments, the determination of fair value requires subjective assessment and varying degrees of judgement depending on liquidity, pricing assumptions and the risks affecting the specific instrument. In such circumstances, valuation is determined based on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). These instruments include certain high yield debt securities, distressed debt securities, certain OTC derivatives, certain collateralised debt obligations (CDO), certain asset-backed securities (ABS) and mortgage-backed securities (MBS), non-traded equity securities, cash and synthetic life finance instruments and other long-term investments.

The fair value of financial assets and liabilities is impacted by factors such as benchmark interest rates, prices of financial instruments issued by third parties, commodity prices, foreign exchange rates and index prices or rates. In addition, valuation adjustments are an integral part of the valuation process when market prices are not indicative of the credit quality of a counterparty, and are applied to both OTC derivatives and debt instruments.

The impact of changes in a counterparty's credit spreads (known as credit valuation adjustments or CVA) is considered when measuring the fair value of assets and the impact of changes in the CSS(E)L Group's own credit spreads (known as debit valuation adjustments or DVA) is considered when measuring the fair value of its liabilities.

For OTC derivatives, the impact of changes in both the CSS(E)L Group's and the counterparty's credit standing is considered when measuring their fair value, based on current CDS prices. The adjustments also take into account contractual factors designed to reduce the CSS(E)L Group's credit exposure to a counterparty, such as collateral held and master netting agreements.

For hybrid debt instruments with embedded derivative features, the impact of changes in the CSS(E)L Group's credit standing is considered when measuring their fair value, based on current funded debt spreads. The Company's Level 3 assets were USD 4.4 billion (2010: USD 3.7 billion), which was equivalent to 1.59% (2010: 1.33%) of total assets and 2.49% of total assets measured at fair value (2010: 1.93%).

CSS(E)L group primarily uses LIBOR curves as part of its valuation of derivative instruments by discounting future expected cash flows.

For further information on the fair value hierarchy and a description of our valuation techniques, refer to Note 35 Financial instruments.

The CSS(E)L Group does not recognise a dealer profit or unrealised gains or losses at the inception of a derivative or non derivative transaction unless the valuation underlying the unrealised gains or losses is evidenced by quoted market prices in an active market, observable prices of other current market transactions, or other observable data supporting a valuation technique in accordance with IAS 39 AG 76.

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

Special Purpose Entities

As part of normal business, the Company engages in various transactions that include entities which are considered Special Purpose Entities (SPEs). An SPE is an entity which is created to accomplish a narrow and well defined objective, often created with legal arrangements that impose strict and sometimes permanent limits on the decision making powers of their governing board, trustee or management. Such entities are required to be assessed for consolidation under IAS27 'Consolidated and separate financial instruments' and its interpretation, SIC-12 "Consolidated Special Purpose Entities".

Transactions with SPEs are generally executed to facilitate securitisation activities or to meet specific client needs, such as providing liquidity or investment opportunities, and, as part of these activities, the Company may hold interests in the SPEs. Securitisation-related transactions with SPEs involve selling or purchasing assets and entering into related derivatives with those SPEs, providing liquidity, credit or other support. Other transactions with SPEs include derivative transactions in the Company's capacity as the prime broker for entities qualifying as SPEs. The Company also enters into lending arrangements with SPEs for the purpose of financing client projects or the acquisition of assets. Further, the Company is involved with SPEs which were formed for the purpose of offering alternative investment solutions to clients. Such SPEs relate primarily to fund-linked vehicles or fund of funds, where the Company acts as structurer, manager, distributor, broker, market maker or liquidity provider.

A SPE is consolidated by the Company when the substance of the relationship between the Company and the SPE indicates that the SPE is controlled by the Company. In assessing control, all relevant factors are considered, including qualitative and quantitative factors for example:

Qualitative factors:

(a) In substance, the activities of the SPE are being conducted on behalf of the Company according to its specific business needs so that the Company obtains benefits from the SPEs operation;

(b) In substance, the Company has the decision-making powers to obtain the majority of the benefits of the activities of the SPE or, by setting up an 'autopilot' mechanism; the Company has delegated these decision-making powers;

Quantitative factors:

(c) In substance, the Company has rights to obtain the majority of the benefits of the SPE and therefore may be exposed to risks incident to the activities of the SPE; or

(d) In substance, the Company retains the majority of the residual or ownership risks related to the SPE or its assets in order to obtain benefits from its activities.

Quantitative factors are also known as the majority of the risks and rewards of ownership.

In the majority of cases, these SPEs are accounted for off-balance sheet under IFRSs where the Company does not have the majority of the risks and rewards of ownership of the SPE.

SPEs may be sponsored by CSS(E)L, unrelated third parties or clients. Significant management judgement may be required both initially to apply the consolidation accounting requirements and thereafter, if certain events occur that require CSS(E)L to reassess whether consolidation is required.

Contingencies and loss provisions

Litigation contingencies

According to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets', a provision shall be recognised when;

(a) an entity has a present obligation (legal or constructive) as a result of a past event; (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation.

A contingency is an existing condition that involves a degree of uncertainty that will ultimately be resolved upon the occurrence of future events. From time to time, the CSS(E)L Group is involved in a variety of legal, regulatory and arbitration matters in connection with the conduct of its businesses.

It is inherently difficult to predict the outcome of many of these matters, particularly those cases in which the matters are brought on behalf of various classes of claimants, which seek damages of unspecified or indeterminate amounts or which involve questionable legal claims. In presenting the Consolidated Financial Statements, management makes estimates regarding the outcome of legal, regulatory and arbitration matters and takes a charge to income when losses with respect to such matters are probable and can be reasonably estimated. Charges, other than those taken periodically for costs of defence, are not established for matters when losses cannot be reasonably estimated. Estimates, by their nature, are based on judgement and currently available information and involve a variety of factors, including but not limited to the type and nature of the litigation, claim or proceeding, the progress of the matter, the advice of legal counsel and other advisers, the CSS(E)L Group's defences and its experience in similar cases or proceedings.

Allowances and Impairment Losses on other loans and receivables

As a normal part of its business, the CSS(E)L Group is exposed to credit risks through its lending relationships and letters of credit and as a result of counterparty risk on derivatives, foreign exchange and other transactions. Credit risk is the risk that a borrower or counterparty is unable to meet its financial obligations. In the event of a default, the CSS(E)L Group generally incurs a loss equal to the amount owed by the counterparty, less a recovery amount resulting from foreclosure, liquidation of collateral or restructuring of the counterparty's obligation. The CSS(E)L Group maintains allowances for loan losses which are considered adequate to absorb credit losses existing at the reporting date. These allowances are for incurred credit losses inherent in existing exposures and credit exposures specifically identified as impaired. The inherent loss allowance is for all credit exposures not specifically identified as impaired which, on a portfolio basis, are considered to contain incurred inherent losses. Loans are segregated by risk, industry or country rating in order to collectively estimate inherent losses. The loan valuation allowance for inherent loss is established by analysing historical and current default probabilities, historical recovery assumptions and internal risk ratings. The methodology for calculating specific allowances involves judgements at many levels, such as early identification of deteriorating credits. Extensive judgement is required in order to properly evaluate the various indicators of financial condition of a counterparty and likelihood of repayment.

The CSS(E)L Group performs an in-depth review and analysis of impaired loans, considering factors such as recovery and exit options as well as considering collateral and counterparty risk. In general, all impaired loans are individually assessed. Corporate & institutional loans are reviewed at least annually based on the borrower's Financial Statements and any indications of difficulties they may experience. Loans that are not impaired, but which are of special concern due to changes in covenants, downgrades, negative financial news and other adverse developments, are included on a watch list. All loans on the watch list are reviewed at least quarterly to determine whether they should be moved to CSS(E)L Group recovery management at which point they are reviewed quarterly for impairment. If an individual loan specifically identified for evaluation is considered impaired, the allowance is determined as a reasonable estimate of credit losses existing as of the end of the reporting period. Thereafter, the allowance is revalued by CSS(E)L Group credit risk management at least annually or more frequently depending on the risk profile of the borrower or credit relevant events.

Retirement Benefit Costs

The following relates to the assumptions the Company, as sponsor of the defined benefit plans, has made in arriving at the valuations of the various components of the defined benefit plans.

The calculation of the expense and liability associated with the defined benefit pension plans requires the extensive use of assumptions, which include the discount rate, expected return on plan assets and rate of future compensation increases as determined by the Company. Management determines these assumptions based upon currently available market and industry data and the historical performance of the plans and their assets.

Management also consults with an independent actuarial firm to assist in selecting appropriate assumptions and valuing its related liabilities. The actuarial assumptions used by the Company may differ materially from actual results due to changing market and economic conditions, higher or lower withdrawal rates or longer or shorter life spans of the participants. Any such differences could have a significant impact on the amount of pension expense recorded in future years.

The Company is required to estimate the expected return on plan assets, which is then used to compute the pension cost recorded in the Consolidated Statement of Income. Estimating future returns on plan assets is particularly subjective since the estimate requires an assessment of possible future market returns based on the plan asset mix and observed historical returns. These estimates are determined together with the plan's investment and actuarial advisors.

The discount rate used in determining the benefit obligation is based on high-quality corporate bonds. In estimating the discount rate the Company takes into consideration the relationship between the corporate bonds and the timing and amount of the future cash outflows of its benefit payments.

Taxes

Tax contingencies

Significant judgement is required in determining the effective tax rate and in evaluating certain tax positions. The CSS(E)L Group may accrue for tax contingencies despite the belief that positions taken in tax returns are always fully supportable. Tax contingency accruals are adjusted due to changing facts and circumstances, such as case law, progress of tax authority audits or when an event occurs that requires a change to the tax contingency accruals. Management regularly assesses the appropriateness of provisions for income taxes. Management believes that it has appropriately accrued for any contingent tax liabilities.

Deferred tax valuation

Deferred tax assets (DTA) and deferred tax liabilities (DTL) are recognised for the estimated future tax effects of operating loss carry-forwards and temporary differences between the carrying amounts of existing assets and liabilities and their respective tax bases at the Consolidated Statement of Financial Position date. The realisation of deferred tax assets on temporary differences is dependent upon the generation of taxable income in future accounting periods after those temporary differences become deductible. The realisation of deferred tax assets on net operating losses is dependent upon the generation of future taxable income. Management regularly evaluates whether deferred tax assets can be realised. Only if management considers it probable that a deferred tax asset will be realised is a corresponding deferred tax asset established without impairment.

In evaluating whether deferred tax assets can be realised, management considers both positive and negative evidence, including projected future taxable income, the scheduled reversal of deferred tax liabilities and tax planning strategies. This evaluation requires significant management judgement, primarily with respect to projected taxable income, also taking into account the history of recent losses of the Company (primarily arising from the financial crisis that started in late 2008).

The future taxable income can never be predicted with certainty, but management also evaluated the factors contributing to the losses and considered whether or not they are temporary or indicate an expected permanent decline in earnings.

The evaluation is derived from budgets and strategic business plans but is dependent on numerous factors, some of which are beyond management's control, such as the fiscal and regulatory environment and external economic growth conditions. Substantial variance of actual results from estimated future taxable profits, or changes in our estimate of future taxable profits and potential restructurings, could lead to changes in the amount of deferred tax assets that are realisable, or considered realisable, and would require a corresponding adjustment to the level of recognised DTA.

Share-based payments

The CSS(E)L Group uses the liability method to account for its share-based payment plans, which requires the CSS(E)L Group's obligation under these plans to be recorded at its current estimated fair value. Share awards and share unit awards that contain market conditions are marked-to-market based on the latest share price information reflecting the terms of the award. Share unit awards that contain earnings performance conditions are marked-to-market based on the CSS(E)L Group's actual earnings performance to date and the CSS(E)L Group's internal earnings projections over the remaining vesting period of the award. In determining the final liability, the CSS(E)L Group also estimates the number of forfeitures over the life of the plan based on management's expectations for future periods, which also considers past experience.

Transfer Pricing

Transfer pricing charges are determined based on arm's length pricing principles. These net charges are adjusted as required due to evolving facts and changes in tax laws, progress of tax authority audits as well tax authority negotiated arrangements for current and prior periods. Management continuously assess these factors and make adjustments as required.

4. Net Interest (Expense)/Income

CSS(E)L Group and Company	2011	2010
Net interest (expense)/income (USD million)		
Securities purchased under resale agreements and securities borrowing transactions	662	438
Trading financial assets at fair value through profit or loss	843	487
Other loans and receivables	106	107
Other	173	124
Interest income	**1,784**	**1,156**
Deposits	(9)	(7)
Securities sold under repurchase agreements and securities lending transactions	(780)	(571)
Trading financial liabilities at fair value through profit or loss	(493)	(276)
Short term borrowings	(649)	(349)
Long term debt	(747)	(435)
Other	(12)	(12)
Interest expense	**(2,690)**	**(1,650)**
Net interest expense	**(906)**	**(494)**

5. Commissions and Fee Income

CSS(E)L Group	2011	2010
Commission and fee income (USD million)		
Underwriting	462	458
Brokerage	758	1,020
Underwriting and brokerage	**1,220**	**1,478**
Other customer services	281	271
Total commission and fee income	**1,501**	**1,749**
Total commission and fee expense	**(136)**	**(124)**

Company	2011	2010
Commission and fee income (USD million)		
Underwriting	462	458
Brokerage	758	1,020
Underwriting and brokerage	**1,220**	**1,478**
Other customer services	285	276
Total commission and fee income	**1,505**	**1,754**
Total commission and fee expense	**(136)**	**(124)**

Fee expense represents fees paid to affiliates and exchanges on exchange traded products under agency agreements.

6. Net Gains from Financial Assets/Liabilities at Fair Value through Profit or Loss

CSS(E)L Group	2011	2010
Net gains/(losses) from financial assets/liabilities at fair value through profit or loss (USD million)		
Fixed income/Interest rate	(707)	267
Foreign exchange	(276)	(12)
Equity	1,719	1,619
Net dividend income on trading financial assets and trading financial liabilities	352	(297)
Other	729	373
Total net gains from financial assets/liabilities at fair value through profit or loss	**1,817**	**1,950**

Of which net gains/(losses) from financial assets/liabilities designated at fair value through profit or loss.

CSS(E)L Group	2011	2010
Net gains/(losses) from financial assets/liabilities at fair value through profit or loss (USD million)		
Securities purchased under resale agreements and securities borrowing transactions	30	-
Other financial assets designated at fair value through profit or loss	132	61
of which related to credit risk	(17)	(7)
Securities sold under repurchase agreements and securities lending transactions	14	(11)
Long-term debt	(11)	(8)
Other financial liabilities designated at fair value through profit or loss	(3)	2
Total net gains from financial assets/liabilities at fair value through profit or loss	**162**	**44**

Company	2011	2010
Net gains/(losses) from financial assets/liabilities at fair value through profit or loss (USD million)		
Fixed income/Interest rate	(711)	262
Foreign exchange	(276)	(12)
Equity	1,719	1,619
Net dividend income on trading financial assets and trading financial liabilities	352	(297)
Other	729	373
Total net gains from financial assets/liabilities at fair value through profit or loss	**1,813**	**1,945**

Of which net gains/(losses) from financial assets/liabilities designated at fair value through profit or loss.

Company	2011	2010
Net gains/(losses) from financial assets/liabilities designated at fair value through profit or loss (USD million)		
Securities purchased under resale agreements and securities borrowing transactions	30	-
Securities sold under repurchase agreements and securities lending transactions	14	(11)
Long-term debt	(11)	(8)
Other financial liabilities designated at fair value through profit or loss	-	2
Total net gains / (losses) from financial assets/liabilities at fair value through profit or loss	**33**	**(17)**

7. Revenue Sharing Agreements

The CSS(E)L Group and Company recognised a net expense of USD 325 million (2010: USD 599 million) principally relating to amounts charged to the CSS(E)L Group from other companies in the CS group under transfer pricing policies.

8. Compensation and Benefits

CSS(E)L Group and Company	2011	2010
Compensation and Benefits (USD million)		
Salaries and variable compensation	1,490	1,436
Social security	201	364
Pensions	68	51
Other	45	43
Compensation and benefits	**1,804**	**1,894**

Included in the above table are amounts relating to Directors' remuneration. Further details are disclosed in Note 30 Related Parties.

Included in Salaries and variable compensation is USD 115 million relating to severance cost.

9. General and Administrative Expenses

CSS(E)L Group and Company	2011	2010
General and administrative expenses (USD million)		
Occupancy expenses	147	141
IT and machinery	204	163
Depreciation expense	8	7
Provision	7	-
Brokerage charges and clearing house fees	366	539
Travel and entertainment	66	65
Auditors' remuneration[1]	2	2
Professional services	332	343
Bank levy	41	-
Other	189	142
Expenses receivable from other Credit Suisse group companies	(689)	(443)
General and administrative expenses	**673**	**959**

Note: The CSS(E)L Group incurs expenses on behalf of other CS group companies under common control. These are subsequently recharged to the relevant companies through 'Expenses receivable from other CS group companies'. The recharges comprise of compensation and benefit expenses and general administrative expenses. See Note 30.

Auditors' remuneration

Auditors' remuneration in relation to the statutory audit amounted to USD 1.8 million (2010: USD 1.7 million). The following fees were payable by the group to the auditor, KPMG Audit Plc.

Fees Payable to KPMG (USD '000) (Restated[1])	2011	2010
Fees payable to CSS(E)L Group's auditor for the audit of the CSS(E)L Group's annual accounts	1,429	1,526
Fees payable to CSS(E)L Group's auditor and its associates for other services:		
Audit-related assurance services	101	62
Other assurance services	320	102
Total Fees	**1,850**	**1,690**

[1] Disclosure for 2010 comparatives: 2011 the CSSEL group voluntarily adopted The Companies Act (Disclosure of Auditor Remuneration and Liability Limitation Agreements) (Amendment) Regulations 2011. Comparative information has been restated accordingly.

10. Income Tax

CSS(E)L Group and Company	2011	2010
Current and deferred taxes (USD million)		
Current tax charge on loss for the period	(31)	(16)
Adjustments in respect of previous periods	(5)	2
Total current income tax charge	**(36)**	**(14)**
Deferred tax		
Origination and reversal of temporary differences	(27)	(16)
Current year tax losses	156	60
Adjustments in respect of previous periods	(3)	(68)
Impairment of deferred tax asset	(213)	(309)
Effect of changes in tax rate or the imposition of new taxes	(45)	(30)
Total deferred tax charge	**(132)**	**(363)**
Income tax charge	**(168)**	**(377)**

Further information about deferred income tax is presented in Note 11-Deferred Taxes. The income tax charge for the year can be reconciled to the profit per the Statement of Income as follows:

Reconciliation of taxes computed at the UK statutory rate

CSS(E)L Group and Company	2011	2010
Reconciliation of taxes computed at the UK statutory rate (USD million)		
Loss before tax	(526)	(371)
Loss before tax multiplied by the UK statutory rate of corporation tax @ 26.5% (2010: 28%)	139	104
Other permanent differences	9	(50)
Unrelievable foreign tax	(23)	(13)
Effect of different tax rates of operations in other jurisdictions	(27)	(13)
Adjustments to current tax in respect of previous periods	(5)	2
Adjustments to deferred tax in respect of previous periods	(3)	(68)
Effect on deferred tax resulting from changes to tax rates	(45)	(30)
Impairment of deferred tax asset	(213)	(309)
Income tax charge	**(168)**	**(377)**

The UK corporation tax rate reduced from 28% to 26% with effect from 1 April 2011. Furthermore, the UK corporation tax rate will reduce from 26% to 25% with effect from 1 April 2012.

The Government announced on 21 March 2012 its intention to further reduce the corporation tax rate by 1% to 24% with effect from 1 April 2012. This rate reduction was substantively enacted on 26 March 2012.

11. Deferred Taxes

Deferred taxes are calculated on all temporary differences under the liability method using a tax rate of 25% (2010: 27%).

On 23 March 2011, the Government announced that the corporation tax rate applicable from 1 April 2011 would be 26%. This change was substantively enacted on 29 March 2011. The enacted reduction in the UK corporation tax rate from 28% to 27% with effect from 1 April 2011 had been incorporated in the CSS(E)L Group's deferred tax calculations as at 31 December 2010.

In addition, the Finance Act 2011, which passed into law on 19 July 2011, included a further reduction in the UK corporation tax rate from 26% to 25% with effect from 1 April 2012. The change in the UK corporation tax rate from 27% to 25% has resulted in a reduction of the CSS(E)L Group's net deferred tax asset as at 31 December 2011 of USD 45 million.

On 21 March 2012, the Government further announced that the corporation tax rate applicable from 1 April 2012 would be 24%. This rate reduction was substantively enacted on 26 March 2012. If this rate reduction had been substantively enacted as at 31 December 2011 it would have had the impact of decreasing the deferred tax asset recorded by USD 13 million.

It is proposed that there will be further reductions in the UK corporation tax rate by 1% per annum to 22% by 1 April 2014. These are expected to be substantively enacted separately each year. The effect of these further changes upon the CSS(E)L Group's deferred tax balance cannot be reliably quantified at this stage.

CSS(E)L Group and Company	**2011**	**2010**
Deferred tax (USD million)		
Deferred tax liabilities	(80)	(46)
Deferred tax assets	417	513
Net position	**337**	**467**
Balance at 1 January, net position	**467**	**836**
Debit to income for the year	(84)	(264)
Effect of change in tax rate expensed to Statement of Income	(45)	(30)
Adjustments related to the previous year	(3)	(68)
Exchange differences	2	(7)
Balance at 31 December, net position	**337**	**467**

Deferred tax assets and liabilities are attributable to the following items:

CSS(E)L Group and Company	**2011**	**2010**
Components of net deferred tax assets (USD million)		
Share-based compensation	224	240
Decelerated tax depreciation	25	24
Other short term temporary differences	34	18
Unpaid interest	167	180
Tax losses	109	200
Pensions and other post-retirement benefits	(142)	(149)
Balance at 31 December	**417**	**513**

CSS(E)L Group and Company	**2011**	**2010**
Components of net deferred tax liabilities (USD million)		
Other short term temporary differences	(80)	(46)
Balance at 31 December	**(80)**	**(46)**

Details of the tax effect of temporary differences

The deferred tax credit in the Statement of Income comprises the following temporary differences:

CSS(E)L Group and Company	**2011**	**2010**
Tax effect of temporary differences (USD million)		
Share-based compensation	(20)	(69)
Decelerated tax depreciation	1	(1)
Other short term temporary differences	(25)	(20)
Unpaid interest	(13)	79
Pensions and other post-retirement benefits	10	(53)
Deferred tax impact on losses carried forward	(86)	(299)
Total deferred tax charge in the Statement of Income	**(133)**	**(363)**

Deferred tax assets (DTA) and deferred tax liabilities (DTL) are recognised for the estimated future tax effects of operating loss carry-forwards and temporary differences between the carrying amounts of existing assets and liabilities and their respective tax bases at the balance sheet date. The realisation of deferred tax assets on temporary differences is dependent upon the generation of taxable income in future accounting periods after those temporary differences become deductible. The realisation of deferred tax assets on net operating losses is dependent upon the generation of future taxable income. Management regularly evaluates whether deferred tax assets can be realised. Only if management considers it probable that a deferred tax asset will be realised is a corresponding deferred tax asset established without impairment.

In evaluating whether deferred tax assets can be realised, management considers both positive and negative evidence, including projected future taxable income, the scheduled reversal of deferred tax liabilities and tax planning strategies. This evaluation requires significant management judgement, primarily with respect to projected taxable income, also taking into account the history of recent losses of the Company (primarily arising from the financial crisis that started in late 2008). The future taxable income can never be predicted with certainty, but management also evaluated the factors contributing to the losses and considered whether or not they are temporary or indicate an expected permanent decline in earnings. The evaluation is derived from budgets and strategic business plans but is dependent on numerous factors, some of which are beyond management's control, such as the fiscal and regulatory environment and external economic growth conditions. Substantial variance of actual results from estimated future taxable profits, or changes in estimate of future taxable profits and potential restructurings, could lead to changes in the amount of deferred tax assets that are realisable, or considered realisable, and would require a corresponding adjustment to the level of recognised DTA.

As a consequence of this evaluation, deferred tax assets of USD 498 million (2010: USD 309 million) have not been recognised. If strategies and business plans will significantly deviate in the future from current management assumptions, the current level of deferred tax assets may need to be adjusted, if full recovery of the deferred tax asset balance is no longer probable.

12. Securities Borrowed, Lent and Subject to Resale or Repurchase Agreements

The following table summarises the securities purchased under agreements to resell and securities borrowing transactions, at their respective carrying values:

CSS(E)L Group and Company	2011	2010
Securities purchased and subject to resale agreements (USD millions)		
Securities purchased under resale agreements	2,781	6,751
Deposits paid for securities borrowed	33,421	22,227
Total	**36,202**	**28,978**

The following table summarise the securities lent under agreements to repurchase and securities lending transactions, at their respective carrying values:

CSS(E)L Group and Company	2011	2010
Securities sold and subject to repurchase agreements (USD million)		
Securities sold under repurchase agreements	5,131	3,052
Deposits received for securities lent	29,329	34,118
Total	**34,460**	**37,170**

See Note 14 Financial Assets and Liabilities Designated at Fair Value through Profit or Loss for Securities Borrowed, Lent and Subject to Repurchase Agreements for Securities Borrowed, Lent and Subject to Repurchase Agreements that have been held at fair value.

Securities borrowed, lent and subject to resale/repurchase agreements are mainly due within one year.

Resale and repurchase agreements represent collateralised financing transactions used to earn net interest income, increase liquidity or facilitate trading activity. These instruments are collateralised principally by government securities and money market instruments and generally have terms ranging from overnight to a longer or unspecified period of maturity. The CSS(E)L Group monitors the fair value of securities received or delivered. For securities purchased under resale agreements, the CSS(E)L Group requests additional securities, or the return of a portion of the cash disbursed when appropriate, in response to a decline in the market value of the securities received. Similarly, the return of excess securities or additional cash is requested, when appropriate, in response to an increase in the market value of securities sold under repurchase agreements.

Deposits paid for securities borrowed and deposits received for securities lent are recorded at the amount of cash paid or received. These transactions are typically collateralised by cash or marketable securities. For securities lending transactions, the CSS(E)L Group receives cash or securities as collateral in an amount generally in excess of the market value of securities lent. The CSS(E)L Group monitors the market value of securities borrowed, lent and securities on a daily basis and additional collateral is obtained as necessary. In the event of counterparty default, the repurchase agreement or securities lending agreement provides the CSS(E)L Group with the right to liquidate the collateral held.

13. Trading Financial Assets and Liabilities at Fair Value through Profit or Loss

	CSS(E)L Group			Company		
	2011	2010 (Restated)[1]	1 January 2010 (Restated)[1]	2011	2010 (Restated)[1]	1 January 2010 (Restated)[1]
Trading financial assets at fair value through profit or loss (USD million)						
Debt securities	32,612	33,473	28,725	32,612	33,473	28,729
Equity securities	23,756	42,907	32,116	23,642	42,489	32,116
Derivative instruments	17,168	14,218	12,023	17,454	16,390	14,141
Trading financial assets at fair value through profit or loss	**73,536**	**90,598**	**72,864**	**73,708**	**92,352**	**74,986**

	CSS(E)L Group			Company		
	2011	2010 (Restated)[1]	1 January 2010 (Restated)[1]	2011	2010 (Restated)[1]	1 January 2010 (Restated)[1]
Trading financial liabilities at fair value through profit or loss (USD million)						
Debt securities	19,496	23,561	27,002	19,496	23,561	27,002
Equity securities	9,282	7,404	7,899	9,282	7,404	7,900
Derivative instruments	18,479	15,771	13,642	18,372	15,660	13,524
Trading financial liabilities at fair value through profit or loss	**47,257**	**46,736**	**48,543**	**47,150**	**46,625**	**48,426**

Debt securities primarily consist of corporate bonds and government securities.

Trading financial assets and financial assets designated at fair value through profit or loss include USD 29,251 million (2010: USD 44,786 million as restated) which are encumbered. The transactions in relation to the encumbered assets are conducted under terms that are usual and customary for securities lent, resale agreements or other collateralised borrowings.

[1] On 1 January 2011, the CSS(E)L Group voluntarily adopted settlement date accounting for regular-way trading securities replacing trade date accounting. Comparative information has been restated accordingly (see Note 2(b)).

14. Financial Assets and Liabilities Designated at Fair Value through Profit or Loss

	CSS(E)L Group		Company	
	2011	2010 (Restated)[1]	2011	2010 (Restated)[1]
Financial assets designated at fair value through profit or loss (USD million)				
Securities purchased under resale agreements and securities borrowing transactions	99,807	99,439	99,807	99,439
Other financial assets designated at fair value through profit or loss	3,616	3,087	3,454	936
Total financial assets designated at fair value through profit or loss	**103,423**	**102,526**	**103,261**	**100,375**

Of the financial assets designated at fair value through profit or loss, securities purchased under resale agreements and securities borrowing transactions were elected to alleviate an accounting mismatch while other financial assets designated at fair value through profit or loss were elected because they are managed on a fair value basis.

For the change in fair value of reverse repurchase agreements, the CSS(E)L Group's credit exposure to the counterparties of these trades is mitigated by posted collateral and through subsequent margin calls. Accordingly, the CSS(E)L Group does not enter into hedges to mitigate credit exposure to our counterparties. Also, given that the credit exposure is virtually eliminated, the mark-to-market changes attributable to credit risk are insignificant.

Other financial assets designated at fair value through profit or loss are exposed to credit risk and the maximum fair value exposure to credit risk as at 31 December 2011 and 31 December 2010 for the CSS(E)L Group as well as the Company equals their fair value.

The movement in fair values that is attributable to changes in the credit risk of the financial assets designated at fair value through profit or loss during the period ended 31 December 2011 was a loss of USD 17 million for CSS(E)L Group and USD 17 million for Company in the Statement of Income (2010: loss of USD 7 million for CSS(E)L Group and USD Nil for Company). The remaining changes in fair value are mainly due to movements in market risk.

Central to the calculation of fair value for life settlement contracts, included in 'Other financial assets designated at fair value through profit or loss', is the estimate of mortality rates. Individual mortality rates are typically obtained by multiplying a base mortality curve for the general insured population provided by a professional actuarial organisation together with an individual-specific multiplier. Individual-specific multipliers are determined based on data obtained from third-party life expectancy data providers, which examine insured individual's medical conditions, family history and other factors to arrive at a life expectancy estimate.

[1] Certain reclassifications have occurred in 2010 to align to the current year presentation

	CSS(E)L Group		Company	
	2011	2010 (Restated)[1]	2011	2010 (Restated)[1]
Financial liabilities designated at fair value through profit or loss (USD million)				
Securities sold under repurchase agreements and securities lending transactions	83,593	83,123	83,593	83,123
Long term debt	307	40	307	40
Other financial liabilities designated at fair value through profit or loss	3,522	3,377	3,128	3,105
Total financial liabilities designated at fair value through profit or loss	**87,422**	**86,540**	**87,028**	**86,268**

Of the financial liabilities designated at fair value through profit or loss, securities sold under repurchase agreements and securities lending transactions were elected to alleviate an accounting mismatch while long term debt and other financial liabilities designated at fair value through profit or loss were elected because they are managed on a fair value basis.

The fair value of a financial liability incorporates the credit risk of that financial liability. If the instrument is quoted in an active market, the movement in fair value due to credit risk is calculated as the amount of change in fair value that is not attributable to changes in market conditions that give rise to market risk. If the instrument is not quoted in an active market, the fair value is calculated using a valuation technique that incorporates credit risk by discounting the contractual cash flows on the debt using a credit-adjusted yield curve which reflects the level at which the CSS(E)L Group would issue similar instruments as of the reporting date.

The fair value of long term debt is calculated using a yield curve which reflected the CSS(E)L Group's credit rating in the market. This is achieved by adjusting the relevant yield curve by the CSS(E)L Group's credit spread, dependent on the tier of the debt, at each point in the curve to provide an own credit adjusted valuation.

The carrying amount of long term debt is USD 70 million lower than the principal amount that the CSS(E)L Group and Company would be contractually required to pay to the holder of these financial liabilities at maturity (2010: USD 48 million higher (CSS(E)L Group and Company)).

[1] Certain reclassifications have occurred in 2010 to align to the current year presentation

15. Financial Assets Available-For-Sale

CSS(E)L Group	**2011**	**2010**
Financial assets available-for-sale (USD million)		
Equity securities available-for-sale	22	25
Total securities available-for-sale	**22**	**25**
Other	13	12
Total financial assets available-for-sale	**35**	**37**

Company	**2011**	**2010**
Financial assets available-for-sale (USD million)		
Equity securities available-for-sale	22	25
Total securities available-for-sale	**22**	**25**
Other	9	9
Total financial assets available-for-sale	**31**	**34**

Equity securities includes investments in non-marketable exchanges and financial clearing houses whereby the CSS(E)L Group and Company are not required to hold shares as part of its membership, for which the CSS(E)L Group and Company have neither significant influence nor control over the investee. These securities are held at fair value with any unrealised gains or losses taken through equity.

Other includes investments in non-marketable exchanges and financial clearing houses whereby the CSS(E)L Group and Company are required to hold shares as part of its membership, for which the CSS(E)L Group has neither significant influence nor control over the investee.

CSS(E)L Group and Company

Equity securities available-for-sale (USD million)	**Amortised cost**	**Gross unrealised gains**	**Fair Value**
31 December 2011	-	22	22
31 December 2010	-	25	25
31 December 2009	-	27	27

16. Other Assets and Other Liabilities

	CSS(E)L Group			Company		
	2011	2010 (Restated)[1]	1 January 2010 (Restated)[1]	2011	2010 (Restated)[1]	1 January 2010 (Restated)[1]
Other assets (USD million)						
Brokerage receivables (refer to Note 18)	33,938	30,393	28,144	33,938	30,392	28,145
Interest and fees receivable	1,829	1,336	1,193	1,829	1,336	1,193
Cash collateral on derivative instruments	4,763	3,268	2,125	4,763	3,268	2,125
■ Banks	2,940	2,201	1,636	2,940	2,201	1,636
■ Customers	1,823	1,067	489	1,823	1,067	489
Prepaid expenses	59	47	65	59	47	65
Other	773	822	708	219	494	708
Total other assets	**41,362**	**35,866**	**32,235**	**40,808**	**35,537**	**32,236**

Other assets are mainly due within one year.

	CSS(E)L Group			Company		
	2011	2010 (Restated)[1]	1 January 2010 (Restated)[1]	2011	2010 (Restated)[1]	1 January 2010 (Restated)[1]
Other liabilities (USD million)						
Derivative instruments used for hedging	6	17	3	6	17	3
Brokerage payables (refer to Note 18)	33,680	27,090	22,336	33,680	27,089	22,338
Interest and fees payable	1,383	1,010	1,006	1,383	1,010	1,006
Cash collateral on derivative instruments	6,826	5,905	5,460	6,826	5,904	5,461
■ Banks	3,350	2,548	1,998	3,350	2,548	1,999
■ Customers	3,476	3,357	3,462	3,476	3,356	3,462
Share-based compensation liability	244	395	845	244	395	845
Other	3,202	2,006	1,950	3,186	1,991	2,192
Total other liabilities	**45,341**	**36,423**	**31,600**	**45,325**	**36,406**	**31,845**

[1] On 1 January 2011, the CSS(E)L Group voluntarily adopted settlement date accounting for regular-way trading securities replacing trade date accounting. Comparative information has been restated accordingly (see Note 2(b)).

17. Other Loans and Receivables

The following table sets forth details of the domestic (United Kingdom) and foreign portfolios:

CSS(E)L Group and Company	**2011**	**2010**
Other Loans and Receivables (USD million)		
Bank	1,575	1,483
Total other loans and receivables	**1,575**	**1,483**
Of which United Kingdom	1,501	1,483
Of which Foreign	74	-

The majority of loans and receivables are due after one year.

18. Brokerage Receivables and Brokerage Payables

The CSS(E)L Group recognises receivables and payables from transactions in financial instruments purchased from and sold to customers, banks, brokers and dealers. The CSS(E)L Group is exposed to a risk of loss resulting from the inability of counterparties to pay for or deliver financial instruments sold or purchased, in which case the CSS(E)L Group would have to sell or purchase, respectively, these financial instruments at prevailing market prices. To the extent that an exchange or clearing organisation acts as a counterparty to a transaction, credit risk is considered to be reduced. The CSS(E)L Group requires customers to maintain margin collateral in compliance with applicable regulatory and internal guidelines.

	CSS(E)L Group			**Company**		
	2011	**2010 (Restated)**[1]	**1 January 2010 (Restated)**[1]	**2011**	**2010 (Restated)**[1]	**1 January 2010 (Restated)**[1]
Brokerage receivables (USD million)						
Due from customers	14,156	17,435	18,221	14,156	17,435	18,221
Due from banks, brokers and dealers	19,782	12,958	9,923	19,782	12,957	9,924
Total brokerage receivables	**33,938**	**30,393**	**28,144**	**33,938**	**30,392**	**28,145**
Brokerage payables (USD million)						
Due to customers	24,681	22,688	18,890	24,681	22,688	18,890
Due to banks, brokers and dealers	8,999	4,402	3,446	8,999	4,401	3,448
Total brokerage payables	**33,680**	**27,090**	**22,336**	**33,680**	**27,089**	**22,338**

Brokerage receivables and payables include transactions in financial instruments purchased from and sold to customers, banks, brokers and dealers which have not settled as at the reporting date, receivables and payables from the Prime Brokerage business and cash collateral from futures trading.

Included within payables are liabilities identified as client money. The CSS(E)L Group and Company held USD 8,860 million of client money as at 31 December 2011 (2010: USD 7,855 million). This cash is recorded under 'Cash and due from banks' and 'Other assets'.

[1]On 1 January 2011, the CSS(E)L Group voluntarily adopted settlement date accounting for regular-way trading securities replacing trade date accounting. Comparative information has been restated accordingly (see Note 2(b)).

19. Significant Subsidiaries

Significant subsidiaries:

The following tables set forth the significant subsidiaries the Company owns, directly or indirectly as at 31 December 2011 and 31 December 2010:

CSS(E)L Group and Company	Country of Incorporation	% Equity Held
Subsidiaries		
Direct holdings:		
Credit Suisse Client Nominees (UK) Limited	United Kingdom	100%
Credit Suisse First Boston Trustees Limited	United Kingdom	100%
Credit Suisse First Boston PF (Europe) Limited	United Kingdom	100%

Also refer to Note 34 for details on special purpose entities.

20. Goodwill

CSS(E)L Group and Company	2011	2010
Goodwill (USD million)		
Cost:		
Balance at beginning of period	7	8
Foreign currency translation impact	-	(1)
Balance at end of period	**7**	**7**
Accumulated impairment losses		
Balance at beginning of period	-	-
Foreign currency translation impact	-	-
Balance at end of period	**-**	**-**
Net book value	**7**	**7**

All goodwill is held by branches and is denominated in Euros. This is translated to USD at the reporting date.

21. Property, Equipment and Intangible Assets

CSS(E)L Group and Company 2011	Leasehold Improvements	Internally Developed Software	Computer Equipment	Office Equipment	Total
Property, equipment and intangible assets (USD million)					
Cost:					
Cost as at 1 January 2011	**50**	**-**	**17**	**19**	**86**
Additions	1	198	-	-	199
Disposals	-	(198)	-	-	(198)
Other movements	1	-	-	(1)	-
Cost as at 31 December 2011	**52**	**-**	**17**	**18**	**87**
Accumulated depreciation:					
Accumulated depreciation as at 1 January 2011	**21**	**-**	**14**	**13**	**48**
Charge for the year	5	-	-	3	8
Disposals	-	-	-	-	-
Other movements	1	-	-	(1)	-
Accumulated depreciation as at 31 December	**27**	**-**	**14**	**15**	**56**
Net book value as at 1 January 2011	**29**	**-**	**3**	**6**	**38**
Net book value as at 31 December 2011	**25**	**-**	**3**	**3**	**31**

CSS(E)L Group and Company 2010	Leasehold Improvements	Internally Developed Software	Computer Equipment	Office Equipment	Total
Property, equipment and intangible assets (USD million)					
Cost:					
Cost as at 1 January 2010	**46**	**-**	**16**	**15**	**77**
Additions	7	157	1	5	170
Disposals	-	(157)	-	-	(157)
Other movements	(3)	-	-	(1)	(4)
Cost as at 31 December 2010	**50**	**-**	**17**	**19**	**86**
Accumulated depreciation:					
Accumulated depreciation as at 1 January 2010	**19**	**-**	**13**	**12**	**44**
Charge for the year	4	-	1	2	7
Disposals	-	-	-	-	-
Other movements	(2)	-		(1)	(3)
Accumulated depreciation as at 31 December	**21**	**-**	**14**	**13**	**48**
Net book value as at 1 January 2010	**27**	**-**	**3**	**3**	**33**
Net book value as at 31 December 2010	**29**	**-**	**3**	**6**	**38**

Leasehold improvements relate to improvements to land and buildings that have been occupied on commercial lease terms by the CSS(E)L Group and other CS group companies.

No interest has been capitalised in the current year within property, equipment and intangible assets (2010: USD Nil).

No impairment charges were recorded in 2011 and 2010.

Internally developed software are capitalised and transferred to Credit Suisse International.

22. Deposits

CSS(E)L Group and Company	2011	2010
Deposits (USD million)		
Non-interest bearing demand deposits	3,973	3,494
Interest-bearing demand deposits	332	441
Total deposits	**4,305**	**3,935**
Of which due to banks	4,251	3,924
Of which due to customers	54	11

23. Short Term Borrowings

CSS(E)L Group and Company	2011	2010
Short-term borrowings (USD million)		
Short term borrowings:		
from banks	36,399	48,049
from customers	17	-
Total short term borrowings	**36,416**	**48,049**

24. Provisions

CSS(E)L Group and Company	Property	Litigation	Total
Provisions (USD million)			
Balance at 1 January 2011	**3**	**2**	**5**
Charges during the year	-	7	7
Utilised during the year	-	(3)	(3)
Balance at 31 December 2011	**3**	**6**	**9**

The property provision mainly relates to property reinstatement obligations that will be incurred when the leases expire.

The CSS(E)L Group accrues litigation provisions (including fees and expenses of external lawyers and other service providers) in connection with certain judicial, regulatory and arbitration proceedings when reasonably possible losses, additional losses or ranges of loss are probable and reasonably estimable. The CSS(E)L Group reviews it's judicial, regulatory and arbitration proceedings each quarter to determine the adequacy of its litigation provisions and may increase or release provisions based on advice of counsel. Further provisions or releases of litigation provisions may be necessary in the future as developments in such litigation, claims or proceedings warrant.

The litigation provision relates to legal cases that the Company is defending. The exact timing of outflow of economic benefits cannot be ascertained at 31 December 2011.

25. Long Term Debt

	CSS(E)L Group		Company	
	2011	**2010**	**2011**	**2010**
Long-term debt (USD million)				
Senior debt	11,394	11,784	11,265	11,356
Subordinated debt	5,116	5,014	5,116	5,014
Total long term debt	**16,510**	**16,798**	**16,381**	**16,370**

Senior Debt

During 2010, in response to the UK liquidity requirements required by the FSA as set out in its policy statement (PS) 09/16, new term profiles were put in place from Credit Suisse (London Branch). Accordingly, term issuances of USD 1,500 million were raised on 12 February 2010 (two issuances of USD 750 million each with interest of 3 months LIBOR plus 207/221 basis points per annum), Euro 800 million (two issuances of EUR 400 million each with interest of 3 months EURIBOR plus 200/216 basis points per annum) raised on 28 June 2010, USD 5,900 million raised on 21 September 2010 (two issuances of USD 2,950 million each with interest of 3 months LIBOR plus 250/275 basis points per annum). All these issuances have a maturity period varying between 3 to 5 years.

Further, several new debts totalling USD 1,200 million were raised on 15 September 2010 with maturity varying between 14 March 2014 and 15 September 2015 with Credit Suisse (London Branch) payable at the rate of 3 months LIBOR plus 225/250 basis points per annum.

New debt with CS Private Banking Depo Centre of USD 1,500 million was raised on 12 August 2010 having 30 year period maturity with interest payable at 3 months LIBOR plus 253 basis points per annum, interest being capitalised every three months. The debt has a call option at par after 5.5 years.

Exchange traded funds are being consolidated. These funds sell debt in the market. The sold portion of these funds representing USD 128 million (2010: USD 430 million) is being included as senior debt.

Subordinated Debt

At 31 December 2011 subordinated debt comprises an amount of USD 5,116 million (2010: USD 5,014 million). This is comprised of USD 2,400 million (2010: USD 2,400 million) advanced by Credit Suisse PSL GmbH and USD 1,983 million (2010: USD 1,983 million) advanced by Credit Suisse First Boston Finance BV. Interest capitalisation amounts to USD 733 million (2010: USD 631 million).

USD 1,187 million was borrowed under an agreement dated 27 June 2008 from Credit Suisse First Boston Finance BV, a fellow company under common control. Under the terms of the loan, the Company may repay, in whole or in part, any amounts outstanding upon giving prior written notice to the lender and FSA. The earliest date at which the Company may make a repayment is December 2013. Interest on subordinated debt is payable at a fixed rate of 9.49% per annum. Under the facility, the loan and any interest outstanding thereon is subordinated in right of repayment to all other indebtedness and liabilities of the Company. The maturity of the loan is 27 June 2038.

On 2 September 2008, the Company borrowed a further USD 296 million from Credit Suisse First Boston Finance BV, with interest on subordinated debt payable at a fixed rate of 9.83% per annum. Under the terms of the loan, the Company may repay, in whole or in part, any amounts outstanding upon giving prior written notice to the lender and FSA. The earliest date at which the Company may make a repayment is December 2013. The maturity of the loan is 27 June 2038.

On 23 September 2008, USD 200 million was advanced by Credit Suisse (International) Holdings AG, under a subordinated loan facility agreement for USD 1,500 million dated 14 December 2007. Interest on subordinated debt is payable at a rate of 3 months LIBOR plus 900 basis points per annum. The Company borrowed a further USD 700 million under this facility on 9 October 2008. Interest on subordinated debt of USD 700 million is payable at a rate of 3 months LIBOR plus 1050 basis points per annum. The loan facility dated 14 December 2007, along with all outstanding drawings, was transferred from Credit Suisse (International) Holdings AG to Credit Suisse PSL GmbH on 1 December 2009.

On 12 May 2010, the Company borrowed a further USD 500 million from Credit Suisse First Boston Finance BV, with interest on subordinated debt payable at a rate of 3 months LIBOR plus 365 basis points per annum. The maturity of the loan is 31 December 2033.

On 29 October 2010, USD 1,000 million was advanced by CS PSL GmbH, under a subordinated loan facility agreement for USD 1,500 million dated 29 October 2010. Interest on subordinated debt is payable at a rate of 3 months LIBOR plus 545 basis points per annum. The Company borrowed a further USD 500 million under this facility on 15 December 2010. Interest on subordinated debt of USD 500 million is payable at a rate of 3 months LIBOR plus 695 basis points per annum.

26. Accumulated Other Comprehensive Income

CSS(E)L Group and Company	Cumulative translation adjustment	Unrealised gains/(losses) on financial assets available for sale	Accumulated other comprehensive income
2011			
Accumulated other comprehensive income (USD million)			
Balance at 1 January 2011	**(257)**	**26**	**(231)**
Increase/(decrease):			
Foreign exchange translation differences	(23)	-	(23)
Net loss on hedges of net investments in foreign entities taken to equity	(5)	-	(5)
Net loss on financial assets available-for-sale	-	(4)	(4)
Net gain on cash flow hedging instruments transferred to Statement of Income	-	-	-
Balance at 31 December 2011	**(285)**	**22**	**(263)**

CSS(E)L Group and Company	Cumulative translation adjustment	Unrealised gains/(losses) on financial assets available for sale	Accumulated other comprehensive income
2010			
Accumulated other comprehensive income (USD million)			
Balance at 1 January 2010	**(245)**	**27**	**(218)**
Increase/(decrease):			
Foreign exchange translation differences	14	-	14
Net loss on hedges of net investments in foreign entities taken to equity	(26)	-	(26)
Net loss on financial assets available-for-sale	-	(1)	(1)
Net gain on cash flow hedging instruments transferred to Statement of Income	-	-	-
Balance at 31 December 2010	**(257)**	**26**	**(231)**

27. Called-up Share Capital

CSS(E)L Group and Company	2011	2010
Authorised (USD million)		
Equity		
5,050,000,000 (2010: 3,550,000,000) ordinary voting shares of USD 1 each	5,050	3,550
Total authorized share capital	**5,050**	**3,550**

CSS(E)L Group and Company	2011	2010
Allotted, called up and fully paid (USD million)		
Equity		
4,277,300,000 (2010: 3,527,300,000) ordinary voting shares of USD 1 each	4,277	3,527
Total called-up share capital	**4,277**	**3,527**

During the year, the company issued 750,000,000 shares of USD 1 each to meet regulatory capital requirements.

28. Retirement Benefit Obligations

The Company has several pension schemes covering substantially all employees, including defined benefit pension plans and defined contribution pension plans, mainly located in the UK but also in other European and Asian locations. The most material pension arrangement is operated in the UK, where a funded, final salary defined benefit plan is operated. The assets of this plan are held independently of the Company's assets in separate trustee administered funds. Smaller defined benefit plans are operated elsewhere, consisting of unfunded plans in Germany, France and Italy and a funded plan in Korea. A full actuarial valuation is completed by independent actuaries, for these schemes once a year using the projected unit credit method and updated for each Consolidated Statement of Financial Position date. The Company does not contribute to any other post-retirement defined benefit plans.

The following disclosures contain the balances for the entire defined benefit plans, including the plan sponsored by the Company in the UK, of which the Company is one of many participants, who are all related parties under common control. The Company accounts for the entire plan using defined benefit accounting.

All expenses arising from retirement benefit obligations are recorded in the Statement of Income under 'Compensation and benefits'.

Defined benefit pension and other post-retirement defined benefit plans

CSS(E)L Group and Company	**2011**	**2010**
Defined benefit pension and other post-retirement defined benefit plans (USD million)		
Current service costs on benefit obligation	9	7
Interest costs on benefit obligation	77	71
Expected return on plan assets	(110)	(87)
Amortisation of unrecognised losses	24	21
Net periodic pension costs	-	**12**

The following table shows the changes in the defined benefit obligation and the fair value of plan assets during 2011 and 2010, and the amounts included in the Consolidated Statement of Financial Position for the Company's defined benefit pension and other post-retirement defined benefit plans as at 31 December 2011 and 2010 respectively:

CSS(E)L Group and Company	**2011**	**2010**
Defined benefit pension and other post-retirement defined benefit plans (USD million)		
Defined benefit obligation – 1 January	1,346	1,209
Current service cost	9	7
Interest cost	77	71
Actuarial losses	47	114
Benefit payments	(22)	(13)
Plans added during the year	-	3
Special termination benefits	2	1
Exchange rate (gains)/losses	(12)	(46)
Defined benefit obligation – 31 December	**1,447**	**1,346**
Fair value of plan assets – 1 January	1,416	1,191
Expected return on plan assets	110	87
Actuarial gains/(losses) on plan assets	380	37
Actual return on plan assets	**490**	**124**
Contributions	11	159
Benefit payments	(22)	(13)
Exchange rate (losses)/gains	(26)	(45)
Fair value of plan assets – 31 December	**1,869**	**1,416**
Total funded status – 31 December		
Plan assets	1,869	1,416
Defined benefit obligation related to funded plans	(1,411)	(1,310)
Funded status for funded plans	**458**	**106**
Defined benefit obligation related to non funded plans	(36)	(36)
Funded status recognised - 31 December	**422**	**70**
Total amount recognised - 31 December		
Funded status of the plan	422	70
Unrecognised:		
Net actuarial losses	140	485
Net amount recognised - 31 December	**562**	**555**

In 2011, considering the market and economic environment, it was decided not to consider any future discretionary pension increase in the defined benefit obligation, which resulted in a reduction of the pension obligation of USD 95 million.

During July 2010, following a UK Government announcement to use Consumer Price Index as the measure of price inflation, where appropriate, the Company changed the inflation assumption in calculating the defined benefit obligation from the Retail Price Index to the Consumer Price Index. The impact of this change for the year end 2010 was a decrease in the defined benefit obligation of USD 71 million which has been reported as part of the unrecognised gains/losses.

The Company has agreed the valuation and funding of the UK defined benefit pension plan with the Pension Fund Trustees as at 31 December 2008. These funding discussion will be revisited based on the upcoming valuation as of December 31, 2011.

The following special lump sum contributions to the UK defined benefit scheme were paid by the Company to improve the funding situation:

- GBP 82 milion in 2009
- GBP 93 million in 2010
- GBP 53 million in January 2012

The following special contributions are expected to be made to the UK defined benefit pension plan:

- GBP 54 million by 31 January 2013,
- GBP 3 million payable by 31 January each year from 2014 to 2018
- GBP 3 million by 31 December 2018.

In addition to these amounts, contributions will be paid to cover administrative expenses, administration rebates and death in service pensions.

In addition to the above contributions, for additional Pension Fund security, the Company has pledged securities of GBP 109 million as at 31 December 2011. These securities are included in the balances in Note 36. At 31 December 2011 and 2010 the pension fund plan assets hold no material amounts of Credit Suisse CSS(E)L Group debt and equity securities.

Movement in the Prepaid Pension Asset recognised in the Consolidated Statement of Financial Position:

CSS(E)L Group and Company	**2011**	**2010**
Movement in the prepaid pension asset recognised in the Consolidated Statement of Financial position (USD million)		
At 1 January	555	428
Exchange difference	(2)	(16)
Total expenses (as above)	-	(12)
Other economic events	(2)	(1)
Plans added during the year	-	(3)
Contributions paid	11	159
At 31 December	**562**	**555**

Assumptions

The assumptions used in the measurement of the benefit obligation and net periodic pension cost for the main defined pension plan as at 31 December were as follows:

31 December in %	**CSS(E)L Group and Company 2011**	**CSS(E)L Group and Company 2010**
Benefit obligation		
Discount rate	4.90	5.60
Retail Price Inflation	3.20	3.45
Consumer Price Inflation	2.20	2.75
Pension increases (1)	3.08	3.30
Salary increases	4.45	4.70
Net periodic pension cost		
Discount rate	5.60	6.00
Salary increases	4.70	4.70
Expected long-term rate of return on plan assets	7.50	7.55

(1) Pension earned pre 6 April 1997 are subject to pension increases on a discretionary basis, which were considered to be nil as of 31 December 2011.

Mortality Assumptions

The life expectancy assumptions for 2011 are similar to those used for 2010.

The assumptions for life expectancy for the 2011 benefit obligation pursuant to IAS 19 are based on the '00 Series' base table with improvements in mortality from 2000 in line with 80%/60% of the Long Cohort improvements for males/females, and a scaling factor of 90%. Underpins to future mortality improvement have also been incorporated, the minimum year on year improvements being 1.25% p.a.

On this basis the post-retirement mortality assumptions are as follows:

	2011	2010
Life expectancy at age 60 for current pensioners aged 60 (years)		
- Males	29.3	29.2
- Females	31.1	30.9
Life expectancy at age 60 for future pensioners currently aged 40 (years)		
- Males	32.0	31.9
- Females	33.6	33.5

Sensitivity Analysis

Changes in the principal assumptions used to measure the benefit obligation and total periodic pension cost would have had the following effects:

	Increase (USD million)	Increase %	Decrease (USD million)	Decrease %
Benefit obligation				
One-percentage point change				
- 1%/ +1% Discount rate	415	29	(309)	(21)
+1% / -1% Inflation rate	242	17	(197)	(14)
+1% / -1% Salary increases rate	20	1	(19)	(1)
+1 / -1 year to life expectancy at 60	23	2	(29)	(2)
Total periodic pension cost				
One-percentage point change				
- 1% / +1% Expected return on assets	15	n/a	(15)	n/a

Plan assets and investment strategy

The Company's defined benefit pension plan looks to minimise risk subject to adopting an investment strategy that has a reasonable expectation of achieving a certain level of return by investing in a range of asset classes of appropriate liquidity and security which will generate income and capital growth to meet, together with agreed contributions from the Company, the cost of benefits. Risk tolerance is established through careful consideration of plan liabilities, plan funded status and corporate financial condition. Furthermore, equity investments are diversified across UK and non-UK stocks as well as between growth, value and small and large capitalisation stocks. Other assets such as hedge funds are used to enhance long term returns while improving portfolio diversification. The Fund has a medium term target of hedging a large proportion of interest rate and inflation risk arising from liabilities. Investment risk is measured and monitored on an ongoing basis through annual liability measurements, periodic asset/liability studies and quarterly investment portfolio reviews. To limit investment risk, the Company's pension plans follow defined strategic asset allocation guidelines. Depending on the market conditions, these guidelines are even more limited on a short-term basis.

The Company employs a building block approach in determining the long-term rate of return on pension plan assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the target asset allocation for the Fund as at 31 December 2011.

	2011		2010	
	Fair value USD million	**% of total fair value of scheme assets**	**Fair value USD million**	**% of total fair value of scheme assets**
Equity securities [(1)]	657	35.2	824	58.2
Debt securities	781	41.8	545	38.5
Alternative Investments (primarily swaps)	378	20.2	(101)	(7.1)
Cash	53	2.8	148	10.4
Fair value of plan assets	**1,869**	**100.0**	**1,416**	**100.0**

(1) Including investment in unit trust product for USD 312m (mutual funds type of investment) which are reported under the category Equity securities as per the company policy but are not considered as Equity type of investment in the context of the investment strategy.

Balances and amounts for the current and previous periods for which the CSS(E)L Group prepared IFRS accounts are as follows:

	CSS(E)L Group and Company				
31 December	**2011**	**2010**	**2009**	**2008**	**2007**
Defined benefit obligation	1,447	1,346	1,209	905	1,403
Fair value of plan assets	1,869	1,416	1,191	1,019	1,376
Funded status, surplus/(deficit)	422	70	(18)	114	(27)
Experience gains / (losses) on plan liabilities [(1)]	(7)	(31)	60	(44)	23
Experience gains/(losses) on plan assets	380	38	(153)	(209)	(16)

(1) This item consists of gains/(losses) in respect of liability experience only and excludes any changes in liabilities in respect of changes to the actuarial assumptions used.

Defined Contribution Pension Plans

The Company also contributes to various defined contribution pensions primarily in the United Kingdom. The contributions in these plans during 2011 and 2010 were USD 68 million and USD 62 million respectively.

29. Employee Share-based Compensation and Other Compensation Benefits

Payment of share-based compensation and other compensation benefits is determined by the nature of the business, role, location and performance of the employee. Unless there is a contractual obligation, share-based compensation and other compensation benefits are paid solely at the discretion of CSG.

Compensation and benefits for a given year include salaries, benefits and variable compensation. Variable compensation reflects the performance-based and retention compensation for the current year, the expense from share-based and other deferred compensation from prior-year awards and mark-to-market adjustments. The portion of the variable compensation for the current year deferred through share-based and other awards is expensed in future periods and subject to restrictive features such as continued employment with CSG, vesting, forfeiture and blocking rules.

Total compensation expense for cash-settled share-based compensation plans recognised during 2011 and 2010 was USD 131 million and USD 186 million respectively. The total stock award liability recorded as at 31 December 2011 was USD 244 million (2010: USD 395 million). The fair value used to calculate the stock award liability was the closing CSG share price as at 31 December 2011 CHF 22.07 (2010: CHF 37.67). The average weighted fair value of awards granted in 2011 was CHF 41.96 (2010: CHF 49.12). The intrinsic value of vested share based awards outstanding as at year end was USD 41 million (2010: USD 69 million).

Performance share awards

Certain employees received a portion of their deferred variable compensation in the form of performance share awards, which are subject to claw-back provisions. Performance share awards also vest over three years, such that one third of the share awards vest on each of the three anniversaries of the date of the award. Unlike the share awards described above, however, the unvested performance share awards are subject to a downward adjustment in the event of a divisional loss or a negative CSG's return on equity (ROE). For employees in Investment Banking, Private Banking and Asset Management, the unvested performance shares are subject to a downward adjustment in the event of a loss in that division, unless there is a negative CSG ROE, which would call for a downward adjustment that is greater than the divisional adjustment for the year, in which case the downward adjustment is based on the CSG's negative ROE. For employees in Shared Services and other support functions, the downward adjustment only applies in the event of a negative CSG ROE and is not linked to the performance of the divisions.

Phantom Share awards

Share awards were granted in January 2011 as part of the 2010 variable deferred compensation awarded to certain employees. The share awards replace other plans introduced in prior years, including SISUs, ISUs and PIP in an effort to make the design of the company's compensation instruments simpler, more transparent and less leveraged and to better align the interests of the employees with those of the shareholders. Each share award granted entitles the holder of the award to receive one CSG share. One quarter of the share awards vest on each of the four anniversaries of the date of grant. The value that is delivered is equal to the CSG share price at the time of delivery, as the share awards do not contain any leverage component or multiplier effect as contained in earlier awards. The fair value of each share award was CHF 42.51, equivalent to the CSG's closing share price on the date of grant.

The share awards also include other awards such as special awards, which may be granted to new employees.

Movements in the number of units outstanding were as follows:

Number of units (millions)	**CSS(E)L Group and Company**	
	2011	**2010**
As at 1 January	2.70	2.62
Granted	6.37	1.47
Shares transferred in/out	0.04	0.02
Delivered	(2.06)	(1.35)
Forfeited	(0.30)	(0.06)
As at 31 December	**6.75**	**2.70**

Incentive Share Unit ('ISU')

The Incentive Share Units ("ISUs") were the main form of share-based variable deferred compensation for all employees from 2006 to 2009. An ISU is similar to a share, but offers additional upside depending on the development of the CSG share price. For each ISU granted, the employee will receive at least one CSG share (ISU base unit) over a three-year period vesting and could receive additional shares (ISU leverage unit) at the end of the three-year vesting period. The number of ISU leverage units to be converted to additional shares is calculated by multiplying the total number of ISU base units granted, less forfeitures, by a share price multiplier. The share price multiplier is determined based on the actual increase in the weighted-average monthly share price during the contractual term of the award versus the share price at grant date. One third of the ISU base units vests at the first anniversary of the grant date, one third at the second anniversary of the grant date and one third at the third anniversary. The ISU leverage units vest only on the third anniversary of the grant date. Shares are delivered shortly after the ISU base units and the ISU leverage units vest. ISUs include a two-year moratorium on early retirement, determined after the grant date.

For the ISUs granted in January 2010 and 2009, the number of additional shares per ISU was capped at a maximum of three times the grant value, with a delivery of no more than five shares. For the ISUs granted in January 2008, the number of additional shares per ISU was limited to a maximum of ten shares.

The ISU leverage units granted in January 2008 were settled in 2011 and did not have a value at settlement as the CSG share price performance was below the minimum predefined target.

Movements in the number of ISUs outstanding were as follows:

	CSS(E)L Group and Company			
ISUs outstanding (millions)	**2011**		**2010**	
ISU Awards	**Base**	**Leverage**	**Base**	**Leverage**
As at 1 January	5.26	9.46	5.86	12.45
Granted			0.84	0.84
Share transferred in/out	(0.02)	(0.02)	0.04	0.06
Delivered	(3.61)	(5.51)	(1.21)	(3.04)
Forfeited	(0.09)	(0.55)	(0.27)	(0.85)
As at 31 December	**1.54**	**3.38**	**5.26**	**9.46**

Scaled Incentive Share Unit ('SISU')

The Scaled Incentive Share Units ("SISUs") plan is a share-based, long-term incentive plan. SISUs were granted in January 2010 as part of 2009 variable deferred compensation. SISUs are similar to ISUs (refer to Incentive Share Unit) except with four-year vesting, subject to early retirement rules, and the leverage component contains an additional performance condition which could increase or decrease the number of any additional shares. The base component of the SISUs awarded on the grant date will vest equally over the four-year vesting period whereas the leverage component will only vest on the fourth anniversary of the grant date. The new performance condition links the final delivery of additional shares to the CSG average ROE and if the CSG average ROE over the four-year period is higher than a pre-set target established at the date of grant, the number of additional shares calculated by reference to the average CSG share price increase will be adjusted positively, and if it is below the target, the number of additional shares will be adjusted negatively, but not below zero. The final number of additional shares to be delivered at the end of the four-year period is therefore determined first on the basis of the CSG share price development (share price multiplier) and then on the basis of the CSG average ROE development (ROE multiplier). CSG shares are delivered after the SISUs vest. SISUs include a two-year moratorium on early retirement, determined from the date of grant.

For the SISUs granted in January 2010, the number of additional shares per SISU was capped at a maximum of three times the grant date value, with a delivery of no more than three shares, prior to the application of the scaling factor, which can be as high as up to 2.5 the grant value.

Movements in the number of SISUs outstanding were as follows:

	CSS(E)L Group and Company			
Number of SISUs (millions)	**2011**		**2010**	
	Base	**Leverage**	**Base**	**Leverage**
As at 1 January	3.40	3.38	-	-
Granted	-	-	3.63	3.63
Share transferred in/out	-	-	(0.12)	(0.11)
Delivered	(0.84)	-	-	-
Forfeited	(0.15)	(0.37)	(0.11)	(0.14)
As at 31 December	**2.41**	**3.01**	**3.40**	**3.38**

Performance Incentive Plan units (PIPs)

As part of its annual incentive performance bonus process for 2004 and 2005, the company granted PIP share units during 2005 and 2006, respectively. PIP units are long-term retention incentive awards requiring continued employment with the company subject to restrictive covenants and cancellation provisions, and vest evenly over a five-year period. Each PIP unit settled for a specified number of registered CSG shares subsequent to the fifth anniversary of the grant date based on the achievement of: (i) earnings performance as compared to predefined targets (performance conditions); and (ii) CSG share price performance compared to predefined targets and CSG share price performance relative to peers (market conditions). The performance conditions determine the multiplier used to convert the initial PIP units into the final number of PIP units. The market conditions determine the number of CSG shares that each final PIP unit will convert into at settlement.

The PIP II units granted in 2006 were settled in 2011 and did not have a value at settlement. This was due to the CSG share price performance being below the minimum predefined target of CHF 47.

Movements in the number of PIP units outstanding were as follows:

	CSS(E)L Group and	Company
	2011	**2010**
PIP Units (millions)		
As at 1 January	0.72	2.56
Delivered	(0.72)	(1.84)
As at 31 December	**-**	**0.72**

Partner Asset Facility ('PAF')

As part of the 2008 annual compensation process, the Company awarded senior employees of certain divisions the majority of their deferred portion of their variable compensation in the form of PAF awards, denominated in United Stated Dollars. The PAF awards are indexed to, and represent a first-loss interest in, a specified pool of illiquid assets (Asset Pool) that originated in CSG Investment Banking division.

The notional value of the Asset Pool was based on the fair market value of the assets within the Asset Pool on 31 December 2008, and those assets will remain static throughout the contractual term of the award or until liquidated. The PAF holders will participate in the potential gains on the Asset Pool if the assets within the pool are liquidated at prices above the initial fair market value. If the assets within the Asset Pool are liquidated at prices below the initial fair market value, the PAF holders will bear the first loss on the Asset Pool. As a result, a significant portion of risk positions associated with the Asset Pool has been transferred to the employees and removed from the CSG's risk-weighted assets, resulting in a reduction in capital usage.

The contractual term of the PAF award is eight years. 66.7% of the PAF awards were fully vested upon grant and attributed to services performed in 2008 and 33.3% of the PAF awards vested over the first three months of 2009. All PAF awards remain subject to non-compete/non-solicit provisions that expire in respect of one-third of the awards on each of the three anniversaries of the grant date. Each PAF holder will receive a semi-annual cash interest payment of LIBOR plus 250 basis points applied to the notional value of the PAF award granted throughout the contractual term of the award. Beginning in the fifth year after the date of grant, the PAF holders will receive an annual cash payment equal to 20% of the notional value of the PAF awards if the fair market value of the Asset Pool in that year has not declined below the initial fair market value of the Asset Pool. In the final year of the contractual term, the PAF holders will receive a final settlement in cash equal to the notional value, less all previous cash payments made to the PAF holder, plus any related gains or less any related losses on the liquidation of the Asset Pool.

Total compensation (gain)/expense for PAF recognised during 2011 was (USD 4 million) (2010: USD 15 million).

Effective December 31, 2011, existing PAF holders were given a voluntary election to make a value for value exchange of their existing PAF awards for a new PAF award linked to an expanded portfolio of reference assets. There was no impact on compensation expense for 2011.

2011 Partner Asset Facility

As part of the 2011 annual compensation process, the CSG awarded a portion of their deferred variable compensation for senior employees in the form of 2011 Partner Asset Facility ("PAF2") units. PAF 2 units are essentially fixed income structured notes that are exposed to a portion of the credit risk that arises in CSG's derivative activities, including both current and possible future swaps and other derivative transactions. The value of the award (for both the interest accrual and the final redemption) will be reduced if the amount of realized credit losses from a specific reference portfolio exceeds a predefined threshold. CSG will bear the first USD 500 million of such losses and the PAF2 holders will bear any losses in excess of USD 500 million, up to the full amount of the deferred compensation awarded. As a result, the PAF2 plan is a transfer of risk from CSG to employees.

The PAF2 awards vested in the first quarter of 2012. The award holders are subject to non-compete and non-solicit provisions that result in the cancellation of the award upon voluntary termination of employment for three years from the grant date. The PAF2 units have a stated maturity of four years, but may be extended to nine years at the election of either the CSG or the holders acting collectively. This election will not be made later than the end of the third year following the grant date. PAF2 units are denominated in United States Dollars. Holders will receive a semi-annual cash interest payment equivalent to an annual return of 6.5% (USD-denominated awards) applied to the then current balance of the PAF2 units. At maturity, PAF2 holders will receive a final settlement in an amount equal to the original award value less any losses. CSG can settle the PAF2 units in cash or an equivalent value in shares at its discretion.

Compensation expense of PAF2 awards will be recognized in the first quarter of 2012 as the awards will have fully vested as of March 31, 2012. These expenses will continue be updated at each reporting period date to reflect any change in the underlying fair value of the PAF2 awards until the awards are finally settled.

Adjustable Performance Plan Awards ('APPAS')

The Adjustable Performance Plan (APP) is a deferred, cash-based plan that links outstanding balances through positive and negative adjustments to future performance. The Company introduced and granted APP awards as part of variable deferred compensation for 2009 (2009 APP). The Company continued to grant APP awards as part of variable deferred compensation for 2010 (2010 APP) and amended and simplified certain features in the 2010 APP to embrace emerging market trends and feedback from regulators.

The 2009 APP awards are subject to a three-year, pro-rata vesting schedule. The final value of the APP awards paid out to individual employees may be adjusted positively or negatively from the initial amount awarded on the grant date, and the value paid out each year for vested awards will reflect these adjustments as described below.

For revenue-generating employees in the divisions, outstanding APP awards can be adjusted positively or negatively depending on the financial performance of the specific business areas in which the employees work. The adjustments are determined on an annual basis by calculating the profit or loss before variable compensation expense and taxes (adjusted profit or adjusted loss) of the business area in which the employee worked at the time of grant and in consideration of the CSG ROE. In the case of a business area adjusted profit and a positive CSG ROE for the year, all outstanding APP awards will be positively adjusted using the CSG ROE percentage for that year as a multiplier. In the case of a business area adjusted profit but a negative CSG ROE for the year, there will be no adjustment to all outstanding APP awards. In the case of a business area adjusted loss during any of the three years in the vesting period, a negative adjustment will be applied to all outstanding APP awards in the year of loss, irrespective of the CSG ROE.

For employees in Shared Services and other support functions, all outstanding APP awards are linked to the CSG's adjusted profit or loss and the CSG ROE, but are not dependent upon the adjusted profit or loss of the business areas that they support. Only an adjusted loss of the CSG will trigger a negative adjustment of all outstanding APP awards. This link to CSG performance is intended to ensure that the compensation of employees in support functions is not directly linked to the performance of the businesses they support.

The 2010 APP awards are similar to the 2009 APP awards, except the pro-rata vesting will occur over a four-year period and the outstanding 2010 APP awards will be subject to annual adjustments, increasing or decreasing the outstanding balances by a percentage equal to the CSG ROE, unless the division that granted the awards incurs a pre-tax loss. In this case, outstanding awards in that division will be subject to a negative adjustment of 15% for every CHF 1 billion of loss, unless a negative CSG ROE applies for that year and is greater than the divisional adjustment.

Total compensation expense for APP Awards recognised during 2011 was USD 243 million (2010: USD 186 million).

Restricted Cash Awards ('RCA')

The cash component of variable compensation is generally free from conditions. However, certain employees received the cash component of variable compensation in the form of a restricted cash award with ratable vesting over a two-year period and other restrictive covenants and provisions. These cash awards were paid in the first quarter of 2011 and must be repaid by the employee, either in part or in full, if a claw-back event such as voluntary termination of employment or termination for cause occurs during the vesting period

Total compensation expense for RCA recognised during 2011 was USD 81 million (2010: USD 31 million).

Stock Options

Stock option awards granted in or before January 2003 for service provided in prior years were fully expensed during the year of service. These stock option awards have a contractual term of one to five years and expire from seven to ten years from the grant date.

Under the CSG AG Master Share Plan, as of January 2004, options over CSG Registered Shares are only granted to employees located in Italy. The exercise price is the higher of the market value of CSG Registered Shares on date of grant or the average share price of CSG Registered Shares for one month prior to and including the date of grant. Options vest in three equal instalments commencing from the first anniversary of the grant date and are exercisable as they vest; the options have a contractual option term of ten years. The CSG has no legal or constructive obligation to repurchase or settle the options in cash.

Movements in the number of share options outstanding are as follows:

	2011		2010	
	in Units	**Weighted average exercise price (CHF)**	**in Units**	**Weighted average exercise price (CHF)**
At 1 January	92,443	52.43	92,443	52.43
Granted	-	-	-	-
Exercised	-	-	-	-
Forfeited	-	-	-	-
At 31 December	**92,443**	**52.43**	**92,443**	**52.43**

The number of options exercisable as at year end was 92,443 (2010: 92,443). The average weighted exercise price of options exercisable at year end was CHF 52.43 (2010: CHF 52.43). The intrinsic value of vested options outstanding as at year end was USD NIL (2010: USD NIL).

Share options outstanding at the end of the year were as follows:

	Exercise Price (CHF)	**31 December 2011**	**31 December 2010**
Jan 2004 Options	CHF 47.75	15,731	15,731
Jan 2005 Options	CHF 48.05	60,345	60,345
Jan 2006 Options	CHF 73.06	16,367	16,367
		92,443	**92,443**

30. Related Parties

The Company is controlled by CSG, its ultimate parent, which is incorporated in Switzerland. The Company's parent company, CS Investment Holdings (UK), which holds all of the voting rights in the undertaking, is incorporated in the UK.

The Company acts primarily in the Investment Banking sector as a financial intermediary for fellow CS group companies in providing investment banking and securities products and services for the Americas, European and Asian regions. The Company acts as one of the main booking entities in the European region for transacting in securities, derivatives and foreign exchange. The Company generally enters into these transactions in the ordinary course of business and these transactions are on market terms that could be obtained from unrelated parties. The Company has extensive transfer pricing policies (revenue sharing and cost plus agreements) to govern its intercompany relationships.

The Company employs the majority of the London based employees and is the sponsoring company for the UK defined benefit pension plan. The Company also holds the main UK leases and service contracts in the UK. The costs associated with these are allocated to fellow CS group companies (see 'Expenses receivable from other CS group companies' in Note 9) based on detailed cost allocation statistics. The Company generally enters into these transactions in the ordinary course of business and these transactions are on market terms that could be obtained from unrelated parties.

a) Related party assets and liabilities

CSS(E)L Group	31 December 2011			31 December 2010 (Restated)[1]		
	Parent	Fellow group companies	Total	Parent	Fellow group companies	Total
Assets (USD million)						
Cash and due from banks	-	15,566	15,566	-	15,004	15,004
Securities purchased under resale agreements and securities borrowing transactions	-	28,979	28,979	-	23,322	23,322
Trading financials assets designated at fair value through profit or loss	-	12,032	12,032	-	9,764	9,764
Financial assets designated at fair value through profit or loss	-	13,367	13,367	-	14,655	14,655
Other loans and receivables	-	1,575	1,575	-	1,483	1,483
Other assets	-	11,235	11,235	-	11,030	11,030
Total assets	**-**	**82,754**	**82,754**	**-**	**75,258**	**75,258**
Liabilities (USD million)						
Deposits	-	3,979	3,979	-	3,537	3,537
Securities sold under repurchase agreements and securities lending transactions	-	19,488	19,488	-	18,128	18,128
Trading financial liabilities designated at fair value through profit or loss	-	12,084	12,084	-	9,153	9,153
Financial liabilities designated at fair value through profit or loss	-	33,847	33,847		21,876	21,876
Short term borrowings	-	36,387	36,387	-	48,041	48,041
Other liabilities	-	11,627	11,627	-	6,780	6,780
Long term debt	-	16,381	16,381	-	16,370	16,370
Share Capital	4,277	-	4,277	3,527	-	3,527
Total liabilities	**4,277**	**133,793**	**138,070**	**3,527**	**123,885**	**127,412**

[1]On 1 January 2011, the CSS(E)L Group voluntarily adopted settlement date accounting for regular-way trading securities replacing trade date accounting. Comparative information has been restated accordingly (see Note 2(b)).

Company	31 December 2011				31 December 2010 (Restated)[1]			
	Parent	Fellow group companies	Subsidiaries and SPEs	Total	Parent	Fellow group companies	Subsidiaries and SPEs	Total
Assets (USD million)								
Cash and due from banks	-	15,566	-	15,566	-	15,004	-	15,004
Securities purchased under resale agreements and securities borrowing transactions	-	28,979	-	28,979	-	23,322	-	23,322
Trading financials assets designated at fair value through profit or loss	-	12,032	285	12,317	-	9,764	2,172	11,936
Financial assets designated at fair value through profit and loss	-	13,367	1,997	15,364		14,655	-	14,655
Other loans and receivables	-	1,575	-	1,575	-	1,483	-	1,483
Other assets	-	11,235	-	11,235	-	11,030	-	11,030
Total assets	**-**	**82,754**	**2,282**	**85,036**	**-**	**75,258**	**2,172**	**77,430**
Liabilities (USD million)								
Deposits	-	3,979	-	3,979	-	3,537	-	3,537
Securities sold under repurchase agreements and securities lending transactions	-	19,488	-	19,488	-	18,128	-	18,128
Trading financials liabilities designated at fair value through profit or loss	-	12,054	30	12,084	-	9,125	28	9,153
Financial liabilities designated at fair value through profit and loss	-	33,834	-	33,834	-	21,876	-	21,876
Short term borrowings	-	36,387	-	36,387	-	48,041	-	48,041
Long term debt	-	16,381	-	16,381	-	16,370	-	16,370
Other liabilities	-	11,627	-	11,627	-	6,780	-	6,780
Share Capital	4,277	-	-	4,277	3,527	-	-	3,527
Total liabilities	**4,277**	**133,750**	**30**	**138,057**	**3,527**	**123,857**	**28**	**127,412**

[1]On 1 January 2011, the CSS(E)L Group voluntarily adopted settlement date accounting for regular-way trading securities replacing trade date accounting. Comparative information has been restated accordingly (see Note 2(b)).

Related party off-balance sheet transactions

CSS(E)L Group and Company (USD million)	31 December 2011			31 December 2010		
	Parent	Fellow group companies	Total	Parent	Fellow group companies	Total
Credit Guarantees	-	283	283	-	84	84
Other Commitments, net	-	12,225	12,225	-	7,980	7,980
Forward reverse repurchase agreements with maturity <1 year	-	2,237	2,237	-	2,502	2,502
Total	**-**	**14,745**	**14,745**	**-**	**10,566**	**10,566**

b) Related party revenues and expenses

CSS(E)L Group (USD million)	31 December 2011			31 December 2010		
	Parent	Fellow group companies	Total	Parent	Fellow group companies	Total
Interest income	-	489	489	-	446	446
Interest expense	-	(1,708)	(1,708)	-	(1,081)	(1,081)
Net interest expense	**-**	**(1,219)**	**(1,219)**	**-**	**(635)**	**(635)**
Commissions and fee income	-	(45)	(45)	-	154	154
Revenue sharing agreements' expense	-	(325)	(325)	-	(599)	(599)
Total non interest revenues	-	**(370)**	**(370)**	**-**	**(445)**	**(445)**
Net operating income / (expense)	**-**	**(1,589)**	**(1,589)**	**-**	**(1,080)**	**(1,080)**
Total operating expenses	-	**(699)**	**(699)**	**-**	**(259)**	**(259)**

c) Remuneration

Disclosure required by the Companies Act 2006

Remuneration of Directors

	2011 USD'000	2010 USD'000 (Restated[1])
Emoluments	3,693	3,240
Long term incentive schemes:		
Amounts Paid under Deferred Cash Awards	2,235	477
Amounts Delivered under Share Based Awards	5,643	11,460
Total	**11,571**	**15,177**
Bank's contributions to defined contribution plan	117	63
Total	**11,688**	**15,240**

Emoluments include amounts paid to or receivable by the Directors. Only vested Cash Retention Awards are included in emoluments. Long term incentive schemes consist of deferred cash awards and share based awards. Deferred cash awards are included in the period when the amounts vest and are paid, and share based awards are included in the period when the amounts vest and are delivered.

Where directors perform services for a number of companies within the CS group, the total remuneration payable to each director has been apportioned to the respective entities based on a time spent per company allocation for that director.

The aggregate of emoluments and deferred cash awards paid to or receivable by the highest paid director was USD 3,238,000 (2010: USD 4,210,000 as restated). The director was also a member of a defined contribution pension plan and the contribution paid during the year into the plan was USD 20,000 (2010: USD Nil as restated). During the year the highest paid director also received an entitlement to shares under a long term incentive scheme.

The amounts included in the Companies Act disclosures are on a different basis than the recognition requirements of IFRS 2 and IAS 37 and the disclosure requirements of IAS 24. The aggregate amount of remuneration accrued in the Company's accounts for directors in accordance with IFRS requirements for 2011 was USD 11,171,000 (2010: USD 11,849,000).

Number of Directors and Benefits	**2011** Number of Directors	**2010** Number of Directors (Restated[1])
Retirement benefits are accruing to the following number of Directors under:		
Defined contribution schemes	6	7
Defined benefit schemes	-	-
No Scheme	1	1
Both defined contribution and defined benefit	5	4
The number of Directors who exercised share options	-	-
Directors in respect of whom services were received or receivable under long term incentive schemes	**12**	**12**

[1] Comparatives have been restated following refinements in the allocation of costs between fellow CS group companies.

Remuneration of Key Management Personnel

	2011	2010 (Restated[1])
Remuneration of Key Management Personnel (USD' 000)		
Emoluments	11,179	11,892
Long term incentive schemes	19,565	21,296
Total	**30,744**	**33,188**
Bank's contributions to defined contribution plan	564	465
Total	**31,308**	**33,653**

The numbers disclosed in the 'Remuneration of Key Management Personnel' are based on amounts accrued in the financial statements for all emoluments and long term incentive schemes.

Where Key Management Personnel perform services for a number of companies within the CS group, the total remuneration payable to each key management person has been apportioned to the respective entities based on a time spent per company allocation for that key management person.

CSG Shares awarded to Key Management Personnel

	2011	2010 (Restated[1])
Number of shares	622,358	570,192

The shares included in the table are the shares accrued in the period under the requirements of IFRS 2. These numbers differ from the share awards included in the Company's Act disclosures above, which are disclosed in the period in which they vest and are delivered.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the CSS(E)L Group, directly or indirectly, including any director of the CSS(E)L Group.

Key management personnel include Directors and the members of EMEA (Europe, Middle East and Africa) Operating Committee.

d) Loans and Advances to Directors and Key Management Personnel

There were no loans outstanding to or due from Directors or key management personnel of the CSS(E)L Group at 31 December 2011 (2010: USD Nil).

[1] Comparatives have been restated following refinements in the allocation of costs between fellow CS group companies.

31. Employees

The average number of persons employed during the year was as follows:

CSS(E)L Group and Company	2011 Number	2010 Number
Front office	1,625	1,706
Back office	3,505	3,272
Total	**5,130**	**4,978**

The CSS(E)L Group receives a range of services from related CS companies. The headcount related to these services received cannot be accurately ascertained and is not therefore included in the above numbers. Additionally CSS(E)L is the main CS employing company in the UK and provides a number of services to other related CS companies. The headcount related to these services cannot be accurately segregated and is therefore included in the above numbers.

32. Derivatives and Hedging Activities

Derivatives are generally either privately negotiated OTC contracts or standard contracts transacted through regulated exchanges. The CSS(E)L Group's most frequently used freestanding derivative products, entered into for trading and risk management purposes, include interest rate, equity, cross currency and credit default swaps, interest rate and foreign currency options, foreign exchange forward contracts, and foreign currency and interest rate futures.

Furthermore, the CSS(E)L Group enters into contracts that are not considered derivatives in their entirety but include embedded derivatives features. Such transactions primarily include issued and purchased structured debt instruments where the return may be calculated by reference to an equity security, index, or third-party credit risk or that have non-standard or foreign currency terms.

On the date the derivative contract is entered into, the CSS(E)L Group designates the derivative as belonging to one of the following categories:

- a trading activity;
- a risk management transaction that does not qualify as a hedge under accounting standards (referred to as an economic hedge); or
- a hedge of the fair value of a recognised asset or liability.

Trading Activities

The CSS(E)L Group is active in most of the principal trading markets and transacts in many popular trading and hedging products. As noted above, this includes the use of swaps, futures, options and structured products (custom transactions using combinations of derivatives) in connection with its sales and trading activities. Trading activities include market-making, positioning and arbitrage activities. The majority of the CSS(E)L Group's derivatives held as at 31 December 2011 were used for trading activities.

Economic Hedges

The CSS(E)L Group uses these derivatives to manage risk on its trading portfolios. However, although these economic hedge relationships are used to manage risk, they do not qualify for hedge accounting treatment under IFRS.

Cash Flow Hedges

The CSS(E)L Group uses cash flow hedging strategies to mitigate its risk to variability of cash flows on forecasted transactions. In addition the table summarises the fair value of derivatives held as cash flow hedges.

Amounts relating to cash flow hedges transferred to profit or loss during the period are reflected as a component of expenses. Net ineffectiveness recognised on cash flow hedges during 2011 was USD Nil (2010: USD Nil). Cash flow hedges affect the profit or loss account in the same period when the expenses are recorded such that the hedged expense is recorded using the locked-in foreign exchange rate.

Net Investment Hedges

The CSS(E)L Group typically uses forward foreign exchange contracts to hedge selected net investments in foreign operations. The objective of these hedging transactions is to protect against adverse movements in foreign exchange rates.

The fair value of open derivative transactions used as net investment hedges for the CSS(E)L Group and Company as at 31 December 2011 was a liability of USD 5.8 million (2010: USD 17.2 million).

Hedge effectiveness assessment

The CSS(E)L Group assesses the effectiveness of hedging relationships both prospectively and retrospectively. The prospective assessment is made both at the inception of a hedging relationship and on an ongoing basis and requires the CSS(E)L Group to justify its expectation that the relationship will be highly effective over future periods. The retrospective assessment is also performed on an ongoing basis and requires the CSS(E)L Group to determine whether or not the hedging relationship has actually been effective. If the CSS(E)L Group concludes, through a retrospective evaluation, that hedge accounting is appropriate for the current period, then it measures the amount of hedge ineffectiveness to be recognised in earnings.

The following table sets forth details of trading and hedging derivatives instruments:

	31 December 2011				31 December 2010			
	Trading		Hedging		Trading		Hedging	
CSS(E)L Group	Positive replacement value	Negative replacement value	Positive replacement value	Negative replacement value	Positive replacement value	Negative replacement value	Positive replacement value	Negative replacement value
Trading and hedging derivatives instruments (USD million)								
Forwards and forward rate agreements	23	23	-	-	12	10	-	-
Swaps	8,876	10,277	-	-	5,837	6,108	-	-
Options bought and sold (OTC)	35	38	-	-	159	159	-	-
Options bought and sold (traded)	2	1	-	-	9	4	-	-
Interest rate products	**8,936**	**10,339**	**-**	**-**	**6,017**	**6,281**	-	-
Forwards and forward rate agreements	998	982	-	6	1,034	1,061	-	17
Swaps	1,558	1,552	-	-	1,391	1,389	-	-
Options bought and sold (OTC)	118	118	-	-	207	205	-	-
Options bought and sold (Traded)	-	-	-	-	-	14	-	-
Foreign exchange products	**2,674**	**2,652**	**-**	**6**	**2,632**	**2,669**	-	**17**
Forwards and forward rate agreements	3	1	-	-	10	15	-	-
Swaps	3,553	3,935	-	-	3,784	4,621	-	-
Options bought and sold (OTC)	196	312	-	-	884	1,173	-	-
Options bought and sold (traded)	525	494	-	-	100	72	-	-
Equity/indexed-related products	**4,277**	**4,742**	**-**	**-**	**4,778**	**5,881**	-	-
Credit Swaps	**263**	**247**	**-**	**-**	**266**	**237**	-	-
Life Finance Related Mortality Swaps	1,018	499	-	-	525	703	-	-
Other products	**1,018**	**499**	**-**	**-**	**525**	**703**	-	-
Total derivative instruments	**17,168**	**18,479**	**-**	**6**	**14,218**	**15,771**	-	**17**

	2011		2010	
CSS(E)L Group	Positive replacement value	Negative replacement value	Positive replacement value	Negative replacement value
Replacement values (USD million)				
Replacement values (trading and hedging) before netting	17,168	18,485	14,218	15,788
Replacement values (trading and hedging) after netting	17,168	18,485	14,218	15,788

	31 December 2011				31 December 2010			
	Trading		Hedging		Trading		Hedging	
Company	Positive replacement value	Negative replacement value	Positive replacement value	Negative replacement value	Positive replacement value	Negative replacement value	Positive replacement value	Negative replacement value
Trading and hedging derivatives instruments (USD million)								
Forwards and forward rate agreements	23	23	-	-	12	10	-	-
Swaps	8,876	10,201	-	-	5,837	6,024	-	-
Options bought and sold (OTC)	35	38	-	-	159	159	-	-
Options bought and sold (traded)	2	1	-	-	9	4	-	-
Interest rate products	**8,936**	**10,263**	**-**	**-**	**6,017**	**6,197**	-	-
Forwards and forward rate agreements	998	982	-	6	1,034	1,061	-	17
Swaps	1,558	1,552	-	-	1,391	1,389	-	-
Options bought and sold (OTC)	118	118	-	-	207	205	-	-
Options bought and sold (Traded)	-	-	-	-	-	14	-	-
Foreign exchange products	**2,674**	**2,652**	**-**	**6**	**2,632**	**2,669**	-	**17**
Forwards and forward rate agreements	3	1	-	-	10	15	-	-
Swaps	3,553	3,935	-	-	3,784	4,621	-	-
Options bought and sold (OTC)	196	312	-	-	884	1,173	-	-
Options bought and sold (traded)	525	494	-	-	100	73	-	-
Equity/indexed-related products	**4,277**	**4,742**	-	-	**4,778**	**5,882**	-	-
Credit Swaps	**263**	**247**	**-**	**-**	**266**	**237**	**-**	**-**
Life Finance Related Mortality Swaps	1,304	469	-	-	2,697	675	-	-
Other products	**1,304**	**469**	**-**	**-**	**2,697**	**675**	**-**	**-**
Total derivative instruments	**17,454**	**18,373**	**-**	**6**	**16,390**	**15,660**	-	**17**

Company	**2011**		**2010**	
	Positive replacement value	Negative replacement value	Positive replacement value	Negative replacement value
Replacement values (USD million)				
Replacement values (trading and hedging) before netting	17,454	18,379	16,390	15,677
Replacement values (trading and hedging) after netting	17,454	18,379	16,390	15,677

33. Guarantees and Commitments

In the ordinary course of business, the CSS(E)L Group and Company enter into contractual commitments involving financial instruments with off-balance sheet risk. These financial instruments include financial guarantees, interest rate swaps, interest rate caps and floors written, forwards and futures contracts, options contracts written, currency swaps and currency options. The following tables set forth details of contingent liabilities associated with guarantees and other commitments:

CSS(E)L Group and Company	Maturity				Total gross	Collateral	Net of
31 December 2011	**<year**	**1-3 years**	**3-5 years**	**>5 years**	**amount**	**received**	**collateral**
Guarantees (USD million)							
Credit guarantees and similar instruments	-	-	-	283	**283**	-	283
Total guarantees	**-**	**-**	**-**	**283**	**283**	**-**	**283**

CSS(E)L Group and Company	Maturity				Total gross	Collateral	Net of
31 December 2011	**<year**	**1-3 years**	**3-5 years**	**>5 years**	**amount**	**received**	**collateral**
Other commitments (USD million)							
Forward reverse repurchase agreements with maturity <1 year	27,543	-	-	-	**27,543**	**-**	**27,543**
Total other commitments	**27,543**	**-**	**-**	**-**	**27,543**	**-**	**27,543**

CSS(E)L Group and Company	Maturity				Total gross	Collateral	Net of
31 December 2010	**<year**	**1-3 years**	**3-5 years**	**>5 years**	**amount**	**received**	**collateral**
Guarantees (USD million)							
Credit guarantees and similar instruments	-	-	-	84	**84**	**-**	**84**
Total guarantees	**-**	**-**	**-**	**84**	**84**	**-**	**84**

CSS(E)L Group and Company	Maturity				Total gross	Collateral	Net of
31 December 2010	**<year**	**1-3 years**	**3-5 years**	**>5 years**	**amount**	**received**	**collateral**
Other commitments (USD million)							
Forward reverse repurchase agreements with maturity <1 year	41,102	-	-	-	**41,102**	**-**	**41,102**
Total other commitments	**41,102**	**-**	**-**	**-**	**41,102**	**-**	**41,102**

Forward reverse repurchase agreements represent transactions in which the initial cash exchange of the reverse repurchase transaction takes place on a specified future date.

Credit guarantees are contracts that require the CSS(E)L Group to make payments, should a third party fail to do so under a specified existing credit obligation. For example, in connection with its corporate lending business and other corporate activities, the CSS(E)L Group provides guarantees to counterparties in the form of standby letters of credit, which represent obligations to make payments to third parties if the counterparty fails to fulfill its obligation under a borrowing arrangement or other contractual obligation.

The CSS(E)L Group manages its exposure to these derivatives by engaging in various hedging strategies. For some contracts, such as written interest rate caps or foreign exchange options, the maximum payout is not determinable, as interest rates or exchange rates could theoretically rise without limit. For these contracts, notional amounts are disclosed in the table above in order to provide an indication of the underlying exposure. In addition, the CSS(E)L Group carries all derivatives at fair value in the Statement of Financial Position.

Lease Commitments

The following table sets forth details of future minimum operating lease commitments under non-cancellable operating leases:

CSS(E)L Group and Company	2011	2011	2010	2010
Operating lease commitments (USD million)	**Total**	**of which rental**	**Total**	**of which rental**
Up to 1 year	34	31	42	37
From 1 year and no later than 5 years	146	134	143	122
From 5 years and over	437	397	444	423
Future operating lease commitments	**617**	**562**	**629**	**582**
Less minimum non-cancellable sublease rentals	-	-	(15)	(11)
Total net future minimum lease commitments	**617**	**562**	**614**	**571**

The following table sets forth details of rental expenses for all operating leases:

CSS(E)L Group and Company	2011	2011	2010	2010
Net rental expense (USD million)	**Total**	**of which rental**	**Total**	**of which rental**
Minimum rentals	42	38	43	38
Sublease rental income	-	-	(3)	(2)
Total net rental expenses	**42**	**38**	**40**	**36**

During the year, there was no sublease rental income resulting from the cessation of the sub lease arrangement.

Contingent Liabilities and Other Commitments

In the ordinary course of business, the CSS(E)L Group and Company enter into contractual commitments involving financial instruments with off balance sheet risk. These financial instruments include financial guarantees, interest rate swaps, interest rate caps and floors written, forwards and futures contracts, options contracts written, currency swaps and currency options.

The Company has granted to Morgan Guaranty Trust Company of New York a fixed charge over all American Depository Receipts ('ADR's) held by that company on behalf of the Company, and over all rights, claims and interests in the relevant underlying securities. At 31 December 2011, the Company held ADRs to the value of USD 316 million (2010: USD 661 million).

The Company has granted to Morgan Guaranty Trust Company of New York, as operator of the Euroclear System, a charge over cash and securities held in the account of the Company at Euroclear.

The Company has granted to Morgan Guaranty Trust Company of New York a first fixed charge over all sums standing to the credit of the collateral accounts in the name of the Company together with all rights actual or contingent in respect thereof.

The Company has entered into tenancy agreement with Pennant Investment limited for all the monies due or to become due from the company to chargee under the terms of tenancy agreements.

The Company has granted to Midland bank PLC, a charge (first fixed) over all the sums receivable by the company in respect of any transfer or debit of stock or other securities and first floating charge on all the right title and interest to and in stock and other securities.

The Company has entered into a security deed with Midland bank PLC, with regards to all the monies due or to become due from the company to chargee on any account in connection with a provision of CGO Settlement bank facilities and subsequently entered into a supplementary deed for any controlled accounts in relation to the above security deed.

The Company has granted to HSBC Bank Plc a first fixed charge over all sums receivable by the Company in respect of any transfer or debit of stock or other securities and a first floating charge over the title and interest in the stock and securities in connection with the provision of CGO Settlement Bank facilities.

The Company has granted a pledge of securities and claims to a syndicate of banks whose lead bank is Citibank. This pledge is for all present and future securities, bonds, notes, certificates of deposits, instruments or rights representing property rights or claims as well as all other debentures which may be pledged in the same form as securities, according to Luxembourg Law.

The Company has granted a first fixed charge to HSBC Bank Plc as Settlement Bank over certain receivables in respect of the Company's membership of CREST, and a first floating charge over all eligible stock and other sums due to the Company against failure of the Company to meet its obligations under the Settlement Bank Facility agreement with HSBC Bank Plc.

The Company has granted to The Bank of New York a charge over all securities held in the Company's account with The Bank of New York as security for payment and discharge of secured obligations.

The Company has granted to Glaxosmithkline Export Ltd a charge over Euroclear securities.

The Company has granted to Emerging Markets Clearing Corporation ('EMCC') a charge over all assets and property including all securities and cash on deposit with EMCC as security over any and all obligations and liabilities of the Company to the chargee and a charge over eligible treasury securities forming part of the collateral.

The Company has granted to The Bank of New York a charge over all debenture for all the monies due to become due from company to chargee under the terms of debentures creating or evidencing changes. This is floating charge on securities of deposits and any other assets.

The Company has granted to Banco Santander Central Hispano S.A a charge over all securities, to Deutsche Bank AG (London Branch) a charge over all rights, title and interest to and in all deposited instruments.

The Company has granted to Credit Suisse (London Branch) a charge over all proceeds, products, accessions, rents, profits, as well as rights, title and interest in equity interests in trust or any warrants, and a charge over security interests, covering the right title and interest of the pledger as holder of equity interests in trust or any warrants and also pledged the same.

The Company has granted to Credit Suisse a revolving Credit Facility, a charge over all proceeds, products, accessions, rents, profits, as well as rights, title and interest in equity interests in trust or any warrants, and a charge over security interests, covering the right title and interest of the pledger as holder of equity interests in trust or any warrants.

The Company granted to China Sunergy Co Ltd a charge over the deposits held in the charged account and to Trina Solar Limited a first fixed charge over the deposits held in the charged account.

The Company has granted to European Central Counterparty Limited, as operator of the Euroclear System, a charge over securities held in the account of the Company at Euroclear, over all cash margin amounts, all cash contributions, all certified securities, all uncertified securities, floating charge all securities and other property deliverable.

The Company has granted a charge to Natixis Securities in connection with the Repurchase agreement (the "Secured Obligations"), by way of first fixed charge over full title guarantee of all its rights, title and interest in and to the collateral related to all obligations and liabilities as at 25 November 2009 and in futures owing or incurred by charger.

The Company has pledged to Natixis Securities, with regards to Securities and Cash in its connection with the Repurchase agreement (the "Secured Obligations"), by way of a first ranking pledge for a priority right to the payment out of asset pledged i.e. pledged collateral of which the margined value is at least equal to the transaction amount as a security for the discharge and payment of secured liabilities related to all obligations and liabilities as at 25 November 2009 and in futures owing or incurred by pledgor.

The Company has pledged to Natixis Securities, with regards to Securities and Cash in connection with the Repurchase agreement (the "Secured Obligations"), by way of first ranking pledge for a priority right to the payment out of asset pledged i.e. pledged collateral of which the margined value is at least equal to the transaction amount as a security for the discharge and payment of secured liabilities related to all obligations and liabilities as at 13 April 2010 and in futures owing or incurred by pledgor.

The Company has granted a charge to Natixis Securities in connection with the Repurchase agreement (the "Secured Obligations"), by way of first fixed charge over full title guarantee all of it rights, title and interest in and to the collateral related to all obligations and liabilities as at 13 April 2010 and in futures owing or incurred by charger.

The Company has pledged to Dekabank Deutsche Girozentrale, with regards to Securities and Cash Under Belgian Law in connection with the Repurchase agreement (the "Secured Obligations") for all the present and future obligations and liabilities of Credit Suisse International (CSi) under the CSi Repurchase Agreement, by way of first ranking pledge for a priority right to the payment out of asset pledged i.e. pledged collateral of which the margined value is at least equal to the transaction amount as a security for the discharge and payment of secured liabilities related to all obligations and liabilities as at 22 April 2010 and in futures owing or incurred by pledgor.

The Company has granted a charge to Credit Suisse First Boston Trustees Limited in connection with all the Obligation under the Contribution Agreement (the "Secured Obligations"), by way of first fixed charge over accounts and securities with a full title guarantee all its present and future rights title and interest in or to the account and the securities and all amounts (including interest) as at 15 July 2010 or in future standing credit of or accrued or accruing on the account and securities.

The Company has pledged to Zurcher Kantonalbank, with regards to Cash and Pledged securities in connection with the Repurchase agreement (the "Secured Obligations") for all the present and future obligations and liabilities under Repurchase Agreement, by way of the pledged collateral of which the margined value is at least equal to the aggregate required collateral amount as security for the discharge of the payments of the secured liabilities as at 30 July 2010 and in futures owing or incurred by pledgor.

The Company has pledged to Natixis securities, with regards to Securities and Cash Under Belgian Law in connection with the Repurchase agreement (the "Secured Liabilities") for all the present and future obligations and liabilities of securities held in Euroclear, by way of right to the payment out of asset pledged i.e. pledged collateral of which the margined value is at least equal to the transaction amount as a security for the discharge and payment of secured liabilities related to all obligations and liabilities as at 16 August 2010 and in futures owing or incurred by pledgor.

The Company has granted a charge to Natixis Securities in connection with the securities held in Euroclear as per Belgian Law (the "Secured Liabilities"), by way of first fixed charge over full title guarantee all of it rights, title and interest in and to the secured liabilities related to all obligations and liabilities as at 16 August 2010 and in futures owing or incurred by charger.

The Company has pledged to Citibank, with regards to Securities and Cash in connection with the securities agreement (the "Secured Liabilities") for all the present and future obligations and liabilities of securities held in Euroclear, by way of right to the payment out of asset pledged i.e. pledged collateral of which the margined value is at least equal to the transaction amount as a security for the discharge and payment of secured liabilities related to all obligations and liabilities as at 15 September 2010 and in futures owing or incurred by pledgor.

The Company has amended and restated the master clearing agreement with Citibank, with regards to all the monies due or to become due from the company to any clearing agent on any account in connection with the monies due for the clearing charges for all the present and future obligations and liabilities of same, by way of right in respect of the transaction in securities in connections with the services provided under the agreement as at 22 November 2010 and in futures owing or incurred by charger.

During the year, the Company has pledged to Maple Bank GMBH, with regards Cash and pledged securities in connection with the Repurchase agreement (the "Secured Obligations") for all the present and future obligations and liabilities under Repurchase Agreement, by way of the pledged collateral of which the margined value is at least equal to the aggregate required collateral amount as security for the discharge of the payments of the secured liabilities as at 12 April 2011 and in futures owing or incurred by pledgor.

During the year, the Company has entered into a supplementary security deed with European Central Counterparty Limited (ECCL) in connection with full title guarantee charged to ECCL as continuing security for the payments or discharge of secured sums, all its rights, title and interest to all inter operating margin fund contributions made now or in future as at 25 July 2011 and in futures owing or incurred by charger.

During the year, the Company has pledged to European Central Counterparty Limited (ECCL), with regards to securing the dues and full payment or discharged of secured sums to which the Company has pledged collateral as a first ranking security as at 25 July 2011 and in futures owing or incurred by pledgor.

During the year, the Company has granted a charge to ITV Pension scheme limited acting as a trustee for account of ITVA section of ITV pension scheme in connection with all the Obligation continuing security for the discharge of the "Secured Obligations", by way of first fixed charge over accounts and securities with a full title guarantee all its present and future rights title and interest in or to the account and the "Secured Obligations", and all amounts (including interest) as at 19 August 2011 or in future.

During the year, the Company has pledged to Dekabank Deutsche Girozentrale, with regards Cash and pledged securities in connection with the Repurchase agreement (the "Secured Obligations") for all the present and future obligations and liabilities under Repurchase Agreement, by way of the pledged collateral of which the margined value is at least equal to the aggregate required collateral amount as security for he discharge of the payments of the secured liabilities as at 19 December 2011 and in futures owing or incurred by pledgor.

The Company is party to various legal proceedings as part of its normal course of business. The directors of the Company believe that the aggregate liability, if any, resulting from these proceedings will not materially prejudice the financial position of the Company and have been provided for where deemed necessary.

34. Securitisations, Special Purpose Entities and Other Structured Transactions

The CSS(E)L Group is involved in the formation of Special Purpose Entities ('SPEs') primarily for the purpose of providing clients with structured investment opportunities, asset securitisation transactions and for buying or selling credit protection. The CSS(E)L Group consolidates SPEs when the substance of the relationship between the CSS(E)L Group and the SPE indicates that the SPE is controlled by the CSS(E)L Group. Consideration is given to the CSS(E)L Group's ability to control the activities of the SPE and the CSS(E)L Group's exposure to the risks and benefits of the SPE. SPE exposures as at the end of 2011 are as follows:

	2011	2010
Consolidated SPEs (USD million)		
Financial intermediation	2,942	3,009
Total assets of consolidated SPEs	**2,942**	**3,009**

	2011	2010 (Restated[1])
Non-consolidated SPEs (USD million)		
CDO	905	850
Financial intermediation	24,130	21,773
Total assets of non-consolidated SPEs	**25,035**	**22,623**

Non - Consolidated SPE

Total maximum exposure to loss of non-consolidated SPEs	**2011**	**2010 (Restated[1])**
CDO	7	56
Financial intermediation	2,308	2,165

The Company will consider all possible trigger events which would impact upon the control of an SPE as set out in Note 3, including those the Company does not currently consolidate, and reflect this in our current determination as to whether or not the Company should consolidate.

The non-consolidated SPEs are where the Company has a continuing involvement with the SPE, including both, the Company sponsored and third party sponsored, and does not have the majority of the risks and rewards of ownership. The aggregate Statement of Financial Position value (including amounts held with the Company) in relation to Consolidated SPEs is shown below.

[1]Restated for refinement in methodology for the calculation of the CSS(E)L Group's exposure to non-consolidated SPEs.

Consolidated SPEs

CSS(E)L Group	2011	2010
Assets (USD million)		
Cash and due from banks	99	99
Trading financial assets at fair value through profit or loss	126	426
Financial assets designated at fair value through profit or loss	2,159	2,151
Financial assets available-for-sale	5	3
Other assets	553	330
Total assets	**2,942**	**3,009**
Liabilities (USD million)		
Trading financial liabilities at fair value through profit or loss	406	2,291
Financial liabilities designated at fair value through profit or loss	2,392	273
Long term debt	129	429
Other liabilities	16	17
Total liabilities	**2,943**	**3,010**
Shareholders' equity		
Retained earnings	(1)	(1)
Total shareholders' equity	**(1)**	**(1)**
Total liabilities and shareholders' equity	**2,942**	**3,009**

The Company continues to consolidate life insurance trusts. These trusts hold life insurance contracts and life annuity contracts.

35. Financial Instruments

Fair value of financial instruments carried at fair value

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The fair value of the majority of the CSS(E)L Group's financial instruments is based on quoted prices in active markets or observable inputs. These instruments include government and agency securities, certain Commercial Paper (CP), most investment grade corporate debt, certain high yield debt securities, exchange-traded and certain OTC derivative instruments and most listed equity securities.

In addition, the CSS(E)L Group holds financial instruments for which no prices are available and which have little or no observable inputs. Further deterioration of financial markets could significantly impact the value of these financial instruments and the results of operations. For these instruments, the determination of fair value requires subjective assessment and varying degrees of judgement, depending on liquidity, concentration, pricing assumptions, the current economic and competitive environment and the risks affecting the specific instrument. In such circumstances, valuation is determined based on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. These instruments include certain OTC derivatives, most mortgage-related and CDO securities, certain equity derivatives and equity-linked securities, certain loans and credit products, including leveraged finance, certain syndicated loans and certain high-grade bonds, and life insurance instruments.

The fair value of financial assets and liabilities is impacted by factors such as benchmark interest rates, prices of financial instruments issued by third parties, commodity prices, foreign exchange rates and index prices or rates. In addition, valuation adjustments are an integral part of the valuation process when market prices are not indicative of the credit quality of a counterparty, and are applied to both OTC derivatives and debt instruments. The impact of changes in a counterparty's credit spreads (known as credit valuation adjustments) is considered when measuring the fair value of assets and the impact of changes in the CSS(E)L Group's own credit spreads (known as debit valuation adjustments) is considered when measuring the fair value of its liabilities. For OTC derivatives, the impact of changes in both the CSS(E)L Group's and the counterparty's credit standing is considered when measuring their fair value, based on current CDS prices. The adjustments also take into account contractual factors designed to reduce the CSS(E)L Group's credit exposure to a counterparty, such as collateral held and master netting agreements. For hybrid debt instruments with embedded derivative features, the impact of changes in the CSS(E)L Group's credit standing is considered when measuring their fair value, based on current funded debt spreads.

The CVA adjustment is computed on a portfolio basis, by integrating the discounted recovery-adjusted expected positive exposure of the underlying portfolio over the counterparty default period between today and the final maturity of the portfolio. The default probabilities are determined from CDS spreads.

Fair value hierarchy

The financial instruments carried at fair value were categorised under the three levels of the IFRS fair value hierarchy as follows:

- Level 1: Quoted market prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Inputs for the asset or liability that is not based on observable market data (unobservable inputs).

For cash and other liquid assets and money market instruments maturing within three months, the fair value is generally based on observable inputs. For those items with a stated maturity exceeding three months, fair value is calculated using a discounted cash flow analysis.

Qualitative disclosures of valuation techniques

Money market instruments

Traded money market instruments include instruments such as bankers' acceptances, certificates of deposit, commercial papers, book claims, treasury bills and other rights, which are held for trading purposes. Valuations of money market instruments are generally based on observable inputs.

Debt securities

Government debt securities typically have quoted prices in active markets and are categorised as Level 1 instruments. For debt securities for which market prices are not available, valuations are based on yields reflecting credit rating, historical performance, delinquencies, loss severity, the maturity of the security, recent transactions in the market or other modelling techniques, which may involve judgement. For those securities where the price or model inputs are observable in the market they are categorised as Level 2 instruments, while those securities where prices are not observable and significant model inputs are unobservable they are categorised as Level 3 instruments.

Corporate bonds

Corporate bonds are priced to reflect current market levels either through recent market transactions or to broker or dealer quotes. Where a market price for the particular security is not directly available, valuations are obtained based on yields reflected by other instruments in the specific or a similar entity's capital structure and adjusting for differences in seniority and maturity, benchmarking to a comparable security where market data is available (taking into consideration differences in credit, liquidity and maturity) or through the application of cash flow modelling techniques utilising observable inputs, such as current interest rate curves and observable CDS spreads.

The majority of Corporate Bonds are categorised as Level 2.

Commercial Mortgage Backed Securities (CMBS), Residential Mortgage Backed Securities (RMBS) and ABS/CDO structures

Values of RMBS, CMBS and other ABS/CDO structures may be available through quoted prices, which are often based on the prices at which similarly structured and collateralised securities trade between dealers and with customers. Values of RMBS, CMBS and other ABS for which there are no significant observable inputs are valued using benchmarks to similar transactions or indices and other valuation models. For most structured debt securities, the determination of fair value requires subjective assessment depending on liquidity, ownership concentration, and the current economic and competitive environment. Valuation is determined based on management's own assumptions about how market participants would price the asset.

Collateralised bond and loan obligations are split into various structured tranches and each tranche is valued based upon its individual rating and the underlying collateral supporting the structure. Valuation models are used to value both cash and synthetic CDOs.

The majority of CMBS/RMBS/ABS/CDO structures are categorised as Level 3.

Equity securities

The majority of the CSS(E)L Group's positions in equity securities are traded on public stock exchanges for which quoted prices are readily and regularly available and are therefore categorised as Level 1 instruments. Level 2 equities include fund-linked products, convertible bonds or equity securities with restrictions and therefore are not traded in active markets.

Fund-linked products

Fund-linked products consist of investments in third-party hedge funds and funds of funds. The method of measuring fair value for these investments is the same as those described for other alternative capital investments below.

Convertible bonds

Convertible bonds are generally valued using observable pricing sources. For a small minority of convertible bonds, no observable prices are available, and valuation is determined using internal and external models, for which the key inputs include stock prices, dividend rates, credit spreads (corporate and sovereign), yield curves, foreign exchange rates, prepayment rates, borrowing costs, single stock and equity market volatility.

Derivatives

Derivatives held for trading purposes or used in hedge accounting relationships include both OTC and exchange traded derivatives.

The fair values of exchange-traded derivatives measured using observable exchange prices are included in Level 1 of the fair value hierarchy. Some observable exchange prices may not be considered executable at the reporting date and may have been adjusted for liquidity concerns. For those instruments where liquidity adjustments have been made to the exchange price, such as long-dated option contracts, the instrument has been included in Level 2 of the fair value hierarchy.

The fair values of OTC derivatives are determined on the basis of either industry standard models or internally developed proprietary models. Both model types use various observable and unobservable inputs in order to determine fair value. The inputs include those characteristics of the derivative that have a bearing on the economics of the instrument.

The determination of the fair value of many derivatives involves only a limited degree of subjectivity because the required inputs are observable in the marketplace, while more complex derivatives may use unobservable inputs that rely on specific proprietary modelling assumptions. Examples of such specific unobservable inputs include long-dated volatility assumptions on OTC option transactions and recovery rate assumptions for credit derivative transactions.

Where observable inputs are not available, attempts are made to infer values from observable prices through model calibration (spot and forward rates, benchmark interest rate curves and volatility inputs for commonly traded option products). For inputs that cannot be derived from other sources, estimates from historical data may be made.

OTC derivatives where the majority of the value is derived from market observable inputs are categorised as Level 2 instruments, while those where the majority of value is derived from unobservable inputs are categorised as Level 3 instruments.

Interest rate derivatives

OTC vanilla interest rate products, such as interest rate swaps, swaptions, and caps and floors are valued by discounting the anticipated future cash flows. The future cash flows and discounting rates are derived from market standard yield curves and industry standard volatility inputs. Where applicable, exchange-traded prices are also used to value exchange traded futures and options and can be used in yield curve construction.

For more complex products, inputs include, but are not limited to basis swap spreads, constant maturity convexity adjustments, constant maturity treasury spreads, inflation index correlations, inflation seasonality, single and quanto interest rate correlations, cross asset correlations, mean reversion, serial correlation and conditional prepayment rate assumptions.

CSS(E)L Group primarily uses LIBOR curves as part of its valuation of derivative instruments to discount future expected cash flows.

Foreign exchange derivatives

Foreign exchange derivatives include vanilla products such as spot, forward and option contracts where the anticipated discounted future cash flows are determined from foreign exchange forward curves and industry standard optionality modelling techniques. Where applicable, exchange traded prices are also used for futures and option prices. For more complex products inputs include, but are not limited to foreign exchange rate correlations, quanto cross asset correlations and volatility skew assumptions.

Equity derivatives

Equity derivatives include vanilla options and swaps in addition to different types of exotic options. Inputs for equity derivatives can include borrowing costs, dividend curves, equity to equity correlations, equity to foreign exchange rate correlations, single name and index volatility, fund gap risk, fund volatility, interest rate to equity correlation and yield curve.

Credit derivatives

Credit derivatives include index and single name CDSs in addition to more complex structured credit products. Vanilla products are valued using industry standard models and inputs that are generally market observable including credit spreads and recovery rates.

Complex structured credit derivatives are valued using proprietary models requiring inputs such as credit spreads, recovery rates, credit volatilities, default correlations, cash/synthetic basis spreads and prepayment rates. These input parameters are generally implied from available market observable data.

Commodity derivatives

Commodity derivatives include forwards, vanilla and exotic options, swaps, swaptions, and structured transactions. Vanilla products are generally valued using industry standard models, while more complex products may use proprietary models. Commodity derivative model inputs include cross commodity correlation, foreign exchange commodity correlation, commodity forward rate curves, spot prices, commodity volatility and yield curves. Inputs can be validated from executed trades, broker and consensus data. In other cases, historic relationships may be used to estimate model inputs.

Other financial assets designated at fair value through profit or loss

Other financial assets designated at fair value through profit or loss includes cash and synthetic life finance instruments and other alternative capital investments.

Cash and synthetic life finance instruments

Cash instruments include Single Premium Insurance Annuity (SPIA), premium finance, and life settlement contracts at fair value, whereas synthetic instruments include longevity swaps, options and notes. These instruments are valued using proprietary models using several inputs however; central to the calculation of fair value for life finance instruments is the estimate of mortality rates. Individual mortality rates are typically obtained by multiplying a base mortality curve for the general insured population provided by a professional actuarial organisation together with an individual-specific multiplier. Individual specific multipliers are determined based on data from third-party life expectancy data providers, which examine insured individual's medical conditions, family history and other factors to arrive at a life expectancy estimate. In addition to mortality rates, discount rates and credit spreads are also inputs into the valuation of life finance instruments.

Due to the limited observability in the market of mortality rates the vast majority of life finance instruments are categorised as level 3 instruments.

Other alternative capital investments

Other long-term investments include direct investments and investments in partnerships that make related investments in various portfolio companies and funds. Other long-term investments consist of both publicly traded securities and private securities. Publicly traded investments that are restricted or that are not quoted in active markets are valued based on quotes with appropriate adjustments for liquidity or trading restrictions. Private securities are valued taking into account a number of factors, such as the most recent round of financing involving unrelated new investors, earnings multiple analyses using comparable companies or discounted cash flow analyses. Internally managed funds, which are substantially all of the CSS(E)L Group's investments, include partnerships and related direct investments for which the CSS(E)L Group acts as the fund's advisor and makes investment decisions. Internally managed funds principally invest in private securities and, to a lesser extent, publicly traded securities and fund of funds partnerships. The fair value of investments in internally managed fund of funds partnerships is based on the valuation received from the underlying fund manager and is reviewed by the CSS(E)L Group. The fair value of investments in other internally managed funds is based on the CSS(E)L Group's valuation. Funds managed by third parties include investments in funds managed by an external fund manager. The fair value of these funds is based on the valuation received from the general partner of the fund and is reviewed by the CSS(E)L Group.

Short-term borrowings and long-term debt

The CSS(E)L Group's short-term borrowings and long-term debt include structured notes (hybrid financial instruments that are both bifurcatable and non-bifurcatable) and vanilla debt. The fair value of structured notes is based on quoted prices, where available. When quoted prices are not available, fair value is determined by using a discounted cash flow model incorporating the CSS(E)L Group's credit spreads, the value of derivatives embedded in the debt and the residual term of the issuance based on call options. Derivatives structured into the issued debt are valued consistently with the firms' stand-alone derivatives as discussed above. The fair value of structured debt is heavily influenced by the combined call options and performance of the underlying derivative returns.

Vanilla debt is fair valued to the new issue market using risk-free yield curves for similar maturities and the CSS(E)L Group's own credit spread. Long-term debt instruments are categorised between Level 2 and Level 3.

Financial assets and liabilities by categories

The following table details the fair value of financial instruments for which it is practicable to estimate that value, whether or not this is reported in the CSS(E)L Group's Financial Statements. All non-financial instruments such as lease transactions and property, equipment and intangible assets are excluded.

Financial instruments are measured on an ongoing basis either at fair value or at amortised cost. The following table sets out the carrying amounts and fair values of the CSS(E)L Group's financial instruments.

31 December 2011			Carrying amount			Total fair value
CSS(E)L Group (USD million)	Total carrying value	Held for trading	Designated at fair value	Loans and receivables	Available for sale	
Financial Assets						
Cash and due from banks	**19,914**	-	-	19,914	-	**19,914**
Securities purchased under resale agreements and securities borrowing transactions	**36,202**	-	-	36,202	-	**36,202**
Trading financial assets at fair value through profit or loss	**73,536**	73,536	-	-	-	**73,536**
Financial assets designated at fair value through profit or loss	**103,423**	-	103,423	-	-	**103,423**
Financial assets available-for-sale	**35**	-	-	-	35	**35**
Other loans and receivables	**1,575**	-	-	1,575	-	**1,756**
Other assets	**40,660**	-	-	40,660	-	**40,660**
Total Financial assets	**275,345**	**73,536**	**103,423**	**98,351**	**35**	**275,526**

31 December 2011		Carrying Amount			Total fair value
CSS(E)L Group (USD million)	Total carrying value	Held for trading	Designated at fair value	Other amortised cost	
Financial Liabilities					
Deposits	**4,305**	-	-	4,305	**4,305**
Securities sold under repurchase agreements and securities lending transactions	**34,460**	-	-	34,460	**34,460**
Trading financial liabilities at fair value through profit or loss	**47,257**	47,257	-	-	**47,257**
Financial liabilities designated at fair value through profit or loss	**87,422**	-	87,422	-	**87,422**
Short term borrowings	**36,416**	-	-	36,416	**36,858**
Other liabilities	**45,341**	-	-	45,341	**45,341**
Long term debt	**16,510**	-	-	16,510	**18,433**
Total Financial liabilities	**271,711**	**47,257**	**87,422**	**137,032**	**274,076**

31 December 2010	Carrying amount					Total fair value
CSS(E)L Group (USD million)	**Total carrying amount**	**Held for trading (Restated)[1]**	**Designated at fair value**	**Loans and receivables (Restated)[1]**	**Available for sale**	
Financial Assets						
Cash and due from banks	**20,344**	-	-	20,344	-	**20,344**
Securities purchased under resale agreements and securities borrowing transactions	**28,978**	-	-	28,978	-	**28,978**
Trading financial assets at fair value through profit or loss	**90,598**	90,598	-	-	-	**90,598**
Financial assets designated at fair value through profit or loss	**102,526**	-	102,526	-	-	**102,526**
Financial assets available-for-sale	**37**	-	-	-	37	**37**
Other loans and receivables	**1,483**	-	-	1,483	-	**1,738**
Other assets	**35,199**	-	-	35,199	-	**35,199**
Total Financial assets	**279,165**	**90,598**	**102,526**	**86,004**	**37**	**279,420**

31 December 2010	Carrying amount				Total fair value
CSS(E)L Group (USD million)	**Total carrying amount**	**Held for trading (Restated)[1]**	**Designated at fair value**	**Other amortised cost (Restated)[1]**	
Financial Liabilities					
Deposits	**3,935**	-	-	3,935	**3,935**
Securities sold under repurchase agreements and securities lending transactions	**37,170**	-	-	37,170	**37,170**
Trading financial liabilities at fair value through profit or loss	**46,736**	46,736	-	-	**46,736**
Financial liabilities designated at fair value through profit or loss	**86,540**	-	86,540	-	**86,540**
Short term borrowings	**48,049**	-	-	48,049	**48,068**
Other liabilities	**36,423**	-	-	36,423	**36,423**
Long term debt	**16,798**	-	-	16,798	**18,579**
Total Financial liabilities	**275,651**	**46,736**	**86,540**	**142,375**	**277,451**

[1]On 1 January 2011, the CSS(E)L Group voluntarily adopted settlement date accounting for regular-way trading securities replacing trade date accounting. Comparative information has been restated accordingly (see Note 2(b)).

1 January 2010	Carrying amount					Total fair value
CSS(E)L Group (USD million)	**Total carrying amount**	**Held for trading (Restated)[1]**	**Designated at fair value**	**Loans and receivables (Restated)[1]**	**Available for sale**	
Financial Assets						
Cash and due from banks	**13,051**	-	-	13,051	-	**13,051**
Securities purchased under resale agreements and securities borrowing transactions	**41,716**	-	-	41,716	-	**41,716**
Trading financial assets at fair value through profit or loss	**72,864**	72,864	-	-	-	**72,864**
Financial assets designated at fair value through profit or loss	**101,448**	-	101,448	-	-	**101,448**
Financial assets available-for-sale	**36**	-	-	-	36	**36**
Other loans and receivables	**1,483**	-	-	1,483	-	**1,746**
Other assets	**31,662**	-	-	31,662	-	**31,662**
Total Financial assets	**262,260**	**72,864**	**101,448**	**87,912**	**36**	**262,523**

1 January 2010	Carrying amount				Total fair value
CSS(E)L Group (USD million)	**Total carrying amount**	**Held for trading (Restated)[1]**	**Designated at fair value**	**Other amortised cost (Restated)[1]**	
Financial Liabilities					
Deposits	**2,327**	-	-	2,327	**2,327**
Securities sold under repurchase agreements and securities lending transactions	**47,380**	-	-	47,380	**47,380**
Trading financial liabilities at fair value through profit or loss	**48,543**	48,543	-	-	**48,543**
Financial liabilities designated at fair value through profit or loss	**86,687**	-	86,687	-	**86,687**
Short term borrowings	**38,973**	-	-	38,973	**38,984**
Other liabilities	**31,600**	-	-	31,600	**31,600**
Long term debt	**2,721**	-	-	2,721	**2,982**
Total Financial liabilities	**258,231**	**48,543**	**86,687**	**123,001**	**258,503**

[1]On 1 January 2011, the CSS(E)L Group voluntarily adopted settlement date accounting for regular-way trading securities replacing trade date accounting. Comparative information has been restated accordingly (see Note 2(b)).

31 December 2011	Carrying amount					Total fair value
Company (USD million)	Total carrying amount	Held for trading	Designated at fair value	Loans and receivables	Available for sale	
Financial Assets						
Cash and due from banks	**19,812**	-	-	19,812	-	**19,812**
Securities purchased under resale agreements and securities borrowing transactions	**36,202**	-	-	36,202	-	**36,202**
Trading financial assets at fair value through profit or loss	**73,708**	73,708	-	-	-	**73,708**
Financial assets designated at fair value through profit or loss	**103,261**	-	103,261	-	-	**103,261**
Financial assets available-for-sale	**31**	-	-	-	31	**31**
Other loans and receivables	**1,575**	-	-	1,575	-	**1,756**
Other assets	**40,660**	-	-	40,660	-	**40,660**
Total Financial assets	**275,249**	**73,708**	**103,261**	**98,249**	**31**	**275,430**

31 December 2011	Carrying amount				Total fair value
Company (USD million)	Total carrying amount	Held for trading	Designated at fair value	Other amortised	
Financial Liabilities					
Deposits	**4,305**	-	-	4,305	**4,305**
Securities sold under repurchase agreements and securities lending transactions	**34,460**	-	-	34,460	**34,460**
Trading financial liabilities at fair value through profit or loss	**47,150**	47,150	-	-	**47,150**
Financial liabilities designated at fair value through profit or loss	**87,028**	-	87,028	-	**87,028**
Short term borrowings	**36,416**	-	-	36,416	**36,858**
Other liabilities	**45,325**	-	-	45,325	**45,325**
Long term debt	**16,381**	-	-	16,381	**18,433**
Total Financial liabilities	**271,065**	**47,150**	**87,028**	**136,887**	**273,559**

31 December 2010		Carrying amount				Total fair value
Company (USD million)	**Total carrying amount**	**Held for trading (Restated)[1]**	**Designated at fair value**	**Loans and receivables (Restated)[1]**	**Available for sale**	
Financial Assets						
Cash and due from banks	**20,241**	-	-	20,241	-	**20,241**
Securities purchased under resale agreements and securities borrowing transactions	**28,978**	-	-	28,978	-	**28,978**
Trading financial assets at fair value through profit or loss	**92,352**	92,352	-	-	-	**92,352**
Financial assets designated at fair value through profit or loss	**100,375**	-	100,375	-	-	**100,375**
Financial assets available-for-sale	**34**	-	-	-	34	**34**
Other loans and receivables	**1,483**	-	-	1,483	-	**1,738**
Other assets	**35,200**	-	-	35,200	-	**35,200**
Total Financial assets	**278,663**	**92,352**	**100,375**	**85,902**	**34**	**278,918**

31 December 2010		Carrying amount			Total fair value
Company (USD million)	**Total carrying value**	**Held for trading (Restated)[1]**	**Designated at fair value**	**Other amortised cost (Restated)[1]**	
Financial Liabilities					
Deposits	**3,935**	-	-	3,935	**3,935**
Securities sold under repurchase agreements and securities lending transactions	**37,170**	-	-	37,170	**37,170**
Trading financial liabilities at fair value through profit or loss	**46,625**	46,625	-	-	**46,625**
Financial liabilities designated at fair value through profit or loss	**86,268**	-	86,268	-	**86,268**
Short term borrowings	**48,049**	-	-	48,049	**48,068**
Other liabilities	**36,406**	-	-	36,406	**36,406**
Long term debt	**16,370**	-	-	16,370	**18,151**
Total Financial liabilities	**274,823**	**46,625**	**86,268**	**141,930**	**276,623**

[1]On 1 January 2011, the CSS(E)L Group voluntarily adopted settlement date accounting for regular-way trading securities replacing trade date accounting. Comparative information has been restated accordingly (see Note 2(b)).

1 January 2010			Carrying amount			Total fair value
Company (USD million)	**Total carrying amount**	**Held for trading (Restated)[1]**	**Designated at fair value**	**Loans and receivables (Restated)[1]**	**Available for sale**	
Financial Assets						
Cash and due from banks	**12,945**	-	-	12,945	-	**12,945**
Securities purchased under resale agreements and securities borrowing transactions	**41,716**	-	-	41,716	-	**41,716**
Trading financial assets at fair value through profit or loss	**74,986**	74,986	-	-	-	**74,986**
Financial assets designated at fair value through profit or loss	**99,274**	-	99,274	-	-	**99,274**
Financial assets available-for-sale	**36**	-	-	-	36	**36**
Other loans and receivables	**1,483**	-	-	1,483	-	**1,746**
Other assets	**31,663**	-	-	31,663	-	**31,663**
Total Financial assets	**262,103**	**74,986**	**99,274**	**87,807**	**36**	**262,366**

1 January 2010		Carrying amount			Total fair value
Company (USD million)	**Total carrying value**	**Held for trading (Restated)[1]**	**Designated at fair value**	**Other amortised cost (Restated)[1]**	
Financial Liabilities					
Deposits	**2,327**	-	-	2,327	**2,327**
Securities sold under repurchase agreements and securities lending transactions	**47,380**	-	-	47,380	**47,380**
Trading financial liabilities at fair value through profit or loss	**48,426**	48,426	-	-	**48,426**
Financial liabilities designated at fair value through profit or loss	**86,406**	-	86,406	-	**86,406**
Short term borrowings	**38,973**	-	-	38,973	**38,973**
Other liabilities	**31,845**	-	-	31,845	**31,845**
Long term debt	**2,721**	-	-	2,721	**2,982**
Total Financial liabilities	**258,078**	**48,426**	**86,406**	**123,246**	**258,339**

[1]On 1 January 2011, the CSS(E)L Group voluntarily adopted settlement date accounting for regular-way trading securities replacing trade date accounting. Comparative information has been restated accordingly (see Note 2(b)).

Fair value of assets and liabilities measured at fair value on a recurring basis

31 December 2011 CSS(E)L Group	Quoted Prices in active markets for the same instruments (Level1)	Valuation techniques observable inputs (Level 2)	Valuation techniques unobservable inputs (Level 3)	Impact of netting[1]	Total at fair value
Assets at fair value (USD million)					
Trading financial assets at fair value through profit or loss	45,469	26,447	1,620	-	73,536
Securities purchased under resale agreements and securities borrowing transactions	-	100,204	-	(397)	99,807
Other financial assets designated at fair value through profit or loss	823		2,793	-	3,616
Financial assets designated at fair value through profit or loss	**823**	**100,204**	**2,793**	**(397)**	**103,423**
Total assets at fair value	**46,292**	**126,651**	**4,413**	**(397)**	**176,959**
Liabilities at fair value (USD million)					
Trading financial liabilities at fair value through profit or loss	24,522	22,153	582	-	47,257
Securities sold under repurchase agreements and securities lending transactions	-	83,990	-	(397)	83,593
Long-term debt	-	289	18	-	307
Other financial liabilities designated at fair value through profit or loss	2,952	142	428	-	3,522
Financial liabilities designated at fair value through profit or loss	**2,952**	**84,421**	**446**	**(397)**	**87,422**
Other liabilities	-	14	235	-	249
Total liabilities at fair value	**27,474**	**106,588**	**1,263**	**(397)**	**134,928**

[1] Securities purchased under resale agreements and securities borrowing transactions are reported on a gross basis by level. The impact of netting represents an adjustment related to counterparty netting.

As at 31 December 2011 Company	Quoted Prices in active markets for the same instruments (Level1)	Valuation techniques observable inputs (Level 2)	Valuation techniques unobservable inputs (Level 3)	Impact of netting[1]	Total at fair value
Assets at fair value (USD million)					
Trading financial assets at fair value through profit or loss	45,338	26,448	1,922	-	73,708
Securities purchased under resale agreements and securities borrowing transactions	-	100,204	-	(397)	99,807
Other financial assets designated at fair value through profit and loss	823	-	2,631	-	3,454
Financial assets designated at fair value through profit or loss	**823**	**100,204**	**2,631**	**(397)**	**103,261**
Total assets at fair value	**46,161**	**126,652**	**4,553**	**(397)**	**176,969**
Liabilities at fair value (USD million)					
Trading financial liabilities at fair value through profit or loss	24,522	22,151	477	-	47,150
Securities sold under repurchase agreements and securities lending transactions	-	83,990	-	(397)	83,593
Long-term debt	-	289	18	-	307
Other financial Liabilities designated at fair value through profit and loss	2,952	142	34	-	3,128
Financial liabilities designated at fair value through profit or loss	**2,952**	**84,421**	**52**	**(397)**	**87,028**
Other liabilities	-	14	220	-	234
Total liabilities at fair value	**27,474**	**106,586**	**749**	**(397)**	**134,412**

[1] Securities purchased under resale agreements and securities borrowing transactions are reported on a gross basis by level. The impact of netting represents an adjustment related to counterparty netting.

As at 31 December 2010 (Restated[1]) CSS(E)L Group	Quoted Prices in active markets for the same instruments (Level1)	Valuation techniques observable inputs (Level 2)	Valuation techniques unobservable inputs (Level 3)	Impact of netting[2]	Total at fair value
Assets at fair value (USD million)					
Trading financial assets at fair value through profit or loss	65,130	24,263	1,205	-	90,598
Securities purchased under resale agreements and securities borrowing transactions	-	102,276	-	(2,837)	99,439
Other financial assets designated at fair value through profit or loss	569	-	2,518	-	3,087
Financial assets designated at fair value through profit or loss	**569**	**102,276**	**2,518**	**(2,837)**	**102,526**
Total assets at fair value	**65,699**	**126,539**	**3,723**	**(2,837)**	**193,124**
Liabilities at fair value (USD million)					
Trading financial liabilities at fair value through profit or loss	27,262	18,953	521	-	46,736
Securities sold under repurchase agreements and securities lending transactions	-	85,187	773	(2,837)	83,123
Long-term debt	-	20	33	-	53
Other financial Liabilities designated at fair value through profit or loss	2,800	210	354	-	3,364
Financial liabilities designated at fair value through profit or loss	**2,800**	**85,417**	**1,160**	**(2,837)**	**86,540**
Other liabilities	-	9	254	-	263
Total liabilities at fair value	**30,062**	**104,379**	**1,935**	**(2,837)**	**133,539**

[1] On 1 January 2011, the CSS(E)L Group voluntarily adopted settlement date accounting for regular-way trading securities replacing trade date accounting. Comparative information has been restated accordingly (see Note 2(b)).
[2] Securities purchased under resale agreements and securities borrowing transactions are reported on a gross basis by level. The impact of netting represents an adjustment related to counterparty netting.

31 December 2010 (Restated)[1] Company	Quoted Prices in active markets for the same instruments (Level1)	Valuation techniques observable inputs (Level 2)	Valuation techniques unobservable inputs (Level 3)	Impact of netting[2]	Total at fair value
Assets at fair value (USD million)					
Trading financial assets at fair value through profit or loss	64,700	24,263	3,389	-	92,352
Securities purchased under resale agreements and securities borrowing transactions	-	102,276	-	(2,837)	99,439
Other financial assets designated at fair value through profit or loss	569	-	367	-	936
Financial assets designated at fair value through profit or loss	**569**	**102,276**	**367**	**(2,837)**	**100,375**
Total assets at fair value	**65,269**	**126,539**	**3,756**	**(2,837)**	**192,727**
Liabilities at fair value (USD million)					
Trading financial liabilities at fair value through profit or loss	27,262	18,953	410	-	46,625
Securities sold under repurchase agreements and securities lending transactions	-	85,187	773	(2,837)	83,123
Long-term debt	-	20	20	-	40
Other financial liabilities designated at fair value through profit or loss	2,800	211	94	-	3,105
Financial liabilities designated at fair value through profit or loss	**2,800**	**85,418**	**887**	**(2,837)**	**86,268**
Other liabilities	-	9	239	-	248
Total liabilities at fair value	**30,062**	**104,380**	**1,536**	**(2,837)**	**133,141**

[1] On 1 January 2011, the CSS(E)L Group voluntarily adopted settlement date accounting for regular-way trading securities replacing trade date accounting. Comparative information has been restated accordingly (see Note 2(b)).
[2] Securities purchased under resale agreements and securities borrowing transactions are reported on a gross basis by level. The impact of netting represents an adjustment related to counterparty netting.

As at 1 January 2010 (Restated[1]) CSS(E)L Group	Quoted Prices in active markets for the same instruments (Level1)	Valuation techniques observable inputs (Level 2)	Valuation techniques unobservable inputs (Level 3)	Impact of netting[2]	Total at fair value
Assets at fair value (USD million)					
Trading financial assets at fair value through profit or loss	49,141	22,696	1,027	-	72,864
Securities purchased under resale agreements and securities borrowing transactions	-	96,537	-	-	96,537
Other financial assets designated at fair value through profit or loss	2,401	-	2,510	-	4,911
Financial assets designated at fair value through profit or loss	**2,401**	**96,537**	**2,510**	**-**	**101,448**
Total assets at fair value	**51,542**	**119,233**	**3,537**	**-**	**174,312**
Liabilities at fair value (USD million)					
Trading financial liabilities at fair value through profit or loss	30,443	17,240	860	-	48,543
Securities sold under repurchase agreements and securities lending transactions	-	83,930	289	-	84,219
Short-term borrowings	-	650	-	-	650
Other financial Liabilities designated at fair value through profit or loss	-	1,428	390		1,818
Financial liabilities designated at fair value through profit or loss	**-**	**86,008**	**679**	**-**	**86,687**
Other liabilities	-	-	15	-	15
Total liabilities at fair value	**30,443**	**103,248**	**1,554**	**-**	**135,245**

[1] On 1 January 2011, the CSS(E)L Group voluntarily adopted settlement date accounting for regular-way trading securities replacing trade date accounting. Comparative information has been restated accordingly (see Note 2(b)).
[2] Securities purchased under resale agreements and securities borrowing transactions are reported on a gross basis by level. The impact of netting represents an adjustment related to counterparty netting.

As at 1 January 2010 (Restated[1]) Company	Quoted Prices in active markets for the same instruments (Level1)	Valuation techniques observable inputs (Level 2)	Valuation techniques unobservable inputs (Level 3)	Impact of netting[2]	Total at fair value
Assets at fair value (USD million)					
Trading financial assets at fair value through profit or loss	49,141	22,696	3,149	-	74,986
Securities purchased under resale agreements and securities borrowing transactions	-	96,537	-		96,537
Other financial assets designated at fair value through profit or loss	2,401	-	336	-	2,737
Financial assets designated at fair value through profit or loss	**2,401**	**96,537**	**336**	**-**	**99,274**
Total assets at fair value	**51,542**	**119,233**	**3,485**	**-**	**174,260**
Liabilities at fair value (USD million)					
Trading financial liabilities at fair value through profit or loss	30,443	17,241	742	-	48,426
Securities sold under repurchase agreements and securities lending transactions	-	83,930	289	-	84,219
Short term borrowings	-	650	-	-	650
Other financial Liabilities designated at fair value through profit or loss	-	1,426	111		1,537
Financial liabilities designated at fair value through profit or loss	**-**	**86,006**	**400**	**-**	**86,406**
Total liabilities at fair value	**30,443**	**103,247**	**1,142**	**-**	**134,832**

[1] On 1 January 2011, the CSS(E)L Group voluntarily adopted settlement date accounting for regular-way trading securities replacing trade date accounting. Comparative information has been restated accordingly (see Note 2(b)).
[2] Securities purchased under resale agreements and securities borrowing transactions are reported on a gross basis by level. The impact of netting represents an adjustment related to counterparty netting.

Transfers between level 1 and level 2

Transfers out of level 1 to level 2 are primarily driven by instruments that have become less attractive to the retailers and whose market is now inactive or low trading volume. Transfers to level 1 out of level 2 are primarily driven by markets becoming more active or higher trading volume. The following table shows the transfers from level 1 to level 2 and from level 2 to level 1 of the fair value hierarchy.

CSS(E)L Group and Company (USD million)	**2011**	**2011**	**2010**	**2010**
Assets	**Transfers out of level 1 to level 2**	**Transfers to level 1 out of level 2**	**Transfers out of level 1 to level 2**	**Transfers to level 1 out of level 2**
Trading financial assets at fair value through profit or loss	308	228	236	157
Total transfers in assets at fair value	**308**	**228**	**236**	**157**
Liabilities				
Trading financial liabilities at fair value through profit or loss	96	41	3	219
Financial liabilities designated at fair value through profit or loss	-	-	217	-
Total transfers in liabilities at fair value	**96**	**41**	**220**	**219**

Transfers between Level 1 to Level 2 and vice versa were not material as on 1 January 2010.

For all transfers to level 3 or out of level 3, the CSS(E)L Group determines and discloses as level 3 events only gains or losses through the last day of the reporting period.

Gains and losses on assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3)

	As at 31 December 2011		As at 31 December 2010		1 January 2010	
Trading revenues (USD million)	**CSS(E)L Group**	**Company**	**CSS(E)L Group**	**Company**	**CSS(E)L Group**	**Company**
Gains and losses on assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3)						
Net realised/unrealised gains/(losses) included in net revenues	796	1,030	162	122	(845)	(759)
Whereof:						
Changes in unrealised gains or losses relating to assets and liabilities still held as of the reporting date	142	271	91	232	(719)	(464)

Both observable and unobservable inputs may be used to determine the fair value of positions that have been classified within Level 3. As a result, the unrealised gains and losses from assets and liabilities within Level 3 presented in the table above may include changes in fair value that were attributable to both observable and unobservable inputs.

The CSS(E)L Group employs various economic hedging techniques in order to manage risks, including risks in Level 3 positions. Such techniques may include the purchase or sale of financial instruments that are classified in Levels 1 and/or 2. The realised and unrealised gains and losses for assets and liabilities in Level 3 presented in the table above do not reflect the related realised or unrealised gains and losses arising on economic hedging instruments classified in Levels 1 and/or 2.

Assets and liabilities measured at fair value on a recurring basis for Level 3

As at December 2011								Trading revenues		
CSS(E)L Group Assets	**Balance at beginning of period**	**Transfers in**	**Transfers out**	**Purchases**	**Sales**	**Settlement**	**Issuance**	**On transfers in[1]/out**	**On all others**	**Balance at end of period**
Assets at fair value (USD million)										
Trading financial assets at fair value through profit or loss	1,205	853	(536)	503	(721)	(101)	155	35	227	1,620
Other financial assets designated at fair value through profit or loss	2,518	-	-	88	(290)	(1)	3	-	475	2,793
Financial assets designated at fair value through profit or loss	**2,518**	**-**	**-**	**88**	**(290)**	**(1)**	**3**	**-**	**475**	**2,793**
Total assets at fair value	**3,723**	**853**	**(536)**	**591**	**(1,011)**	**(102)**	**158**	**35**	**702**	**4,413**
Liabilities at fair value (USD million)										
Trading financial liabilities at fair value through profit or loss	521	25	(30)	(67)	46	(95)	360	2	(180)	582
Securities sold under repurchase agreements and securities lending transactions	773	-	(749)	-	-	-	-	(24)	-	-
Long-term debt	20	-	-	-	-	(6)	-	-	4	18
Other financial liabilities designated at fair value through profit or loss	367	-	-	(45)	(33)	-	-	-	139	428
Financial liabilities designated at fair value through profit or loss	**1,160**	**-**	**(749)**	**(45)**	**(33)**	**(6)**	**-**	**(24)**	**143**	**446**
Other liabilities	254	-	-	-	-	(19)	-	-	-	235
Total liabilities at fair value	**1,935**	**25**	**(779)**	**(112)**	**13**	**(120)**	**360**	**(22)**	**(37)**	**1,263**
Net assets/liabilities at fair value	**1,788**	**828**	**243**	**703**	**(1,024)**	**18**	**(202)**	**57**	**739**	**3,150**

[1]Transfers in are effected at the end of the period, and no revenues are recognised in the above table for the period prior to the transfer. This has been implemented at the start of 2010.

As at December 2011								Trading revenues		
Company Assets	**Balance at beginning of period**	**Transfers in**	**Transfers out**	**Purchases**	**Sales**	**Settlement**	**Issuance**	**On transfers in[1]/out**	**On all others**	**Balance at end of period**
Assets at fair value (USD million)										
Trading financial assets at fair value through profit or loss	3,389	853	(536)	502	(716)	(2,350)	155	35	590	1,922
Other financial assets designated at fair value through profit or loss	367	-	-	2,097	(36)	(1)	3	-	201	2,631
Financial assets designated at fair value through profit or loss	**367**	**-**	**-**	**2,097**	**(36)**	**(1)**	**3**	**-**	**201**	**2,631**
Total assets at fair value	**3,756**	**853**	**(536)**	**2,599**	**(752)**	**(2,351)**	**158**	**35**	**791**	**4,553**
Liabilities at fair value (USD million)										
Trading financial liabilities at fair value through profit or loss	410	25	(30)	(66)	46	(101)	359	2	(168)	477
Securities sold under repurchase agreements and securities lending transactions	773	-	(749)	-	-	-	-	(24)	-	-
Long-term debt	20	-	-	-	-	(5)	-	-	3	18
Other financial liabilities designated at fair value through profit or loss	94	-	-	-	-	(44)	-	-	(16)	34
Financial liabilities designated at fair value through profit or loss	**887**	**-**	**(749)**	**-**	**-**	**(49)**	**-**	**(24)**	**(13)**	**52**
Other liabilities	239	-	-	-	-	(18)	-	-	(1)	220
Total liabilities at fair value	**1,536**	**25**	**(779)**	**(66)**	**46**	**(168)**	**359**	**(22)**	**(182)**	**749**
Net assets/liabilities at fair value	**2,220**	**828**	**243**	**2,665**	**(798)**	**(2,183)**	**(201)**	**57**	**973**	**3,804**

[1]Transfers in are effected at the end of the period, and no revenues are recognised in the above table for the period prior to the transfer. This has been implemented at the start of 2010.

As at December 2010								Trading revenues		
CSS(E)L Group Assets	**Balance at beginning of period**	**Transfers in**	**Transfers out**	**Purchases**	**Sales**	**Settlement**	**Issuance**	**On transfers in[1]/out**	**On all others**	**Balance at end of period**
Assets at fair value (USD million)										
Trading financial assets at fair value through profit or loss	1,027	695	(137)	552	(620)	(1,161)	903	1	(55)	1,205
Other financial assets designated at fair value through profit or loss	2,510	-	-	287	(149)	(191)	-	-	61	2,518
Financial assets designated at fair value through profit or loss	**2,510**	**-**	**-**	**287**	**(149)**	**(191)**	**-**	**-**	**61**	**2,518**
Total assets at fair value	**3,537**	**695**	**(137)**	**839**	**(769)**	**(1,352)**	**903**	**1**	**6**	**3,723**
Liabilities at fair value (USD million)										
Trading financial liabilities at fair value through profit or loss	860	71	(260)	(32)	33	(199)	201	(1)	(152)	521
Securities sold under repurchase agreements and securities lending transactions	289	-	(68)	-	773	(214)	-	(3)	(4)	773
Long-term debt	-	-	-	-	20	-	-	-	-	20
Other financial liabilities designated at fair value through profit or loss	390	-	-	(12)	-	-	-	-	(11)	367
Financial liabilities designated at fair value through profit or loss	**679**	**-**	**(68)**	**(12)**	**793**	**(214)**	**-**	**(3)**	**(15)**	**1,160**
Other liabilities	15	238	-	-	-	(15)	-	-	16	254
Total liabilities at fair value	**1,554**	**309**	**(328)**	**(44)**	**826**	**(428)**	**201**	**(4)**	**(151)**	**1,935**
Net assets/liabilities at fair value	**1,983**	**386**	**191**	**883**	**(1,595)**	**(924)**	**702**	**5**	**157**	**1,788**

[1]Transfers in are effected at the end of the period, and no revenues are recognised in the above table for the period prior to the transfer. This has been implemented at the start of 2010.

As at December 2010

Company Assets	Balance at beginning of period	Transfers in	Transfers out	Purchases	Sales	Settlement	Issuance	Trading revenues On transfers in[1]/out	Trading revenues On all others	Balance at end of period
Assets at fair value (USD million)										
Trading financial assets at fair value through profit or loss	3,149	697	(137)	552	(620)	(1,267)	1,028	1	(14)	3,389
Other financial assets designated at fair value through profit or loss	336	-	-	62	(31)	-	-	-	-	367
Financial assets designated at fair value through profit or loss	**336**	**-**	**-**	**62**	**(31)**	**-**	**-**	**-**	**-**	**367**
Total assets at fair value	**3,485**	**697**	**(137)**	**614**	**(651)**	**(1,267)**	**1,028**	**1**	**(14)**	**3,756**
Liabilities at fair value (USD million)										
Trading financial liabilities at fair value through profit or loss	742	71	(260)	(32)	33	(206)	201	(1)	(138)	410
Securities sold under repurchase agreements and securities lending transactions	289	-	(68)	-	773	(214)	-	(3)	(4)	773
Long-term debt	-	-	-	-	20	-	-	-	-	20
Other financial liabilities designated at fair value through profit or loss	111	-	-	(12)	-	-	-	-	(5)	94
Financial liabilities designated at fair value through profit or loss	**400**	**-**	**(68)**	**(12)**	**793**	**(214)**	**-**	**(3)**	**(9)**	**887**
Other liabilities	-	238	-	-	-	(15)	-	-	16	239
Total liabilities at fair value	**1,142**	**309**	**(328)**	**(44)**	**826**	**(435)**	**201**	**(4)**	**(131)**	**1,536**
Net assets/liabilities at fair value	**2,343**	**388**	**191**	**658**	**(1,477)**	**(832)**	**827**	**5**	**117**	**2,220**

[1]Transfers in are effected at the end of the period, and no revenues are recognised in the above table for the period prior to the transfer. This has been implemented at the start of 2010.

As at 1 January 2010

CSS(E)L Group Assets	Balance at beginning of period	Transfers in	Transfers out	Purchases	Sales	Settlement	Issuance	Trading revenues On transfers in[1]/out	Trading revenues On all others	Balance at end of period
Assets at fair value (USD million)										
Trading financial assets at fair value through profit or loss	1,611	192	(365)	623	(1,169)	(163)	563	(53)	(212)	1,027
Other financial assets designated at fair value through profit or loss	4,562	-	-	663	(2,760)	-	336	-	(291)	2,510
Financial assets designated at fair value through profit or loss	**4,562**	**-**	**-**	**663**	**(2,760)**	**-**	**336**	**-**	**(291)**	**2,510**
Total assets at fair value	**6,173**	**192**	**(365)**	**1,286**	**(3,929)**	**(163)**	**899**	**(53)**	**(503)**	**3,537**
Liabilities at fair value (USD million)										
Trading financial liabilities at fair value through profit or loss	425	151	(119)	(127)	69	(182)	231	20	392	860
Securities sold under repurchase agreements and securities lending transactions	990	-	(149)	-	-	(571)	-	-	19	289
Other financial liabilities designated at fair value through profit or loss	4,863		-	(4,489)	263	(131)	15	-	(131)	390
Financial liabilities designated at fair value through profit or loss	**5,853**	**-**	**(149)**	**(4,489)**	**263**	**(702)**	**15**	**-**	**(112)**	**679**
Other liabilities	26	-	-	-	-	-	-	-	(11)	15
Total liabilities at fair value	**6,304**	**151**	**(268)**	**(4,616)**	**332**	**(884)**	**246**	**20**	**269**	**1,554**
Net assets/liabilities at fair value	**(131)**	**41**	**(97)**	**5,902**	**(4,261)**	**721**	**653**	**(73)**	**(772)**	**1,983**

[1]Transfers in are effected at the end of the period, and no revenues are recognised in the above table for the period prior to the transfer. This has been implemented at the start of 2010.

As at 1 January 2010								Trading revenues		
Company Assets	**Balance at beginning of period**	**Transfers in**	**Transfers out**	**Purchases**	**Sales**	**Settlement**	**Issuance**	**On transfers in[1]/out**	**On all others**	**Balance at end of period**
Assets at fair value (USD million)										
Trading financial assets at fair value through profit or loss	2,154	192	(365)	624	(1,668)	(163)	2,678	(53)	(250)	3,149
Other financial assets designated at fair value through profit or loss	2,197	-	-	-	(66)	(1,795)	-	-	-	336
Financial assets designated at fair value through profit or loss	**2,197**	**-**	**-**	**-**	**(66)**	**(1,795)**	**-**	**-**	**-**	**336**
Total assets at fair value	**4,351**	**192**	**(365)**	**624**	**(1,734)**	**(1,958)**	**2,678**	**(53)**	**(250)**	**3,485**
Liabilities at fair value (USD million)										
Trading financial liabilities at fair value through profit or loss	357	151	(119)	(126)	69	(182)	198	20	374	742
Securities sold under repurchase agreements and securities lending transactions	990	-	(149)	-	-	(571)	-	-	19	289
Other financial liabilities designated at fair value through profit or loss	2,956	-	-	(2,899)	-	(30)	41	-	43	111
Financial liabilities designated at fair value through profit or loss	**3,946**	**-**	**(149)**	**(2,899)**	**-**	**(601)**	**41**	**-**	**62**	**400**
Total liabilities at fair value	**4,303**	**151**	**(268)**	**(3,025)**	**69**	**(783)**	**239**	**20**	**436**	**1,142**
Net assets/liabilities at fair value	**48**	**41**	**(97)**	**3,649**	**(1,803)**	**(1,175)**	**2,439**	**(73)**	**(686)**	**2,343**

[1]Transfers in are effected at the end of the period, and no revenues are recognised in the above table for the period prior to the transfer. This has been implemented at the start of 2010.

Sensitivity of fair values to reasonably possible alternative assumptions

The fair value of certain financial instruments is dependent in part or fully upon unobservable parameters which may include market inputs, prices or other data. The following table summarises the sensitivity of these financial instruments to reasonable changes in the assumptions underlying these parameters:

CSS(E)L Group	As at 31 December 2011		As at 31 December 2010	
	Favourable changes	Unfavourable changes	Favourable changes	Unfavourable changes
Impact on net income/(loss) (USD million)				
Life insurance products	113	(207)	141	(141)
Asset backed securities	16	(16)	18	(18)
Debt and equity securities	7	(3)	13	(9)
Other Liabilities	12	(12)	13	(13)
Total	**148**	**(238)**	**185**	**(181)**

When the fair value of an instrument has multiple unobservable inputs, there is assumed to be no correlation between those inputs, as such the total sensitivity reflected in the table may be larger than if correlation had been included in the analysis. The analysis also ignores any correlation between the different categories of financial instruments listed in the table.

Life insurance products include life expectancy related contracts where the parameter subjected to sensitivity analysis is mortality rates. The sensitivity amount is based upon a movement down ranging from 2 months to 29 months and a movement up ranging from 1 months to 15 months.

Asset backed securities include RMBS and CDO positions. RMBS positions were subjected to sensitivities on prepayment speeds which were estimated as one standard deviation of historical prepayments on up and down movements.

Debt and equity securities include corporate and emerging market bonds. The secondary market reserve parameter is generally subject to a 20% movement up and down. The parameter subjected to sensitivity for emerging market and corporate debt is credit spreads. Emerging market positions are subjected to a 100 basis point movement up and down, while corporate debt positions are subjected to movements up and down of 15% of the current credit spread.

Other liabilities include the CSS(E)L Group's PAF obligations. The sensitivity of the PAF obligations was based upon an estimate of the related PAF Asset Pool.

The sensitivities applied to the unobservable parameters are in all cases dependent upon management judgement and derived from multiple sources including historical and statistical information as well as analysing the range of bids and offers on observable market information as a proxy for the unobservable portion of the market.

Recognition of trade date profit

If there are significant unobservable inputs used in the valuation technique, the financial instrument is recognised at the transaction price and any profit implied from the valuation technique at trade date is deferred over the life of the contract or until the fair value is expected to become observable. Any remaining trade date deferred profit is recognised in the Consolidated Statement of Income when the fair value becomes observable or the CSS(E)L Group enters into offsetting transactions that substantially eliminate the instrument's risk.

The following table sets out the aggregate difference yet to be recognised in profit or loss at the beginning of the year and end of the year with a reconciliation of the changes of the balance during the year for trading assets and liabilities:

CSS(E)L Group and Company	2011	2010
Deferred trade date profit (USD million)		
Balance at 1 January 2011	296	364
Increase due to new trades	18	5
Reduction due to passage of time	(47)	(34)
Reduction due to redemption, sales, transfers or improved observability	(11)	(39)
Balance at 31 December 2011	**256**	**296**

36. Assets Pledged or Assigned

The following table sets forth details of assets pledged or assigned:

	CSS(E)L Group and Company		
Assets pledged or assigned (USD million)	**2011**	**2010 (Restated)[1]**	**1 January 2010 (Restated)[1]**
Trading financial assets at fair value through profit or loss	36,666	52,593	44,199
Collateral received (USD million)			
Fair value of collateral received with the right to resell or repledge	285,725	269,356	269,529
Of which sold or repledged	262,307	237,894	231,482

Assets pledged or assigned represents the balance sheet position of trading assets at fair value through profit or loss which have been pledged as collateral under securities sold under repurchase agreements and securities lending transactions. Refer to Note 13 for the amount of securities transferred which are encumbered.

As at 31 December 2011 and 2010, collateral was received in connection with resale agreements, securities borrowings and loans, derivative transactions and margined broker loans. As at these dates, a substantial portion of the collateral received by the CSS(E)L Group had been sold or repledged in connection with repurchase agreements, securities sold not yet purchased, securities borrowed and lent, pledges to clearing organisations, segregation requirements under securities laws and regulations, derivative transactions, and bank loans.

These transactions were generally conducted under terms that are usual and customary for standard securitised lending activities and the other transactions described. The CSS(E)L Group, as the secured party, has the right to sell or repledge such collateral, subject to the CSS(E)L Group returning equivalent securities upon completion of the transaction. Additional charges are included in Note 33 Guarantees and Commitments.

[1]On 1 January 2011, the CSS(E)L Group voluntarily adopted settlement date accounting for regular-way trading securities replacing trade date accounting. Comparative information has been restated accordingly (see Note 2(b)).

37. Derecognition of Financial Assets

In the normal course of business, the CSS(E)L Group enters into transactions in which it transfers previously recognised financial assets, such as debt securities, equity securities and other financial instruments. The CSS(E)L Group's accounting policy regarding derecognition of such assets under IAS 39 is described in Note 2 Significant Accounting Policies. The CSS(E)L Group's and clients' investing or financing needs determine whether derecognition of the transferred assets under IAS 39 applies. Certain transactions may be structured to include provisions that prevent derecognition and the transfers are accounted for as secured financing transactions. Repurchase agreements, securities lending agreements and total return swaps, in which the CSS(E)L Group retains substantially all of the associated credit, market, interest rate and foreign exchange risks and rewards associated with the assets, represent the most common examples of such transactions. The following table provides details of financial assets which have been sold or otherwise transferred, but which did not qualify for derecognition, together with their associated liabilities.

CSS(E)L Group and Company	**2011**	**2010[1]**
Carrying amount of transferred assets (USD million)		
Financial assets not derecognised due to the following transactions:		
Repurchase agreements and securities lending agreements	16,265	24,405
Total return swaps	2,952	569
Other	428	463
Total carrying amount of transferred assets not derecognised	**19,645**	**25,437**
Total carrying amount of associated liabilities	**19,645**	**25,437**

Assets not derecognised are included in Note 13 Trading financial assets at fair value through profit or loss and corresponding liabilities in Note 12 Securities borrowed, lent and subject to repurchase and Note 14 Financial liabilities designated at fair value through profit or loss.

Of the above, other financial assets not derecognised includes failed sales items including fair value elected items which are shown under 'Financial assets designated at fair value through profit or loss' in the Consolidated Statement of Financial Position.

38. Financial Instruments Risk Position

Risks Detail

i) Market risk

Overview

Market risk is the risk of loss arising from adverse changes in interest rates, foreign currency exchange rates, equity prices, commodity prices and other relevant parameters, such as market volatility. CS group defines its market risk as potential changes in the fair values of financial instruments in response to market movements. A typical transaction may be exposed to a number of different market risks.

[1]Restated for refinement in methodology for the calculation of derecognised assets.

CS group devotes considerable resources to ensuring that market risk is captured, accurately modelled and reported, and effectively managed. Trading and non-trading portfolios are managed at various organisational levels, from the overall risk positions at CS group level down to specific portfolios. CS group uses market risk measurement and management methods in line with industry standards. These include general tools capable of calculating comparable exposures across CS group's many activities and focused tools that can specifically model unique characteristics of certain instruments or portfolios. The tools are used for internal market risk management, internal market risk reporting and external disclosure purposes. The principal measurement methodologies are value-at-risk ('VaR') and scenario analysis. Additionally, CS group's market risk exposures are reflected in the economic capital calculations. The risk management techniques and policies are regularly reviewed to ensure they remain appropriate.

Value-at-Risk

VaR measures the potential loss in terms of fair value of financial instruments due to adverse market movements over a defined time horizon at a specified confidence level. VaR as a concept is applicable for all financial risk types with valid regular price histories. Positions are aggregated by risk type rather than by product. For example, interest rate risk includes risk arising from money market and swap transactions, bonds, and interest rate, foreign exchange, equity and commodity options. The use of VaR allows the comparison of risk in different businesses, such as fixed income and equity, and also provides a means of aggregating and netting a variety of positions within a portfolio to reflect actual correlations and offsets between different assets.

Historical financial market rates, prices and volatility serve as a basis for the statistical VaR model underlying the potential loss estimation. CSS(E)L Group uses a ten-day holding period and a confidence level of 99% to model the risk in its trading portfolios. These assumptions are compliant with the standards published by the Basel Committee on Banking Supervision (BCBS) and other related international standards for market risk management. For some purposes, such as backtesting and benchmarking with competitors, the resulting VaR figures are scaled down or calculated to a one-day holding period level. A one-day holding period and a 99% confidence level mean that, within a one-day horizon, losses exceeding the VaR figure should occur, on average under normal market conditions, not more than once every hundred days.

CS group uses a historical simulation model for the majority of risk types and businesses within its trading portfolios. Where insufficient data is available for such an approach, an 'extreme-move' methodology is used. The model is based on the profit or loss distribution resulting from historical changes in market rates, prices and volatility applied to evaluate the portfolio. This methodology also avoids any explicit assumptions on correlation between risk factors. The CSS(E)L Group uses a three-year historical dataset to compute VaR. To ensure that VaR responds appropriately in times of market stress, the CSS(E)L Group uses a scaling technique that automatically increases VaR where the short-term market volatility is higher than the long -term volatility in the three year dataset. This results in a more responsive VaR model, as the impact of changes in overall market volatility is reflected almost immediately in the VaR model.

The CSS(E)L Group has approval from the FSA to use its regulatory VaR model in the calculation of trading book market risk capital requirements, and the model is subject to regular reviews by the regulator. The Company regularly reviews the VaR model to ensure that it remains appropriate given evolving market conditions and the composition of the Company's trading portfolios. As part of this review, and following approval from the FSA the Company has implemented a number of model changes in the year.

The VaR model uses assumptions and estimates that CS group believes are reasonable, but changes to assumptions or estimates could result in a different VaR measure. As a risk measure, VaR only quantifies the potential loss on a portfolio under normal market conditions. Other risk measures, such as scenario analysis, are used to estimate losses associated with unusually severe market movements. The main assumptions and limitations of VaR as a risk measure are:

- VaR relies on historical data to estimate future changes in market conditions, which may not capture all potential future outcomes, particularly where there are significant changes in market conditions, such as increases in volatilities.
- Although VaR captures the interrelationships between risk factors, these interrelationships may break down during stressed market conditions.
- VaR provides an estimate of losses at a 99% confidence level, which means that it provides any information on the size of losses that could occur beyond that confidence threshold.
- VaR is based on either a ten-day (for internal risk management and regulatory purposes) or one-day (for backtesting purposes) holding period. This assumes that risks can be either sold or hedged over that period, which may not be possible for all types of exposure, particularly during periods of market illiquidity or turbulence.
- VaR is calculated using positions held at the end of each business day and does not include intra-day exposures.

Scenario analysis

Stress testing complements other risk measures by capturing the CS Group's exposure to unlikely but plausible events, which can be expressed through a range of significant moves across multiple financial markets. The majority of scenario analysis calculations performed are specifically tailored toward the risk profile within particular businesses, and limits are established if they are considered the most appropriate control. In addition, to identify areas of risk concentration and potential vulnerability to stress events at CSS(E)L Group level, the Company uses a set of scenarios which are consistently applied across all businesses and assess the impact of significant, simultaneous movements across a broad range of markets and asset classes.

Stress testing is a fundamental element of the CS Group's risk control framework, stress testing results are monitored against limits, used in risk appetite discussions and strategic business planning, and support the Company's internal capital adequacy assessment. Stress test scenarios are conducted on a regular basis at a CS group and entity level and the results, trend information and supporting analysis are reported to the Board, senior management and the business divisions.

The CS Group's stress testing framework is comprehensive and governed through a dedicated steering committee. Scenarios can be defined with reference to historic events or based on forward looking, hypothetical events that could impact the CSS(E)L group's positions, capital, or profitability. The scenarios are reviewed and updated regularly as markets and business strategies evolve, and new scenarios are designed by the Risk division in collaboration with Global Research and the business divisions.

Trading portfolios

Risk measurement and management

For the purposes of this disclosure, VaR is used to quantify market risk in the trading portfolio, which includes those financial instruments treated as part of the trading book for the Company's regulatory capital purposes. This classification of assets as trading is done for the purpose of analysing the Company's market risk exposure, not for financial statement purposes.

Development of trading portfolio risks

The table below shows the trading-related market risk exposure for CSS(E)L Group, as measured by regulatory ten-day, 99% VaR. The VaR in the table has been calculated using a three-year historical dataset. VaR estimates are computed separately for each risk type and for the whole portfolio using the historical simulation methodology. The diversification benefit reflects the net difference between the sum of the 99th percentile loss for each individual risk type and for the total portfolio.

Ten-day, 99% VaR – trading portfolios

in / end of period	Interest rate and credit spread	Foreign exchange	Commodity	Equity	Diversification benefit [1]	Total
2011						
USD million						
Average	**198**	**11**	**-**	**54**	**(51)**	**212**
Minimum	113	3	-	24	-[2]	100
Maximum	332	43	5	139	-[2]	410
End of period	114	6	-	24	(15)	129
2010						
USD million						
Average	**132**	**15**	**-**	**45**	**(35)**	**157**
Minimum	67	4	-	19	-[2]	81
Maximum	249	32	2	133	-[2]	305
End of period	136	7	-	43	(12)	174

Note:

[1] VaR estimates are calculated separately for each risk type and for the whole portfolio using the historical simulation methodology. Diversification benefit reflects the net difference between the sum of the 99% percentile loss.

[2] As the minimum and maximum occur on different days for different risk types, it is not meaningful to calculate a portfolio diversification benefit.

There is no material difference in VaR between the Company and the CSS(E)L Group.

VaR results

The CSS(E)L Group's ten-day, 99% regulatory VaR as of 31 December 2011 decreased by 25% to USD 129 million compared to 31 December 2010. The 2010 comparatives and 2011 Average VaR have not been restated for the model methodology changes that were made in the period.

Banking portfolios

Risk measurement and management

The market risks associated with the non-trading portfolios are measured, monitored and limited using several tools, including Economic Capital, scenario analysis, sensitivity analysis and VaR. For the purpose of this disclosure, the aggregated market risks associated with the CSS(E)L Group's non-trading portfolios are measured using sensitivity analysis. The sensitivity analysis for the non-trading activities measures the amount of potential change in economic value resulting from specified hypothetical shocks to market factors. It is not a measure of the potential impact on reported earnings in the current period, since the non-trading activities generally are not marked to market through earnings. Foreign exchange translation risk is not included in this analysis.

Development of non-trading portfolio risks

Foreign exchange risk related to net income and net assets is centrally and systematically managed with a focus on risk reduction and diversification. Risk is monitored and managed at the CSS(E)L Group level through the leveling of accrued profit or losses which are incurred in a currency other than the CSS(E)L Group's presentation currency. Any non-presentation currency denominated profit and loss of the CSS(E)L Group is systematically leveled against the CSS(E)L Group's presentation currency during or immediately after the month so that foreign exchange risks on accrued profit and loss are fully eliminated at month-end.

The CSS(E)L Group has approval to manage its own Trading profit and loss related foreign exchange risk through a formal trading mandate and operates within defined risk limits but the majority of the CSS(E)L Group's profit or loss is managed centrally through CS Group Treasury.

Interest rate risk on non-trading positions is shown below using sensitivity analysis that estimates the potential change in value resulting from defined changes in interest rate yield curves. The impact of a one-basis-point parallel move in yield curves on the fair value of interest rate-sensitive non-trading book positions would have amounted to USD 2 million as at 31 December 2011 compared to less than USD 1 million as at 31 December 2010. Non-trading interest rate risk is assessed using other measures including the potential value change resulting from a significant change in yield curves.

As of 31 December 2011 the fair value impacts of a 200-basis-point move in yield curves (flooring at zero where appropriate) were

+200bps increase of USD 314 million (2010 USD 203 million)

-200bps decrease of USD 158 million (2010 USD 75 million)

The fair value impact of a statistical one-year adverse interest rate move (to 99% confidence level) was a decrease of USD 132 million as at 31 December 2011. Both measures are significantly below the 20% threshold used by regulators to identify firms that potentially run excessive levels of non-trading interest rate risk.

The CSS(E)L Group and Company do not have material equity or commodity risk in its non-trading portfolio.

ii) Liquidity Risk

Liquidity risk is the risk that a company is unable to fund assets and meet obligations as they fall due under both normal and stressed market conditions.

Liquidity, as with funding, capital and foreign exchange exposures, is centrally managed by Treasury. Oversight of these activities is provided by the Capital Allocation and Risk Management Committee (CARMC), a committee that includes the CEOs of the CS group and the divisions, the CFO, the CRO and the Treasurer.

The liquidity and funding strategy is approved by CARMC with ultimate responsibility residing with the Board of Directors. The implementation and execution of the funding and liquidity strategy is managed by Treasury for adherence to the funding policy and the efficient coordination of the secured funding desks.

CS group wide Management of Liquidity Risk

Treasury operates a centralised funding model in that it grants each of its branches and subsidiaries full access (under all circumstances, including in the event of a liquidity crisis) to the Company's global pool to meet any funding requirements.

Credit Suisse AG's (CS) liquidity and funding policy is designed to ensure that funding is available to meet all obligations in times of stress, whether caused by market events or issues specific to CS.

This approach enhances CS' ability to manage potential liquidity and funding risks and to promptly adjust the liquidity and funding levels to meet any stress situation. The liquidity and funding profile is regularly reported to CARMC and the Board of Directors, who define CS' risk tolerance and the Consolidated Statement of Financial position usage of the businesses.

The liquidity and funding profile of CS reflects the risk appetite, business activities, strategy, markets and overall operating environment. Liquidity risk management also reflects evolving best practice standards. CS is an active participant in regulatory and industry forums on liquidity management, including the Basel Committee on Banking Supervision (BCBS) and the Institute of International Finance.

The funding sourced by CS is part of an Asset-Liability Management ('ALM') strategy aimed at maintaining a funding structure with long term stable funding sources being well in excess of illiquid assets. Unsecured funding sources of CS include private, corporate and retail banking client deposits, long term debt, certificates of deposit, bank deposits, fiduciary deposits, central bank deposits and other non-bank deposits.

To address short term liquidity needs, a portfolio of highly liquid securities and cash is maintained. Funding and liquidity costs are allocated to the business reflecting the true economic cost and is consistent with the liquidity policy.

The targeted funding profile is designed to enable CS to continue to pursue activities for an extended period of time without changing business plans during times of stress. The principal measure used to monitor the liquidity position of the firm is the liquidity "barometer", which allows CS to manage the time horizon over which the adjusted market value of unencumbered assets (including cash) exceeds the aggregate value of contractual outflows of unsecured liabilities plus a conservative forecast of anticipated contingent commitments.

The barometer is a key component of CS' liquidity risk management framework under which both CS specific and systemic market stress scenarios are modelled. This framework is supplemented by the modelling of additional stress events and additional liquidity risk measurement tools.

CARMC reviews the methodology and assumptions of the liquidity risk management framework and determines the liquidity horizon to be maintained by Treasury in order to ensure that the liquidity profile is managed at an appropriate level.

In the event of a liquidity crisis, CS would activate its liquidity contingency plan, which focuses on the specific actions that would be taken in the event of a crisis, including a detailed communication plan for creditors, investors and customers.

The plan, which is regularly updated, sets out a three stage process of the specific actions that would be taken:

- Stage I – Market disruption or CS / Company event.
- Stage II – Unsecured markets partially inaccessible.
- Stage III – Unsecured funding totally inaccessible.

The contingency plan would be activated by the Liquidity Execution Committee, which includes senior business line, funding and finance department management. This committee would meet frequently throughout the crisis to ensure that the plan is executed.

In December 2010, the BCBS issued the Basel III international framework for liquidity risk measurement, standards and monitoring. The framework includes a liquidity coverage ratio (LCR) and a net stable funding ratio (NSFR). The LCR, which is expected to be introduced on 1 January, 2015 following an observation period beginning in 2011, addresses liquidity risk over a 30-day period. The NSFR, which is expected to be introduced on 1 January 2018 following an observation period beginning in 2012, establishes criteria for a minimum amount of stable funding based on the liquidity of a Company's assets and activities over a one-year horizon.

The LCR aims to ensure that companies have a stock of unencumbered high-quality liquid-assets available to meet liquidity needs for a 30-day time horizon under a severe stress scenario. The LCR is comprised of two components: the value of the stock of high quality liquid assets in stressed conditions and the total net cash outflows calculated according to specified scenario parameters. The ratio of liquid assets over net cash outflows should be greater than 100%.

The NSFR is intended to ensure companies maintain a structurally sound long-term funding profile beyond one year and is a complementary measure to the LCR. It is structured to ensure that illiquid assets are funded with an appropriate amount of stable long term funds. The standard is defined as the ratio of available stable funding over the amount of required stable funding. The ratio should always be greater than 100%. While the NSFR is only expected to be introduced in 2018 and is still subject to adjustment by the BCBS and FINMA, Credit Suisse intends to achieve a NSFR ratio of 100% by the end of 2013.

Legal Entity Management of Liquidity Risk

The liquidity risk of the Company is managed as an integral part of the overall CS global liquidity risk management framework. The Company aims for a prudent approach in the management of liquidity to ensure it can meet its obligations as they fall due. The core liquidity adequacy analysis used for the Company is aligned to those used globally for the CS barometer. The CS centralised funding model, which forms part of the global liquidity management framework at CS, described above seeks to ensure that the Company is self-sufficient from a liquidity perspective by down-streaming term funding to mitigate risks in the entity.

In the context of liquidity management at the legal entity, the UK Board is responsible for setting the liquidity risk appetite and tolerance limits. Some of the key characteristics determining the Company's liquidity risk management approach include, but are not limited to:

- Board approved legal entity risk tolerance;
- Funding of all illiquid assets on a long-term basis;
- The liquidity value of assets, liabilities and the calibration of contingent liabilities being aligned with the CS global liquidity risk methodologies;
- Holding a liquid asset portfolio composed of highly liquid unencumbered assets.

The Company has implemented a sound liquidity risk management framework including legal entity governance, systems and controls and frequent management information to effectively measure, monitor and manage liquidity risk.

The UK ALM CARMC approves the liquidity risk tolerance and assumptions underlying the relevant stress tests on at least a yearly basis.

The legal entity risk tolerance and assumptions underlying the relevant stress tests, which form part of the Company's liquidity risk management framework, are reviewed by Treasury and ultimately approved by the Company's Board of Directors on at least an annual basis or as market conditions dictate.

As reflected globally, maintaining liquidity gives rise to a cost in respect of generating a term funding profile and holding a buffer of highly liquid assets. Businesses are charged or rewarded based on their use or generation of liquidity with pricing based on funding requirements in a stressed scenario and adheres to the global liquidity policy.

Treasury is responsible for maintaining a contingency funding plan ("CFP") that details specific dealing strategies, actions and responsibilities required under distinct stages of increasing severity. Treasury supports the plan with key liquidity tools, including early warning indicators. The CFP gives consideration to the impact of operational constraints in terms of time and ability to monetise assets, trapped liquidity and daylight collateral requirements.

Incremental to the Company's unsecured funding sources from CS, the Company has the ability to access secured funding markets via repurchase agreements. These funding streams provide diversification to the funding profile and helps additional financing to meet business plans and commercial commitments.

The following table sets out details of the remaining contractual maturity of all financial liabilities:

		Current			Noncurrent			Total
CSS(E)L Group 2011	**On Demand**	**Due within 3 months**	**Between 3 and 12 months**	**Total**	**Between 1 and 5 years**	**Due after 5 years**	**Total**	
Contractual maturity of Financial Liabilities (USD million)								
Deposits	4,305	-	-	**4,305**	-	-	**-**	**4,305**
Securities sold under repurchase agreements and securities lending transactions	20,235	2,664	10,615	**33,514**	946	-	**946**	**34,460**
Trading financial liabilities at fair value through profit or loss	47,257	-	-	**47,257**	-	-	**-**	**47,257**
Financial liabilities designated at fair value through profit or loss	21,332	59,630	2,078	**83,040**	3,218	1,164	**4,382**	**87,422**
Short term borrowings	-	34	36,382	**36,416**	-	-	**-**	**36,416**
Other liabilities	45,341	-	-	**45,341**	-	-	**-**	**45,341**
Long term debt	-	120	362	**482**	11,059	8,932	**19,991**	**20,473**
Perpetual debt	-	-	-	**-**	-	2,691	**2,691**	**2,691**
Total financial liabilities	**138,470**	**62,448**	**49,437**	**250,355**	**15,223**	**12,787**	**28,010**	**278,365**

		Current		Noncurrent				Total
CSS(E)L Group 2010	**On Demand**	**Due within 3 months**	**Between 3 and 12 months**	**Total**	**Between 1 and 5 years**	**Due after 5 years**	**Total**	
Contractual maturity of Financial Liabilities (USD million)								
Deposits	3,935	-	-	**3,935**	-	-	**-**	**3,935**
Securities sold under repurchase agreements and securities lending transactions	35,523	1,647	-	**37,170**	-	-	**-**	**37,170**
Trading financial liabilities at fair value through profit or loss	46,736	-	-	**46,736**	-	-	**-**	**46,736**
Financial liabilities designated at fair value through profit or loss	16,075	66,612	3,715	**86,402**	-	138	**138**	**86,540**
Short term borrowings	-	106	47,943	**48,049**	-	-	**-**	**48,049**
Other liabilities	36,423	-	-	**36,423**	-	-	**-**	**36,423**
Long term debt	-	133	400	**533**	11,540	9,943	**21,483**	**22,016**
Perpetual debt	-	-	-	**-**	-	2,400	**2,400**	**2,400**
Total financial liabilities	**138,692**	**68,498**	**52,058**	**259,248**	**11,540**	**12,481**	**24,021**	**283,269**

There are certain liabilities that do not have a maturity date and are perpetual in nature. These have been disclosed without coupons.

Liabilities in trading portfolios have not been analysed by contractual maturity because these liabilities are used to risk manage positions held across CS group and can be closed out at very short notice. Trading liabilities have been classified as being 'on demand' at their fair value. Projected coupon outflows on financial liabilities designated at fair value through profit or loss have been excluded from the table above. Callable deposits and open ended positions will be recorded at their present value in an 'on demand' categorisation.

iii) Wrong-way risk

Wrong-way exposures

Correlation risk arises when the Company enters into a financial transaction where market rates are correlated to the financial health of the counterparty. In a wrong-way trading situation, the Company's 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. The Company has multiple processes that allow us to capture and estimate wrong-way risk.

Credit approval and reviews

A primary responsibility of CRM is the approval of new counterparty trading relationships and the subsequent ongoing review of the creditworthiness of the client. 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 high correlation risk have higher risk weighting built into the exposure calculation process compared to 'right-way' trades.

- Purchased credit default swaps – Correlation 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 correlation between the counterparty and the underlying equity, exposure is calculated as full notional (i.e. zero equity recovery).

- Reverse repurchase agreements – Correlation 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 wrong-way risk (e.g. repurchase agreements, equity finance) are risk weighted as part of the daily exposure calculation process. Correlated transactions utilise 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.

iv) Currency Risk

The Company takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

The Company has approval to manage its own Trading profit and loss related foreign exchange risk through a formal trading mandate and operates within defined risk limits using the Value at Risk (VaR) methodology albeit that the majority of its profit and loss exposure is managed centrally by CS group Treasury. Its currency exposure within the non-trading portfolios is managed through the CS group levelling process as set out in the Corporate foreign exchange Policy. Both these methodologies are discussed in more detail in section i) of this note.

v) Credit Risk

CRM is an independent function headed by the Chief Credit Officer with responsibility for approving credit limits, monitoring and managing individual exposures and assessing and managing the quality of the segment and business areas' credit portfolios and allowances. CRM reports to the Chief Risk Officer of CS group.

Definition of Counterparty Risk

Credit risk is the possibility of a loss being incurred by us as the result of a borrower or counterparty failing to meet its financial obligations or as a result of deterioration in the credit quality of the borrower or counterparty. In the event of a customer default, a Company generally incurs a loss equal to the amount owed by the debtor, less any recoveries from foreclosure, liquidation of collateral or the restructuring of the debtor company. A change in the credit quality of a counterparty has an impact on the valuation of assets eligible for fair value measurement, with valuation changes recorded in the Consolidated Statement of Income.

Credit Risk Management Approach

Effective credit risk management is a structured process to assess, quantify, measure, monitor and manage risk on a consistent basis. This requires careful consideration of proposed extensions of credit, the setting of specific limits, monitoring during the life of the exposure, active use of credit mitigation tools and a disciplined approach to recognizing credit impairment.

Our credit risk management framework covers all of the Company's credit exposure and includes the following core components:

- individual counterparty rating systems;
- transaction rating systems;
- a counterparty credit limit system;
- country concentration limits;
- risk-based pricing methodologies;
- active credit portfolio management; and
- a credit risk provisioning methodology.

Credit limits are used to manage individual counterparty credit risk. A system of limits is also established to address concentration risk in the portfolio, including a comprehensive set of country limits and limits for certain products. In addition, credit risk concentration is regularly supervised by credit and risk management committees, taking current market conditions and trend analysis into consideration. A rigorous credit quality review process provides an early identification of possible changes in the creditworthiness of clients and includes regular asset and collateral quality reviews, business and financial statement analysis and relevant economic and industry studies. Regularly updated watch lists and review meetings are used for the identification of counterparties where adverse changes in creditworthiness could occur.

Counterparty and transaction rating

The CSS(E)L Group employs a set of credit ratings for the purpose of internally rating counterparties to whom the Company are exposed to credit risk as the contractual party, credit ratings are intended to reflect the risk of default of each counterparty. Ratings are assigned based on internally developed rating models and processes, which are subject to governance and internally independent validation procedures.

The CSS(E)L Group's internal ratings may differ from counterparty's external ratings where present. Internal ratings are reviewed at least annually. For the calculation of internal risk estimates and RWAs, a probability of default (PD) is assigned to each facility, where the PD is determined by the internal credit rating. Internal ratings are based on the analysis and evaluation of both quantitative and qualitative factors. The specific factors analysed 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, external ratings and research, other quantitative tools and the judgement of credit experts. The PD for each rating is calibrated based on historic default experience, using external data from Standard & Poor's, and backtested to ensure consistency with internal experience.

The Company assign an estimate of expected loss in the event of a counterparty default based on the structure of each transaction. The counterparty credit rating is used in combination with credit (or credit equivalent) exposure and the loss given default (LGD) assumption to estimate the potential credit loss. LGD represents the expected loss on a transaction should default occur and takes into account structure, collateral, seniority of the claim and, in certain areas, the type of counterparty. The Company use credit risk estimates consistently for the purposes of approval, establishment and monitoring of credit limits and credit portfolio management, credit policy, management reporting, risk-adjusted performance measurement, economic capital measurement and allocation and certain financial accounting purposes. This approach also allows us to price transactions involving credit risk more accurately, based on risk/return estimates. The overall internal credit rating system has been approved by FINMA for application under the Basel II A-IRB approach.

Credit Risk Overview

All transactions that are exposed to potential losses due to failure of a counterparty to meet an obligation are subject to credit risk exposure measurement and management. The following table presents the credit risk of the Statement of Financial Position before taking account of any collateral held or other credit enhancements unless such credit enhancements meet offsetting requirements as set out in IAS 32. For financial assets recognised on the Statement of Financial Position, the exposure to credit risk equals their carrying amount. For financial guarantees granted, the exposure to credit risk is the amount the CSS(E)L Group would have to pay if the guarantees are called upon.

Maximum exposure to credit risk before collateral held or other credit enhancements

The following table also presents the maximum exposure to credit risk of financial instruments included in the Consolidated Statement of Financial Position, before taking account of the fair value of any collateral held or other credit enhancements unless such credit enhancements meet offsetting requirements as set out in IAS 32. For financial assets recognised on the Consolidated Statement of Financial Position, the exposure to credit risk equals their carrying amount as at 31 December 2011.

Maximum exposure to credit risk:

2011	Group			Company		
Maximum exposure to credit risk (USD million)	**Gross**	**Collateral**	**Net**	**Gross**	**Collateral**	**Net**
Cash and due from banks	19,914	-	19,914	19,812	-	19,812
Securities purchased under resale agreements and securities borrowing transactions	36,202	35,688	514	36,202	35,688	514
Trading financial assets at fair value through profit or loss						
■ Debt securities	32,612	-	32,612	32,612	-	32,612
■ Derivative trading positions	17,168	15,431	1,737	17,453	15,431	2,022
Financial assets designated at fair value through profit or loss						
■ Securities purchased under resale agreements and securities borrowing transactions	99,807	93,657	6,150	99,807	93,657	6,150
■ Other	3,616	-	3,616	3,454	-	3,454
Financial assets available-for-sale	35	-	35	31	-	31
Other loans and receivables	1,575	-	1,575	1,575	-	1,575
Other assets	40,660	-	40,660	40,660	-	40,660
Maximum exposure to credit risk – total assets	**251,589**	**144,776**	**106,813**	**251,606**	**144,776**	**106,830**
Off-balance sheet items						
■ loan commitments and other credit related commitments	27,826	-	27,826	27,826	-	27,826
Maximum exposure to credit risk – total off-balance sheet	**27,826**	**-**	**27,826**	**27,826**	**-**	**27,826**
Maximum exposure to credit risk	**279,415**	**144,776**	**134,639**	**279,432**	**144,776**	**134,656**

2010	Group			Company		
Maximum exposure to credit risk (USD million)	**Gross**	**Collateral**	**Net**	**Gross**	**Collateral**	**Net**
Cash and due from banks	20,344	-	20,344	20,241	-	20,241
Securities purchased under resale agreements and Securities borrowing transactions	28,978	28,541	437	28,978	28,541	437
Trading financial assets at fair value through profit or loss						
■ Debt securities	33,474	-	33,474	33,474	-	33,474
■ Derivative trading positions	14,218	12,124	2,094	16,390	12,124	4,266
Financial assets designated at fair value through profit or loss						
■ Securities purchased under resale agreements and securities borrowing transactions	99,439	96,302	3,137	99,439	96,302	3,137
■ Other	3,087	-	3,087	936	-	936
Financial assets available-for-sale	37	-	37	34	-	34
Other loans and receivables	1,483	-	1,483	1,483	-	1,483
Other assets	35,199	-	35,199	35,200	-	35,200
Maximum exposure to credit risk – total assets	**236,259**	**136,967**	**99,292**	**236,175**	**136,967**	**99,208**
Off-balance sheet items						
■ loan commitments and other credit related commitments	41,186	-	41,186	41,186	-	41,186
Maximum exposure to credit risk – total off-balance sheet	**41,186**	**-**	**41,186**	**41,186**	**-**	**41,186**
Maximum exposure to credit risk	**277,445**	**136,967**	**140,478**	**277,361**	**136,967**	**140,394**

The CSS(E)L Group is exposed to credit risk as a result of either a counterparty or issuer being unable or unwilling to honour its contractual obligations. These exposures to credit risk exist within financing relationships, derivatives and other transactions.

The CSS(E)L Group typically enters into master netting arrangements (MNA's) with OTC derivative counterparties. The MNA's allow the CSS(E)L Group to offset derivative liabilities against the derivative assets with the same counterparty in the event the counterparty defaults. Collateral on these derivative contracts is usually posted on a net counterparty basis and comprises either cash or marketable securities or a combination thereof. To the extent an exchange or clearing house acts as a counterparty to a derivative transaction, credit risk is generally considered to be limited as the CSS(E)L Group is required to maintain a margin. Included in the table above as collateral and other credit enhancements are the derivative liability amounts which would be offset against the derivative asset position upon default of the counterparty as well as any cash or marketable securities collateral held. Amounts disclosed as collateral and credit enhancements are where a counterparty has an offsetting derivative exposure with the CSS(E)L Group, a MNA exists, and the credit risk exposure is managed on a net basis or the position is specifically collateralised, typically in the form of cash.

Reverse repurchase agreements and securities borrowings are typically fully collateralised instruments and in the event of default, the agreement provides the CSS(E)L Group the right to liquidate the collateral held. Reverse repurchase agreements are included either within Securities borrowed, lent and subject to repurchase or financial assets designated at fair value through profit or loss, based on the accounting methodology. These instruments are collateralised principally by government securities, money market instruments, corporate bonds and cash. The CSS(E)L Group monitors the fair value of securities borrowed and loaned on a daily basis with additional collateral obtained as necessary. The fair value of the collateral has been included in the table above. For further information on the collateral and credit enhancements held against reverse repurchase agreements and securities borrowing, refer to Note 12 Securities borrowed, lent and subject to repurchase.

For further information on collateral held as security that the CSS(E)L Group is permitted to sell or repledge, refer to Note 36 Assets Pledged or Assigned.

If collateral or the credit enhancement value for a particular instrument is in excess of the maximum exposure, then the value of collateral and other credit enhancements included in the table has been limited to the maximum exposure to credit risk.

Collateral held as security

The CSS(E)L Group actively manages its credit exposure utilizing credit hedges, collateral and guarantees. Collateral is security in the form of an asset, such as cash and marketable securities that serves to mitigate the inherent risk of credit loss and to improve recoveries in the event of a default.

The policies and processes for collateral valuation and management are driven by:
- legal documentation that is agreed with counterparties; and
- an internally independent collateral management function.

The valuation of the collateral portfolio is performed as per the availability of independent market data, generally daily for traded products. Exceptions are governed by the calculation frequency described in the legal documentation. The management of collateral is standardized and centralized to ensure complete coverage of traded products.

Primary types of collateral

Collateral securing foreign exchange transactions and OTC trading activities includes:

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

For further information on collateral, refer to Note 36 Assets pledged or assigned.

Risk Mitigation

The CSS(E)L Group actively manages its credit exposure utilising credit hedges and monetiseable collateral (cash and marketable securities). Credit hedges represent the notional exposure that has been transferred to other market counterparties, generally through the use of credit default swaps. The CSS(E)L Group also actively enters into collateral arrangements for OTC derivatives and other traded products, which allows us to limit the counterparty exposure risk associated with these products. Collateral taken generally represents cash or government securities although other securities may be accepted. The value of collateral reflected as a risk mitigant is net of an appropriate haircut.

Counterparty Exposure before Collateral by Rating

Company	**2011**		**2010**	
	USD million	**%**	**USD million**	**%**
AAA	2,678	19	3,021	27
AA+ to AA-	4,393	32	2,900	26
A+ to A-	3,744	27	3,795	33
BBB+ to BBB-	1,919	14	599	5
BB+ to BB-	765	6	749	7
B+ and below	290	2	293	2
	13,789	**100**	**11,357**	**100**

Unsecured Exposure by Counterparty Rating

Company	**2011**		**2010**	
	USD million	**%**	**USD million**	**%**
AAA	2,701	24	3,054	29
AA+ to AA-	4,367	39	2,812	27
A+ to A-	3,321	30	3,675	35
BBB+ to BBB-	449	4	391	4
BB+ to BB-	211	2	332	3
B+ and below	138	1	187	2
	11,187	**100**	**10,451**	**100**

The above tables include all loans, commitments, derivatives, securities purchased and sold under resale and repurchase agreements, and short term cash trades on a net counterparty exposure basis for the Company as most of the trading portfolio mainly resides in the Company. The first table represents mark to market exposures before offsetting any eligible collateral held; the second table represents mark to market exposures after offsetting collateral.

vi) Country Risk

Country risk is the risk of a substantial, systemic loss of value in the financial assets of a country or group of countries, which may be caused by dislocations in the credit, equity, and/or currency markets. CS group's major operating divisions all assume country risk in a variety of ways. The setting of limits for this risk is the responsibility of CARMC, based on the recommendations of CRM, SRM and CS group's economists.

Country limits for emerging markets are approved annually by the Board of Directors of CSG, following recommendations from CARMC. The measurement of exposures against country limits is undertaken by RAR with bi-monthly reports to senior management and monthly reports to CARMC. For trading positions, country risk is a function of the mark-to-market exposure and currency of the position, while for loans and related facilities country risk is a function of the amount and currency that CS group has lent or committed to lend. The day-to-day management of country exposure is assigned to each of the core businesses in accordance with its business authorisations and limit allocations. RAR and CRM provide independent oversight to ensure that the core businesses operate within their limits. CRM is responsible for periodically adjusting these limits to reflect changing credit fundamentals and business volumes.

vii) Settlement Risk

Settlement risk arises whenever the settlement of a transaction results in timing differences between the disbursement of cash or securities and the receipt of countervalue from the counterparty. This risk arises whenever transactions settle on a 'free of payment' basis and is especially relevant when operating across time zones.

In those instances where market convention and/or products preclude a value-for-value exchange, the CSS(E)L Group manages its risk through confirmation and affirmation of transaction details with counterparties. In order to reduce gross settlement risk, the CSS(E)L Group leverages Clearing Houses, Central Counterparties and Central Settlement services and will also net gross cashflows with a given counterpart where possible. It proactively seeks to manage the timing of settlement instructions to its agents and the reconciliation of incoming payments in order to reduce the window of exposure. In addition, CRM establishes and monitors limits to control the amount of settlement risk incurred to each counterparty.

viii) Legal Risk

The CS group faces significant legal risks in its businesses. Legal risks include, among other things, disputes over the terms of trades and other transactions in which the CS group acts as principal; the unenforceability or inadequacy of the documentation used to give effect to transactions in which the CS group participates; investment suitability concerns; compliance with the laws and regulations (including change in laws or regulations) of the many countries in which the CS group does business; and disputes with its employees. Some of these transactions or disputes result in potential or actual litigation that the CS group must incur legal expenses to defend.

The CS group is subject to extensive regulation in the conduct of its investment business. A failure to comply with applicable regulations could result in regulatory investigations, fines and restrictions on some of the CS group's business activities or other sanctions. The CS group seeks to minimise legal risk through the adoption of compliance and other policies and procedures, continuing to refine controls over business practices and behaviour, employee training sessions, the use of appropriate legal documentation, and the involvement of the Legal and Compliance department and outside legal counsel. In addition, the CS group is an active participant in ISDA and other professional derivative market forums, with specific focus on improving levels of derivative market and product standardisation, legal definition and protocol.

ix) Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. CS group's primary aim is the early identification, recording, assessment, monitoring, prevention and mitigation of operational risks, as well as timely and meaningful management reporting. Where appropriate, CS group transfers operational risks to third-party insurance companies.

Operational risk is inherent in most aspects of CS group's activities and comprises a large number of disparate risks. While market and credit risk are often chosen for the prospect of gain, operational risk is normally accepted as a necessary consequence of doing business. In comparison to market or credit risk, the sources of operational risk are difficult to identify comprehensively and the amount of risk is also inherently difficult to measure. CS group believes that effective management of operational risks requires a common group-wide framework with ownership residing with the management responsible for the relevant business process.

Within CS group, each individual business and management level takes responsibility for its own operational risks and provides adequate resources and procedures for the management of those risks. In addition to the quarterly firm-level CARMC meetings covering operational risk, operational risk exposures are discussed at divisional risk management committees, which have senior staff representatives from all the relevant functions. CS group utilises a number firm wide tools for the management and reporting of operational risk. These include risk and control self-assessments, scenario analysis, key risk indicator reporting and the collection, reporting and analysis of internal and external loss data.

Business divisions and Shared Services specialist operational risk teams are responsible for the implementation of the operational risk management framework, tools, reporting and methodologies within their areas as well as working with management on any operational risk issues that arise. Additionally, CS group has established a central Bank Operational Risk Oversight team within the Chief Risk Officer function that focuses on the coordination of consistent policy, tools and practices throughout CS group for the management, measurement, monitoring and reporting of relevant operational risks. This team is also responsible for the overall operational risk framework, measurement methodology and capital calculations. Knowledge and experience are shared throughout CS group to maintain a coordinated approach.

CS group has employed the same methodology to calculate EC for operational risk since 2000, and has approval from the FINMA to use a similar methodology for the Advanced Measurement Approach ('AMA') under the Basel II Accord. The economic capital/AMA methodology is based upon the identification of a number of key risk scenarios that describe all of the major operational risks that CS group faces.

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 (for example, self-assessment results and key risk indicators) are considered as part of this process. Based on the output from these meetings, CS group enter the scenario parameters into an operational risk model that generates a loss distribution from which the level of capital required to cover operational risk is determined. Insurance mitigation is included in the capital assessment where appropriate, by considering the level of insurance coverage for each scenario, incorporating haircuts as appropriate.

x) Reputational Risk

It is CS's policy to avoid any action or transaction or relationship with a politically exposed person which poses an unacceptable level of risk to the Company's reputation. Reputational risk may arise from a variety of sources, including the nature or purpose of a proposed transaction, the identity or nature of a potential client, the regulatory or political climate in which the business will be transacted or significant public attention surrounding the transaction itself. Where the presence of these or other factors gives rise to potential reputational risk for CS group, the relevant business proposal is required to be submitted to CS group's Reputational Risk Review Process. This involves a vetting of the proposal by senior business management, and its subsequent referral to one of CS group's Reputational Risk Approvers, each of whom is independent of the business divisions and has authority to approve, reject, or impose conditions on CS group's participation.

39. Capital Adequacy

The Company's capital adequacy and capital resources are managed and monitored based on practices developed by the Basel Committee on Banking Supervision (the 'Basel Committee') and governed by European Union directives. These directives are implemented in the UK by the FSA, the UK regulator, and incorporated within its prudential sourcebooks for banks and investment firms.

Capital Resources

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

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

The Company made changes to its capital base during the year as follows:

	2011	2010
Regulatory capital less deductions (USD million)		
Total regulatory capital less deductions at 1 January	**6,856**	**5,821**
Capital injections during the year		
Tier 1	750	-
Tier 2	-	2,000
Total Capital Injections	**750**	**2,000**
Other movements		
Statement of Income and other movements	(726)	(423)
Net movement in regulatory deductions and prudential filters	548	(542)
Total regulatory capital less deductions at 31 December	**7,428**	**6,856**

During 2011 the Company received a Tier 1 capital injection of USD 750 million to support the business.

Under the Basel Committee guidelines, an institution must have a ratio of total eligible capital to aggregate risk-weighted assets of at least 8%, although the FSA requires this ratio to exceed the Individual Capital

Guidance ('ICG') determined for each institution. This ratio can also be expressed as a capital coverage ratio, being the ratio of total eligible capital to total capital resources requirements, which must be at least 100%. The capital resources requirements reflect the credit, market and other risks of the company calculated using methodologies set out by the FSA.

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

The following table sets out details of the Company's regulatory capital resources at 31 December 2011 and 2010.

Company **USD million**	**2011**	**2010**
Total shareholders' equity	4,774	4,750
Reconciliation to tier 1 capital		
Regulatory Deductions (Goodwill)	(7)	(7)
Prudential Filters	(750)	(723)
Tier 1 capital less deductions	**4,017**	**4,020**
Tier 2 capital:		
Upper Tier 2 – Perpetual Subordinated Debt	2,400	2,400
Upper Tier 2 – Available for Sale Equities	22	-
Lower Tier 2 – Term Subordinated Debt	1,983	1,983
Excess Tier 2 Capital	(388)	(363)
Tier 2 capital	**4,017**	**4,020**
Tier 1 plus Tier 2 capital	8,034	8,040
Deductions	-	(37)
Tier 1 plus Tier 2 capital, less deductions	**8,034**	**8,003**
Excess Tier 2 capital	388	363
Deductions from total capital:		
Illiquid Assets	(992)	(1,476)
Free Deliveries	(2)	(34)
Total regulatory capital less deductions	**7,428**	**6,856**

40. FSA Pillar 3 disclosures

Under a waiver agreed with the FSA, certain of the Pillar 3 disclosures required by the UK implementation of Basel 2 need not be made by the Company as a stand-alone entity on the basis that they are included in the comparable disclosures provided on a consolidated basis by CS group. Those Pillar 3 disclosures required under FSA rules that are not covered by the CS group disclosures can be found separately at www.credit-suisse.com.

41. Subsequent Events

Capital restructuring

In December 2010, The Basel Committee on Banking Supervision (BCBS) issued the Basel III framework, with higher minimum capital requirements and new conservation and countercyclical buffers, revised risk-based capital measures, a leverage ratio and liquidity standards. The framework was designed to strengthen the resilience of the banking sector. The new capital standards and capital buffers will require banks to hold more capital, mainly in the form of common equity. The new capital standards will be phased in from 1 January 2013 through 1 January 2019. In anticipation of this, the Company restructured its capital during February 2012.

In anticipation of the implementation of Basel III, which will require a higher level and quality of capital, the Company has restructured the capital during February 2012.

The nominal amount of the Ordinary shares in issue before the restructuring were reduced from USD 1 to USD 0.10 each, with the difference being credited to share premium. The net effect on core tier one capital was nil. Upper Tier Two subordinated loans totaling USD 900 million (nominal) have been repaid, and Core Tier One capital has been increased through the issuance of Non-Voting participating shares (USD 0.10 each) with associated share premium. In the case of the Company's subordinated loan repayment, the amount payable by the Company for early redemption exceeded the nominal amount of the loans by USD 43.6 million, which represents a loss for the Company.

The shares were issued to Credit Suisse PSL GmbH and this entity has now become an additional shareholder of the Company.

In addition, on 29 February 2012, USD 300 million of capital was issued in the form of new participating shares which will contribute to core Tier 1 equity.

Tax rate

In the budget announcement of 21 March 2012, the UK government announced its intention to further reduce the corporation tax rate by 1% with effect from 1 April 2012. This rate reduction was substantively enacted on 26 March 2012. If this rate reduction had been substantively enacted as at 31 December 2011 it would have had the impact of decreasing the deferred tax asset recorded by USD 13 million.

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