Credit Suisse

Credit Suisse Securities (Europe) Limited

Annual Report 2013

Board of Directors as at 21 March 2014

Noreen Doyle (Chair and Independent Non-Executive)

Gael de Boissard (CEO)

Eric Varvel

Michael Hodgson (Deputy CEO)

Gary Bullock

Richard Thornburgh (Independent Non-Executive)

Stephen Kingsley (Independent Non-Executive)

Company Secretary

Paul E Hare

Strategic Report for the Year ended 31 December 2013

The Directors present their Annual Reports and the Financial Statements for the year ended 31 December 2013.

Business Review

Profile

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

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 Credit Suisse Group AG ('CSG'). It is authorised in the United Kingdom by the Prudential Regulation Authority ('PRA') and regulated by the Financial Conduct Authority ('FCA'). 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. In addition to providing these activities, the Seoul branch has 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 and Switzerland.

CSG, a company domiciled in Switzerland, is the ultimate parent of a worldwide group of companies (collectively referred to as the 'CS group'). 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.

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 two divisions, Investment Banking and Private Banking & Wealth 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 46,000 employees from approximately 150 different nations.

Management and governance changes

A number of management and governance changes have been effected. Richard Thornburgh was appointed as a Non-Executive Director and Gary Bullock as an Executive Director of the CSS(E)L Group's Board. Chris Carpmael, James Leigh-Pemberton and Tobias Guldimann have resigned. In addition, Stephen Kingsley and Richard Thornburgh were appointed as members of the Audit Committee. Noreen Doyle, Gary Bullock, Stephen Kingsley, Eric Varvel and Richard Thornburgh were appointed as members of the Risk Committee. The Board approved the formation of a Board Nomination Committee, comprising of Non-Executive Directors and chaired by Noreen Doyle, on 8 November 2013. All Board appointments are approved by CSG. These committees are described in more detail under 'Internal Control and Financial Reporting' on page 9.

As in previous years employee compensation remains the subject of the CS group Remuneration Committee. The recommendations are, however, reviewed by the Company's Board of Directors. Consistent with the requirements of the PRA Remuneration Code the Company has broadened the 'Malus clause' which is applicable to Code staff, UK Managing Directors and certain identified other employees.

A London Conduct Risk Committee ('LCRC') has been established which is designed to enable the Company to review the effectiveness of the Company's conduct risk framework and challenge business leaders on the suitability and effectiveness of the measures and tools used in their businesses to identify, control and mitigate conduct risk. The LCRC is tasked with sponsoring and reviewing appropriate policies and procedures and monitoring peer group and regulatory statements and developments in the conduct risk space. The LCRC will consider reports covering conduct risk identification, conduct risk mitigation and conduct risk management information.

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 ('FID') 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. FID 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 ('IBD') 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 FID and Equity businesses, capital raising services.

During the year, Non-Strategic Units were created within the Fixed Income, Equity and Investment Banking divisions to further accelerate a reduction of capital and costs associated with non-strategic activities and positions and to shift resources to focus on strategic businesses and growth initiatives. Non-strategic activities and positions are defined as activities with significant capital absorption under new regulations and returns below expectations, activities with significant leverage exposures identified for de-risking, activities no longer feasible or economically attractive under emerging regulatory frameworks and assets and liabilities of business activities being wound down. Included in the Non-Strategic Units are the fixed income wind-down portfolio, legacy rates business, capital instruments that are not compliant with the Basel III capital framework and capital-intensive structured positions. The Non-Strategic Units have been retained within the divisions, so as to benefit from senior management's expertise and focus. The Non-Strategic Units have separate management within each division and a clear governance structure through the establishment of a Non-Strategic Oversight Board.

Economic environment

In the UK, the annual rate of Consumer Price Index ('CPI') inflation decreased to 2.0% in 2013 compared to 2.7% in 2012. The Bank of England ('BOE') maintained interest rates at 0.5% throughout the year and the stock of asset purchases financed by the issuance of central bank reserves at GBP 375 billion. The unemployment rate fell to 7.1% at the end of 2013 from 7.7% in 2012. UK Gross Domestic Product ('GDP') grew from 0.4% in 2012 to 0.7% in 2013.

Market sentiment improved significantly at the start of 2013, reflecting a continued positive response to central bank policy measures. These included a move by the European Central Bank ('ECB') to support euro-area sovereign debt markets through its programme of Outright Monetary Transactions ('OMT'), and a commitment from the US Federal Reserve ('Fed') to continue its open ended purchase of assets until the labour market showed tangible signs of recovery. The US economy showed further signs of recovery, with the unemployment rate falling to a four year low and improvement in the housing market. In the Eurozone, a bailout package for Cyprus was agreed which imposed losses on bank deposits above the insurance threshold of EUR 100,000 and resulted in the restructure of the country's second largest bank. In Japan, the Bank of Japan ('BOJ') increased its inflation target from 1% to 2%.

Market expectations of a continuation of relaxed monetary policy were confirmed to some extent by the actions of Central Banks. The BOJ doubled the size of its asset purchase programme and announced a massive monetary stimulus program in April in order to achieve a 2% inflation target within two years, leading to a sharp fall in the yen and a rise in the volatility of yields on Japanese government bonds ('JGBs'). The Fed indicated that it was prepared to increase the pace of its asset purchases and the impact of automatic government spending cuts was less negative than expected in the US. In early May, the ECB cut its main refinancing rate to an historic low of 0.5% and signalled that a negative deposit rate was an available measure. There were concerns about tight bank credit conditions faced by small and medium sized enterprises, particularly in the southern member states of the Eurozone.

Economic conditions in Europe and the US improved in the second half of the year. The Eurozone economy continued its recovery, economic indicators for US showed solid improvement, though the labour and housing markets were less robust, having been negatively affected by a relatively sharp increase in long term government bond yields and mortgage rates. Among the emerging market economies China showed signs of economic stabilisation. Both the ECB and BOE committed to keep interest rates low for a prolonged period. On the other hand, Central Banks in India, Brazil and Indonesia increased interest rates in reaction to declining exchange rates and increasing inflationary pressure.

The BOE announced changes to the Sterling Monetary Framework designed to increase the availability, term and flexibility of the liquidity insurance it supplies to the UK banking system. Market interest rates in advanced economies increased in expectation that the Fed would announce a reduction in the pace of its monthly asset purchases ('tapering') following its September meeting. When tapering was not announced, market rates fell back somewhat. A decline in short rates was offset by improvements in the medium-term growth outlook in the United States and United Kingdom, leaving longer term interest rates broadly unchanged over the second half of the year.

Financial markets and sector environment

At the start of 2013, equity markets benefitted from easy monetary conditions and generally improved corporate earnings as well as a moderate increase in merger and acquisition ('M&A') activity. Overall, most equity markets added several percentage points by the end of March, reaching new multi-year highs, with the Nikkei 225 and the Swiss Market Index ('SMI') the best performing major indices. The S&P 500 closed above 1,550 index points, beating the previous high reached in 2007. From April to June, equity markets reversed some of their gains. This was mainly due to renewed uncertainties over the election outcome in Italy combined with a slowdown of momentum as a result of the Cyprus bail-out. While cyclical stocks and emerging markets underperformed due to fears of slowing economic growth, less monetary easing and rising interest rates, US markets and most European markets were resilient overall. Through the rest of the year, global equity markets had a strong performance, with most regions and sectors posting solid gains.

In fixed income, major benchmark government bond yields were volatile, increasing significantly until the beginning of September. Benefiting from their safe-haven status in Europe, German bunds outperformed US Treasuries during the period. However yields for Italian, Spanish and Portuguese bonds remained below the high levels seen in 2012. Following the Feds mid-September announcement to maintain its pace of monthly asset purchase at USD 85 billion, yields declined but started to increase again through the end of the year when the Fed announced in mid-December its decision to reduce the pace of monthly asset purchases to USD 75 billion.

In currency markets, overall the US dollar had a mixed performance against most currencies in 2013. At the beginning of 2013, the US dollar strengthened moderately against the Euro and the Swiss franc. The Japanese yen was the weakest among the major currencies as yields in Japan fell and expectations of major easing by the BOJ increased. The British pound also weakened significantly against most currencies. Later in the year, the US dollar weakened against most major currencies. The weakness increased following the Feds mid-September announcement regarding future asset purchases. The Euro appreciated versus the US dollar as the Eurozone showed further signs of recovery from its recession. The British pound appreciated against both the US dollar and the Euro, reflecting improved UK economic growth and higher interest rates. Other economies such as Brazil, India, South Africa and Turkey experienced pressure on their foreign exchange rates as US yields increased.

With US yields rising and Chinese growth stabilising, the environment for commodities has been challenging. Commodity markets had a strong start to the year, however the gains reversed amid concerns that the Fed could reduce economic stimulus. Energy products were the best performing commodity class. Lower inflation expectations triggered significant selling activity in gold and silver markets. Gold was among the worst performing commodities during the year, with prices falling more than 28%.

2013 was a challenging year for the banking sector. The banking sector benefitted from Central Bank measures while the sector continued to transition to new regulatory requirements. Global banks took significant steps to restructure businesses and decrease costs while also taking measures to increase capital and liquidity ratios. Private banking clients maintained a cautious investment stance amid prevailing market uncertainty, with cash deposits remaining high despite low interest rates. In investment banking, equity trading volume was comparable to 2012. Trading volumes in Europe were generally stronger, while volumes in the US weakened. US fixed income volumes were slightly weaker compared to 2012 with stronger treasuries and corporate volumes being offset by weaker federal agency and mortgage backed volumes. Compared to 2012, activity from global completed M&A volumes increased slightly and global announced M&A volumes increased by more than 8%. Global equity underwriting volumes increased significantly and global debt underwriting volumes remained stable compared to 2012.

Key performance indicators (‘KPIs’)

The Company uses profitability and risk weighted assets as the primary KPIs to manage the financial position of the Company. In a changing regulatory environment and with the increasing cost of capital these KPIs are critical to the successful management of the business to the Company’s objectives. Profitability and risk weighted assets are reviewed at the business line level to ensure a profitable and capital efficient business is maintained and developed, capital intensive businesses are closely monitored and reviewed.

Performance

Consolidated Statement of Income

For the year ended 31 December 2013, the CSS(E)L Group reported a net loss attributable to shareholders of USD 381 million (2012: USD 698 million loss restated). Net revenues amounted to USD 2,086 million (2012: USD 1,673 million restated). After operating expenses the CSS(E)L Group reported a loss before tax of USD 323 million (2012: USD 468 million loss restated). In 2012, the Statement of Income was restated due to CSS(E)L Group adopting the prescribed amendments to IAS19 ‘Employee Benefits’ (IAS 19R).

The 2013 financial performance of the CSS(E)L Group was driven by:

- Improved economic conditions in 2013;
- Interest rates remained low despite government bond yields rising over the course of the year;
- Equity revenues remained consistent year on year however Fixed Income suffered primarily due to the government bond market;
- Cost reduction programme within CS group had a direct impact on revenue sharing agreement charges.

Fixed Income recorded revenues of USD 764 million in 2013 (2012: USD 949 million). The main drivers were Global Credit Products (USD 345 million), Securitised Products (USD 205 million) and Rates business (USD 137 million). The movement in revenues was predominantly due to the Rates business decreasing by USD 250 million. The reduction was mainly in the European Interest Rate Products and Repo business (USD 181 million) due to a general malaise in the government bond markets as sentiment focused on the potential unwinding of government stimulus measures. The repo business suffered from continued measures by the CSS(E)L Group to reduce the size of the Statement of Financial Position.

The Equity division recorded revenues of USD 1,517 million in 2013 (2012: USD 1,385 million) primarily in Prime Services (USD 714 million), Cash Equities (USD 464 million) and Systematic Marketing Making ('SMM') (USD 288 million). The movement in revenues is driven by SMM by USD 96 million following a continued strong and improved performance during the year. Cash Equities also increased by USD 56 million largely driven by increased global growth globally, with a rally in stock markets in the second half of the year resulting in higher trading volumes.

Investment Banking recorded revenues of USD 408 million (2012: USD 324 million) made up of USD 188 million in Mergers and Acquisitions and USD 91 million in Debt Capital Markets.

The remainder of net revenues, USD 603 million loss (2012: USD 985 million loss restated) include the cost of revenue sharing agreements, Treasury funding charges and the Non-Strategic Units.

- The cost of revenue sharing agreements with other CS group companies reduced to USD 212 million (2012: USD 442 million). This reduction was due to a lower cost base for cost-plus transfer pricing arrangements plus changes in cost-plus agreements and profit splits. Reviews of transfer pricing policies in Prime Services and the Investment Banking Division led to adjustments in transfer pricing policies, which had the result of lowering the net tranfer pricing paid by the CSS(E)L Group.
- Treasury funding charges reduced by USD 138 million to USD 429 million (2012: USD 567 million). This was primarily due to a reduction in short term borrowing with CS AG London Branch and a reduction in excess cash positions.
- A profit of USD 61 million (2012: USD 52 million profit) was made in the newly formed Non-Strategic Units following the sale of assets.

CSS(E)L Group's operating expenses were USD 2,409 million (2012: USD 2,141 million restated). The increase in expenses of USD 268 million was primarily driven by an increase in General and administrative expenses. This increase in expenses is primarily due to:

- an increase in Professional Services of USD 55 million; and
- a reduction in expenses recharged to other CS group companies which increases the overall expenses by USD 195 million.

Included in operating expenses is an expense of USD 47 million (2012: USD 34 million) in respect of the UK Bank Levy. The tax, applicable to all Banks and Banking groups operating in the UK, is charged on liabilities as at the Statement of Financial Position date at a rate of 13 basis points (2012: 8.8 basis points) for all short-term liabilities and 6.5 basis points (2012: 4.4 basis points) for long-term liabilities.

The effective tax rate for 2013 was (18.0)% (2012: (49.1)%). The effective tax rate is higher than the UK statutory tax rate due to primarily a decrease in the deferred tax asset of USD 39 million as a result of an impairment, reduction in the UK statutory tax rate and other permanent tax adjustments.

<u>Consolidated Statement of Financial Position</u>

CSS(E)L Group's total assets decreased to USD 237,351 million (2012: USD 258,008 million restated). This was primarily due to a decrease in Financial assets at fair value through profit and loss of USD 15,085 million due to lower levels of European government bond assets, Other assets of USD 8,589 million due to derecognition of client money assets from the Statement of Financial Position and Trading financial assets at fair value through profit or loss of USD 6,256 million due to Credit Suisse International sourcing listed derivative products directly from the market instead of through the Company. This was offset by an increase in Securities purchased under resale agreements and securities borrowing transactions of USD 5,987 million with Credit Suisse Securities (USA) LLC.

Off-balance sheet arrangements are highlighted in Note 34 - Guarantees and Commitments and Note 35 – Securities, Special Purpose Entities and Other Structured Transactions.

Principal Risks and Uncertainties

The primary responsibility for risk management within Company lies with the Company'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, reputational risk and conduct risk.

The Company's risk management process is designed to ensure that there are sufficient independent controls to measure, monitor and control risks in accordance with the Company's control framework and in consideration of industry best practices.

The way in which these risks are managed is detailed in the Directors' Report, and the risks are detailed in Note 39 – Financial Instruments Risk Position.

Fair Value Measurement

Financial instruments carried at fair value are categorised under the three levels of the fair value hierarchy, where the significant inputs for the Level 3 assets and liabilities are unobservable.

Total Level 3 assets for CSS(E)L Group were USD 3.4 billion (2012: USD 4.1 billion), which was equivalent to 1.42% of total assets.

Total Level 3 liabilities for CSS(E)L Group were USD 0.9 billion (2012: USD 0.8 billion) which was equivalent to 0.39% of total liabilities.

The decrease in Level 3 assets was principally driven by asset disposals in legacy businesses, along with the strategy to exit risky positions.

Capital Resources

The Company closely monitors its capital and liquidity position on a continuing basis to ensure ongoing stability and support of its business activities. This monitoring takes account of the requirements of the current regime and any forthcoming changes to the capital framework. CS group continues to provide confirmation that it will ensure that the Company is able to meet its debt obligations and maintain a sound financial position for the foreseeable future.

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

There were no changes made to the capital structure or subordinated debt during 2013. Capital is set out in Note 28 – Share Capital and Share Premium and Subordinated Debt is included within note 26 – Long Term Debt.

Dodd Frank Regulations

In December 2011, the Commodity Futures Trading Commission ('CFTC') finalised rules under the Dodd-Frank Act requiring regulatory and public reporting for a wide range of OTC derivatives. In addition, during the 2012, the CFTC finalised many of the rules under the Dodd-Frank Act relating to the regulation of swap dealers and major swap participants. Initially the Company did not register as a major swap participant however during 2013 due to increasing relevant trading activity the Company was registered as a major swap participant and has to comply with the relevant obligations.

Outlook

In 2013, CSS(E)L Group continued to make significant progress in executing its client-focused, capital-efficient strategy to meet emerging client needs and regulatory trends. CSS(E)L Group is progressing towards achieving specific goals to reduce its cost base and strengthen its capital position, and has operated under the Basel III capital framework, as implemented in the EU, since January of 2014. CSS(E)L Group has further optimised its business footprint, continuing to shift resources to focus on growth in higher returning businesses. As a result of this progress, CSS(E)L Group believes that it is better positioned to perform in a challenging market environment and compete in its chosen businesses and markets around the world.

CSS(E)L Group remains committed to offering its clients a broad spectrum of equities, fixed income, and investment banking advisory products and services. CSS(E)L Group is focused on businesses in which the bank has a competitive advantage and is able to operate profitably with an attractive return on capital in the new regulatory environment. While the industry still faces significant adjustments to new regulatory requirements, CSS(E)L Group has significantly evolved its business model to one that is compliant with the Basel III regulatory framework, including exiting certain non-Basel III compliant businesses. CSS(E)L Group will continue to invest in its market-leading, high-returning businesses while optimising its risk weighted assets and cost base to further improve returns. As part of continuing to advance its business model, CSS(E)L Group created Non-Strategic Units towards the end of 2013 with the goal of reducing costs and capital in the non-strategic portfolio and redeploy resources to growth initiatives in higher returning businesses.

In light of recent developments such as heightened regulatory focus on leverage, conduct risk, additional capital resource requirements under Basel III and the migration of markets towards cleared and electronic trading, the CSS(E)L Group is focusing on high volume, high liquidity electronic trading in cash products as part of its effort to migrate the business model to simplified and primarily exchange-cleared products in derivatives and reduce capital intensive activity.

CSS(E)L Group will additionally continue to focus on cost initiatives, in a challenging market environment, while still being positioned to take advantage of favourable market opportunities when they arise. Looking ahead, CSS(E)L Group believes that its client-focused and cost-and capital-efficient strategy will allow the delivery of strong returns. CSS(E)L Group continues to refocus resources on opportunities in high-returning businesses such as Cash Equities, Prime Services, Global Credit Products and Investment Banking Division, and to reduce the impact of the Non-Strategic Units.

By Order of the Board

Paul E Hare
Company Secretary

One Cabot Square
London E14 4QJ
21 March 2014

Directors' Report for the Year ended 31 December 2013

International Financial Reporting Standards

The CSS(E)L Group and Company 2013 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 21 March 2014.

Dividends

No dividends were paid or are proposed for 2013 (2012: USD Nil).

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 2012 and up to the date of this report are as follows:

Appointment	
Gael de Boissard	28 March 2013
Michael Hodgson	28 March 2013
Gary Bullock	21 August 2013
Richard Thornburgh	21 August 2013
Resignation	
James Leigh-Pemberton	25 October 2013
Tobias Guldimann	31 December 2013
Chris Carpmael	1 January 2014

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.

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.

Corporate Governance

Internal Control and Financial Reporting

The directors are ultimately responsible for the effectiveness of internal control in CSS(E)L Group. Procedures have been designed for safeguarding the assets; for maintaining proper accounting records; and for assuring the reliability of financial information used within the business, and for that provided to external users. 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 have been 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 21 March 2014, the date of approval of the Consolidated Annual Report for 2013.

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, market, operational 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.

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.

Committees

The Board delegates certain functions and responsibilities to the following committees:

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 systems of accounting, internal controls, and compliance with regulatory and legal requirements, and on litigation;
- review quality and accuracy of financial reporting to external bodies;
- review other Internal Audit, regulatory examination reports and External Audit reports and management letters;
- review with the management and jointly with the Credit Suisse Securities (Europe) Limited Risk Committee, significant operational risk matters involving business processes and system infrastructure;
- review with management and jointly with the Credit Suisse Securities (Europe) Limited Risk Committee, significant matters of potential reputational risk;
- review the Annual Financial Statements on behalf of the Board; and
- report significant issues to the Board.

The Audit Committee members are Stephen Kingsley (Chair), Noreen Doyle and Richard Thornburgh. James Leigh-Pemberton left Credit Suisse and accordingly resigned from the Board and the Audit Committee during the year.

In reviewing the Credit Suisse Securities (Europe) Limited Annual Report 2013, the Audit Committee considered critical accounting estimates and judgements including the valuation of Level 3 assets and liabilities, and the recoverability of the deferred tax asset. The Audit Committee additionally considered the projected capital requirements in the next 12 months and, in this context, the continued access to appropriate funding to maintain adequate capital and liquidity positions.

Credit Suisse Securities (Europe) Limited Risk Committee

The purpose of the Committee is to:

- review and assess the integrity and adequacy of the risk management function of the CSS(E)L Group including processes and organisational structures;
- review and assess the CSS(E)L Group's credit, market and operational risk including any large exposures;
- review the Internal Capital Adequacy Assessment Process ('ICAAP');
- review with the management and jointly with the Credit Suisse Securities (Europe) Limited Audit Committee, significant operational risk matters involving business processes and system infrastructure;
- review and assess the adequacy of the risk measurement methodologies including the Risk Appetite framework;
- review other major risk concentration as deemed appropriate;
- monitor the adequacy of the business continuity program;

- review with management and jointly with the Credit Suisse Securities (Europe) Limited Audit Committee, significant matters of potential reputational risk;
- review and advise on risk adjustments to remuneration schemes; and
- report significant issues to the Board.

The Risk Committee members are Richard Thornburgh (Chair), Noreen Doyle, Stephen Kingsley and Eric Varvel and Gary Bullock.

Credit Suisse Securities (Europe) Limited Nomination Committee

The purpose of the Committee is to:

- engage a broad set of qualities and competences when recruiting members to the Board of Directors ('BoD') and put in place a policy promoting diversity on the BoD;
- identify and recommend for approval, by the Company shareholder (Credit Suisse Group AG / Credit Suisse AG) candidates to fill BoD vacancies, having evaluated the balance of knowledge, skills, diversity and experience of the BoD;
- make recommendations to the BoD concerning the role of chairman and membership of the board committees, in consultation with the chairmen of those committees;
- prepare a description of the roles and capabilities for a particular appointment, and assess the time commitment required;
- decide on a target for the representation of the under-represented gender in the BoD and prepare a policy on how to increase the under-represented gender in the BoD to meet that target;
- periodically, and at least annually, assess the structure, size, composition and performance of the BoD and make recommendations to the BoD with regard to any changes;
- periodically, and at least annually, assess the knowledge, skills and experience of individual members of the BoD and of the BoD collectively, and report this to the BoD;
- periodically review the policy of the BoD for selection and appointment of senior management and review with the CEO the appointment of senior management; and
- in performing its duties and to the extent possible on an on-going basis, take account of the need to ensure that the BoD's decision making is not dominated by any one individual or small group of individuals in a manner that is detrimental to the interest of the Company as a whole.

The Credit Suisse Securities (Europe) Limited Nomination Committee members are Noreen Doyle (Chair), Stephen Kingsley and Richard Thornburgh.

Risk Management

Overview

The Company's risk management framework is based on transparency, management accountability and independent oversight. Risk management plays an important role in the Company'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 the Company's financial strength and reputation, while ensuring that capital is well deployed to support business activities and grow shareholder value. The Company has implemented risk management processes and control systems and it works to limit the impact of negative developments by monitoring credit, market, liquidity, operational and reputational risks, and managing concentrations of risks.

Risk governance

The prudent taking of risk in line with the Company's strategic priorities is fundamental to its business as part of a leading global banking group. To meet the challenges in a fast changing industry with new market players and innovative and complex products, the Company seeks to continuously strengthen the risk function, which is independent of, but closely interacts with the businesses, to ensure the appropriate flow of information. In 2012, the Company has made a series of changes to the risk governance framework designed to enhance the effectiveness of controls at all levels of the organisation. These changes included the appointment of a CRO with responsibility for overseeing the Company's profile across all relevant risk types, the establishment of new risk committees at Board and senior management levels to increase the scrutiny over the Company's risk exposures, and the introduction of new, more granular limits to provide additional controls over specific businesses, concentrations or particular risks. These changes are described in more detail below.

The Board of Directors set the overall framework for risk appetite and has delegated authority to establish more granular limits within the bounds of its overall risk limits to a UK Investment Banking Risk Management Committee, which is chaired by the Company CRO and consists of senior risk and business managers. The purpose of the UK Investment Banking Risk Management Committee is to:

- ensure that proper standards for risk oversight and management are established;
- define and implement a risk appetite framework covering market, credit and operational risks and make recommendations to the Board on risk appetite;
- review the ICAAP and make recommendations to the Company's Risk committee on capital;
- allocate risk capital and establish risk limits for individual businesses within authorities delegated by the Board;
- review the risk portfolio, set and approve limits and ceilings and other appropriate measures to monitor and manage the risk portfolio for the Company; and
- review and implement appropriate controls over remote booking risk relating to the Company.

Risk organisation

Risks arise in all of the Company's business activities and cannot be completely eliminated, but they are monitored and managed through its internal control environment. The Company's risk management organisation reflects the specific nature of the various risks in order to ensure that risks are taken within limits set in a transparent and timely manner.

The Company's independent risk management function is headed by the Company's CRO, who reports jointly to the Company's CEO and the CRO of CS group. The Company CRO is responsible for overseeing the Company's risk profile across all risk types and for ensuring that there is an adequate independent risk management function. The Company has strengthened the risk management function to provide a more dedicated focus on the risks at the Company level, in addition to the global risk management processes applied by CS group.

The risk management function is responsible for providing oversight and establishing a framework to monitor and manage all risk matters through four primary risk departments: Strategic Risk Management ('SRM') assesses the Company'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; Risk Analytics and Reporting ('RAR') is responsible for risk analytics, reporting, risk model validation, systems implementation and policies; Credit Risk Management ('CRM') is responsible for approving credit limits, monitoring and managing individual exposures and assessing and managing the quality of credit portfolios and allowances, and includes the Credit Risk Analytics ('CRA') department and includes the Credit Analytics department; and Operational Risk Management ('ORM') is responsible for establishing a framework for managing operational risks including ensuring that operational risk policies are consistently implemented and helping understand, assess, and mitigate operational risks. The risk management function also addresses critical risk areas such as business continuity, technology risk and reputational risk management.

Committees are implemented at a senior management level to support risk management. The Reputational Risk and Sustainability Committee sets policies and reviews processes and significant cases relating to reputational risks. The Risk Processes and Standards Committee is responsible for establishing and approving standards regarding risk management and risk measurement, including methodology and parameters, for all CS group entities, including the Company. 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.

Risk limits

A sound system of risk limits is fundamental to effective risk management. The limits define the CSS(E)L Group's maximum risk appetite given management capabilities, the market environment, business strategy and financial resources available to absorb potential losses. The Company uses an Economic Risk Capital ('ERC') limit structure to manage overall risk-taking. The overall risk limits for the Company are set by the Board of Directors and are binding.

Within the bounds of the overall risk appetite of the Company, as defined by the limits set by the Board, the UK Investment Banking Risk Management Committee and Company CRO are responsible for setting specific limits deemed necessary to manage the concentration of risk within individual lines and across counterparties. The Company has a range of more granular limits for individual businesses, concentrations and specific risks, including, limits on transactions booked from remote locations.

Market risk limit measures are typically based on Value at Risk ('VaR') or ERC, though they could also include exposure, risk sensitivity and scenario analysis. Credit risk limits include overall limits on portfolio credit quality and a system of individual counterparty credit limits that is used to mitigate concentration risks. These risk limits are binding and generally set to ensure that any meaningful increase in risk exposures is promptly escalated to more senior levels of management. In addition, the Company has allocated operational risk capital to the businesses and has established thresholds for operational risk losses that trigger additional management action.

The majority of these limits are monitored on a daily basis, though those for which the inherent calculation time is longer (such as for ERC or some credit portfolio limits) are monitored on a weekly or monthly basis.

The Company'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 39 - Financial Instruments Risk Positions.

Economic risk capital and position risk

ERC is the core CS group-wide risk management tool and is integrated throughout, being calculated, reported and monitored for both CS group as a whole and for material subsidiaries, such as the Company. Its purpose is the measurement and reporting of all quantifiable risks and the measurement of 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 ERC 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 ERC framework, is used to assess, monitor and report risk exposures throughout CS group. Position Risk ERC is the level of unexpected loss in economic value on the entity'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).

As at 31 December 2013 the 99% Position risk was USD 694 million (2012: USD 846 million) for CSS(E)L Group which was within the agreed limit set by Board of Directors[1].

[1]Unaudited

Selected European credit risk exposures

CSS(E)L Group's exposure to certain European countries is 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 include the impact of risk mitigation such as 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 CSS(E)L Group and 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 2013		**Sovereign**	**Financial Institutions**			**Corporate**
USD millions	**Gross Exposure**	**Net Exposure**	**Gross Exposure**	**Net Exposure**	**Gross Exposure**	**Net Exposure**
Greece	9	9	-	-	-	-
Ireland	2	2	93	92	10	10
Italy	1	1	180	175	102	102
Portugal	11	11	3	3	36	36
Spain	61	61	61	61	51	51
Total	**84**	**84**	**337**	**331**	**199**	**199**

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 (2012: USD 1.2 million) of charitable donations. There were no political donations made by CSS(E)L Group during the year (2012: USD Nil).

Auditors

Our auditors, KPMG Audit Plc, has instigated an orderly wind down of business and notified the Company that they are not seeking reappointment. It is proposed that KMPG LLP be appointed auditors of the Company and will hold office from the start of the financial year ending 31 December 2014 until the end of the next period for appointing auditors under section 485(2) of the Companies Act 2006, and that their remuneration be fixed by the Directors.

Subsequent Events

In February 2014, CSG provided employees who hold outstanding 2011 Partner Asset Facility ('PAF2') awards with the opportunity to exchange their PAF2 awards. PAF2 awards were linked to a portfolio of CSG's credit exposures, providing risk offset and capital relief. Due to regulatory changes, this capital relief was no longer available after December 31, 2013. As a result, CSG terminated the PAF2 awards and exchanged them at fair value for other compensation awards. Refer to Note 30 – Share-based Compensation and other Compensation Benefits for further information on the exchange of PAF2 awards.

By Order of the Board

Paul E Hare
Company Secretary

One Cabot Square
London E14 4QJ
21 March 2014

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 21 March 2014 by:

Michael Hodgson
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 2013 set out on pages 19 to 167. 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 16, 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 Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on Financial Statements

In our opinion:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- information given in the Corporate Governance Statement set out on page 9 with respect to internal control and risk management systems in relation to financial reporting processes [and about share capital structures] is consistent with the financial statements.
- 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 2013 and of the CSS(E)L Group's and Company's loss for the year then ended;
- the Financial Statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- 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 Strategic Report and 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;
- certain disclosures of Directors' remuneration specific by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- a Corporate Governance Statement has not been prepared by the Company.

S. Ryder

Simon Ryder
(Senior Statutory Auditor)

for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
21 March 2014

Statement of Income for the Year ended 31 December 2013

	Reference to note	2013	2012 (Restated)[1]
CSS(E)L Group and Company Statement of Income (USD million)			
Interest income	4	1,187	1,538
Interest expense	4	(1,546)	(2,158)
Net interest expense		(359)	(620)
Commission and fee income	5	1,180	986
Commission and fee expense	5	(198)	(119)
Net commission and fee income		982	867
Net gains from financial assets/liabilities at fair value through profit or loss	6	1,670	1,872
Other revenues	7	(207)	(446)
Net revenues		**2,086**	**1,673**
Compensation and benefits	8	(1,549)	(1,567)
General and administrative expenses	9	(860)	(574)
Total operating expenses		**(2,409)**	**(2,141)**
Loss before taxes		**(323)**	**(468)**
Income tax expense	10	(58)	(230)
Net loss attributable to Credit Suisse Securities (Europe) Limited shareholders		**(381)**	**(698)**

All losses for both 2013 and 2012 are from continuing operations.

The notes on pages 29 to 167 form an integral part of the Financial Statements.

[1] On 1 January 2013, the CSS(E)L Group adopted amendments to IAS 19 "Employee Benefits" (IAS 19R). Comparative information has been restated accordingly (See Note 2).

Statement of Comprehensive Income for the Year ended 31 December 2013

CSS(E)L Group and Company **Statement of Comprehensive Income (USD million)**	**Reference to note**	**2013**	**2012 (Restated)[1]**
Net loss		**(381)**	**(698)**
Foreign currency translation differences	27	15	38
Net investment hedge - net loss		(16)	(45)
Re-measurement of defined benefit (asset)/liability		(111)	38
Available-for-sale financial assets - net change in fair value	27	3	1
Total items that may be reclassified to net income		**(109)**	**32**
Other comprehensive income/(loss), net of tax		**(109)**	**32**
Total comprehensive income		**(490)**	**(666)**
Attributable to shareholders		(490)	(666)

The notes on pages 29 to 167 form an integral part of the Financial Statements.

[1] On 1 January 2013, the CSS(E)L Group adopted amendments to IAS 19 "Employee Benefits" (IAS 19R). Comparative information has been restated accordingly (See Note 2).

Consolidated Statement of Financial Position as at 31 December 2013

	Reference to note	2013	2012 (Restated)[1]
Assets (USD million)			
Cash and due from banks		19,026	13,204
Interest bearing deposits with banks		1,548	4,112
Securities purchased under resale agreements and securities borrowing transactions	12	43,096	37,109
Trading financial assets at fair value through profit or loss	13	65,129	71,385
of which positive market values from derivative instruments	13	13,011	14,926
Financial assets designated at fair value through profit or loss	14	75,109	90,194
Financial assets available-for-sale	15	34	31
Other loans and receivables	16	1,483	1,483
Current tax assets		167	107
Deferred tax assets	11	218	248
Other assets	17	31,509	40,098
Property and equipment	20	21	24
Intangible Assets	21	4	6
Goodwill	22	7	7
Total assets		**237,351**	**258,008**
Liabilities (USD million)			
Deposits	23	1,899	4,427
Securities sold under repurchase agreements and securities lending transactions	12	32,962	33,019
Trading financial liabilities at fair value through profit or loss	13	38,080	39,617
of which negative market values from derivative instruments	13	14,582	16,571
Financial liabilities designated at fair value through profit or loss	14	69,194	82,630
Short term borrowings	24	29,842	34,095
Current tax liabilities		-	50
Other liabilities	17	44,345	40,346
Provisions	25	5	11
Long term debt	26	13,340	15,598
Total liabilities		**229,667**	**249,793**
Shareholders' equity			
Share capital	28	2,859	2,859
Share premium	28	5,661	5,661
Capital contribution		5,390	5,390
Retained earnings		(5,886)	(5,464)
Accumulated other comprehensive income	27	(340)	(231)
Total shareholders' equity		**7,684**	**8,215**
Total liabilities and shareholders' equity		**237,351**	**258,008**

The notes on pages 29 to 167 form an integral part of the Financial Statements.

Approved by the Board of Directors on 21 March 2014 and signed on its behalf by:

Michael Hodgson
Director

[1] On 1 January 2013, the CSS(E)L Group adopted amendments to IAS 19 "Employee Benefits" (IAS 19R). Comparative information has been restated accordingly (See Note 2).

Company Statement of Financial Position as at 31 December 2013

	Reference to note	2013	2012 (Restated)[1]
Assets (USD million)			
Cash and due from banks		19,023	13,203
Interest bearing deposits with banks		1,548	4,112
Securities purchased under resale agreements and securities borrowing transactions	12	43,096	37,109
Trading financial assets at fair value through profit or loss	13	65,666	71,923
of which positive market values from derivative instruments	13	13,548	15,507
Financial assets designated at fair value through profit or loss	14	74,690	89,702
Financial assets available-for-sale	15	34	31
Other loans and receivables	16	1,483	1,483
Current tax assets		167	107
Deferred tax assets	11	218	248
Other assets	17	31,523	39,939
Property and equipment	20	21	24
Intangible Assets	21	4	6
Goodwill	22	7	7
Total assets		**237,480**	**257,894**
Liabilities (USD million)			
Deposits	23	1,899	4,427
Securities sold under repurchase agreements and securities lending transactions	12	32,962	33,019
Trading financial liabilities at fair value through profit or loss	13	38,046	39,584
of which negative market values from derivative instruments	13	14,548	16,538
Financial liabilities designated at fair value through profit or loss	14	69,181	82,710
Short term borrowings	24	29,842	34,095
Current tax liabilities		-	50
Other liabilities	17	44,525	40,325
Provisions	25	5	11
Long term debt	26	13,340	15,462
Total liabilities		**229,800**	**249,683**
Shareholders' equity			
Share capital	28	2,859	2,859
Share premium	28	5,661	5,661
Capital contribution		5,390	5,390
Retained earnings		(5,890)	(5,468)
Accumulated other comprehensive income	27	(340)	(231)
Total shareholders' equity		**7,680**	**8,211**
Total liabilities and shareholders' equity		**237,480**	**257,894**

The notes on pages 29 to 167 form an integral part of the Financial Statements.

Approved by the Board of Directors on 21 March 2014 and signed on its behalf by:

Michael Hodgson
Director

[1] On 1 January 2013, the CSS(E)L Group adopted amendments to IAS 19 "Employee Benefits" (IAS 19R). Comparative information has been restated accordingly (See Note 2).

Consolidated Statement of Changes in Equity for the year ended 31 December 2013

2013	Reference to notes	Share Capital	Share Premium	Capital contribution	Retained earnings	AOCI[1]	Total shareholders' equity
Consolidated statement of changes in equity (USD million)							
Balance at 1 January 2013		**2,859**	**5,661**	**5,390**	**(5,284)**	**(269)**	**8,357**
Transition adjustment for IAS19(R), pre-tax[2]		-	-	-	(180)	38	(142)
Transition adjustment for IAS19(R), tax		-	-	-	-	-	-
Balance at 1 January 2013, restated		**2,859**	**5,661**	**5,390**	**(5,464)**	**(231)**	**8,215**
Foreign exchange translation differences		-	-	-	-	15	15
Net loss on hedges of net investments in foreign entities taken to equity		-	-	-		(16)	(16)
Net gain on financial assets available-for-sale		-	-	-	-	3	3
Net amount reclassified to profit or loss		-	-	-	-	-	-
Branch retained earnings adjustment[3]		-	-	-	(41)	-	(41)
Re-measurement of defined benefit (asset)/liability						(111)	(111)
Net loss recognised directly in retained earnings and AOCI		**-**	**-**	**-**	**(41)**	**(109)**	**(150)**
Net loss for the year		-	-	-	(381)	-	(381)
Total loss recognised for the year		**-**	**-**	**-**	**(422)**	**(109)**	**(531)**
Issuance of common shares	**28**	**-**	**-**	**-**	**-**	**-**	**-**
Balance at 31 December 2013		**2,859**	**5,661**	**5,390**	**(5,886)**	**(340)**	**7,684**

[1] AOCI refers to Accumulated Other Comprehensive Income.
[2] On 1 January 2013, the CSS(E)L Group adopted amendments to IAS 19 "Employee Benefits" (IAS 19R). Comparative information has been restated accordingly (See Note 2).
[3] During the year CSSEL Paris Branch acquired the Investment Banking Business from Credit Suisse AG Paris Branch, as this is a business transfer under common control the difference between fair value and book value is taken to retained earnings.

2012 (Restated)[2]	Reference to notes	Share Capital	Share Premium	Capital contribution	Retained earnings	AOCI[1]	Total shareholders' equity
Consolidated statement of changes in equity (USD million)							
Balance at 1 January 2012		**4,277**	**-**	**5,390**	**(4,626)**	**(263)**	**4,778**
Transition adjustment for IAS19(R), pre-tax		-	-	-	(140)	-	(140)
Transition adjustment for IAS19(R), tax		-	-	-	-	-	-
Balance at 1 January 2012, restated		**4,277**	**-**	**5,390**	**(4,766)**	**(263)**	**4,638**
Foreign exchange translation differences		-	-	-	-	38	38
Net loss on hedges of net investments in foreign entities taken to equity		-	-	-	-	(45)	(45)
Net gain on financial assets available-for-sale		-	-	-	-	43	43
Net amount reclassified to profit or loss		-	-	-	-	(42)	(42)
Re-measurement of defined benefit (asset)/liability		-	-	-	-	38	38
Net loss recognised directly in AOCI		**-**	**-**	**-**	**-**	**32**	**32**
Net loss for the year		-	-	-	(698)	-	(698)
Total loss recognised for the year		**-**	**-**	**-**	**(698)**	**32**	**(666)**
Issuance of common shares	**28**	**(1,418)**	**5,661**	**-**	**-**	**-**	**4,243**
Balance at 31 December 2012		**2,859**	**5,661**	**5,390**	**(5,464)**	**(231)**	**8,215**

[1] AOCI refers to Accumulated Other Comprehensive Income.
[2] On 1 January 2013, the CSS(E)L Group adopted amendments to IAS 19 "Employee Benefits" (IAS 19R). Comparative information has been restated accordingly (See Note 2).

Company Statement of Changes in Equity for the year ended 31 December 2013

2013	Reference to notes	Share Capital	Share Premium	Capital contribution	Retained earnings	AOCI[1]	Total shareholders' equity
Company statement of changes in equity (USD million)							
Balance at 1 January 2013		**2,859**	**5,661**	**5,390**	**(5,288)**	**(269)**	**8,353**
Transition adjustment for IAS19(R), pre-tax[2]		-	-	-	(180)	38	(142)
Transition adjustment for IAS19(R), tax		-	-	-	-	-	-
Balance at 1 January 2013, restated		**2,859**	**5,661**	**5,390**	**(5,468)**	**(231)**	**8,211**
Foreign exchange translation differences		-	-	-	-	15	15
Net loss on hedges of net investments in foreign entities taken to equity		-	-	-		(16)	(16)
Net gain on financial assets available-for-sale		-	-	-	-	3	3
Net amount reclassified to profit or loss		-	-	-	-	-	-
Branch retained earnings adjustment[3]		-	-	-	(41)	-	(41)
Re-measurement of defined benefit (asset)/liability		-	-	-	-	(111)	(111)
Net loss recognised directly in retained earnings and AOCI		**-**	**-**	**-**	**(41)**	**(109)**	**(150)**
Net loss for the year		-	-	-	(381)	-	(381)
Total loss recognised for the year		**-**	**-**	**-**	**(422)**	**(109)**	**(531)**
Issuance of common shares	**28**	**-**	**-**	**-**	**-**	**-**	**-**
Balance at 31 December 2013		**2,859**	**5,661**	**5,390**	**(5,890)**	**(340)**	**7,680**

[1] AOCI refers to Accumulated Other Comprehensive Income.
[2] On 1 January 2013, the CSS(E)L Group adopted amendments to IAS 19 "Employee Benefits" (IAS 19R). Comparative information has been restated accordingly (See Note 2).
[3] During the year CSSEL Paris Branch acquired the Investment Banking Business from Credit Suisse AG Paris Branch, as this is a business transfer under common control the difference between fair value and book value is taken to retained earnings.

2012 (Restated)[2]	Reference to notes	Share Capital	Share Premium	Capital contribution	Retained earnings	AOCI[1]	Total shareholders' equity
Company statement of changes in equity (USD million)							
Balance at 1 January 2012		**4,277**	**-**	**5,390**	**(4,630)**	**(263)**	**4,774**
Transition adjustment for IAS19(R), pre-tax		-	-	-	(140)	-	(140)
Transition adjustment for IAS19(R), tax		-	-	-	-	-	-
Balance at 1 January 2012, restated		**4,277**	**-**	**5,390**	**(4,770)**	**(263)**	**4,634**
Foreign exchange translation differences		-	-	-	-	38	38
Net loss on hedges of net investments in foreign entities taken to equity		-	-	-	-	(45)	(45)
Net gain on financial assets available-for-sale		-	-	-	-	43	43
Net amount reclassified to profit or loss		-	-	-	-	(42)	(42)
Re-measurement of defined benefit (asset)/liability		-	-	-	-	38	38
Net loss recognised directly in AOCI		**-**	**-**	**-**	**-**	**32**	**32**
Net loss for the year		-	-	-	(698)	-	(698)
Total loss recognised for the year		**-**	**-**	**-**	**(698)**	**32**	**(666)**
Issuance of common shares	**28**	**(1,418)**	**5,661**	**-**	**-**	**-**	**4,243**
Balance at 31 December 2012		**2,859**	**5,661**	**5,390**	**(5,468)**	**(231)**	**8,211**

[1] AOCI refers to Accumulated Other Comprehensive Income.
[2] On 1 January 2013, the CSS(E)L Group adopted amendments to IAS 19 "Employee Benefits" (IAS 19R). Comparative information has been restated accordingly (See Note 2).

Consolidated Statement of Cash Flows for the year ended 31 December 2013

	Reference to notes	2013	2012 (Restated)[1]
Cash flows from operating activities (USD million)			
Loss before tax for the period		(323)	(468)
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, 22	7	6
Pension plan charge	29	(25)	(22)
Foreign exchange losses / (gains)		(11)	-
Accrued interest on long term debt		601	656
Share-based payment expense		(444)	(445)
Cash generated before changes in operating assets and liabilities		**(195)**	**(273)**
Net (increase) /decrease in operating assets:			
Interest bearing deposits with banks		2,564	(4,112)
Securities purchased under resale agreements and securities borrowing transactions	12	(5,987)	(907)
Trading financial assets at fair value through profit or loss	13	6,256	2,151
Financial assets designated at fair value through profit or loss	14	15,085	13,229
Financial assets available-for-sale	15	-	5
Other assets and other loans and receivables	17	8,521	1,276
Net decrease in operating assets		**26,439**	**11,642**
Net increase /(decrease) in operating liabilities:			
Securities sold under repurchase agreements and securities lending transactions	12	(57)	(1,441)
Deposits	23	(2,528)	122
Short term borrowings	24	(4,253)	(2,321)
Trading financial liabilities at fair value through profit or loss	13	(1,537)	(7,640)
Financial liabilities designated at fair value through profit or loss	14	(13,436)	(4,792)
Accrued expenses and other liabilities	17	3,719	(5,136)
Provisions	25	(6)	2
Net decrease in operating liabilities		**(18,098)**	**(21,206)**
Income taxes paid		(138)	(122)
Pension plan contribution	29	(10)	(11)
Net cash from/(used in) operating activities		**7,998**	**(9,970)**
Cash flows from investing activities (USD million)			
Proceeds from sale of premises, equipment and intangible assets	20,21,22	169	206
Capital expenditure for property, equipment and intangible assets	20,21,22	(169)	(207)
Net cash from/(used in) from investing activities		**-**	**(1)**
Cash flows from financing activities (USD million)			
Repayment of long term debt (including long term debt at fair value through profit or loss)	26	(2,176)	(982)
Issue of shares	28	-	2,432
Share premium	28	-	1,811
Net cash (provided)/generated by financing activities		**(2,176)**	**3,261**
Net increase/(decrease) in cash and due from banks		**5,822**	**(6,710)**
Cash and due from banks at beginning of period		13,204	19,914
Cash and due from banks at end of period		**19,026**	**13,204**
Cash and due from banks		18,475	11,101
Demand deposits		551	2,103
Cash and due from banks at end of period		**19,026**	**13,204**

[1] On 1 January 2013, the CSS(E)L Group adopted amendments to IAS 19 "Employee Benefits" (IAS 19R). Comparative information has been restated accordingly (See Note 2).

Company Statement of Cash Flows for the year ended 31 December 2013

	Reference to notes	2013	2012 (Restated)[1]
Cash flows from operating activities (USD million)			
Loss before tax for the period		(323)	(468)
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	20,21,22	7	6
Pension plan charge	29	(25)	(22)
Foreign exchange losses / (gains)		(11)	-
Accrued interest on long term debt		601	656
Share-based payment expense		(444)	(445)
Cash generated before changes in operating assets and liabilities		**(195)**	**(273)**
Net (increase) /decrease in operating assets:			
Interest bearing deposits with banks		2,564	(4,112)
Securities purchased under resale agreements and securities borrowing transactions	12	(5,987)	(907)
Trading financial assets at fair value through profit or loss	13	6,257	1,785
Financial assets designated at fair value through profit or loss	14	15,012	13,559
Financial assets available-for-sale	15	-	1
Other assets and other loans and receivables	17	8,348	881
Net decrease in operating assets		**26,194**	**11,207**
Net increase /(decrease) in operating liabilities:			
Securities sold under repurchase agreements and securities lending transactions	12	(57)	(1,441)
Deposits	23	(2,528)	122
Short term borrowings	24	(4,253)	(2,321)
Trading financial liabilities at fair value through profit or loss	13	(1,538)	(7,566)
Financial liabilities designated at fair value through profit or loss	14	(13,529)	(4,318)
Accrued expenses and other liabilities	17	3,920	(5,141)
Provisions	25	(6)	2
Net decrease in operating liabilities		**(17,991)**	**(20,663)**
Income taxes paid		(138)	(122)
Pension plan contribution	29	(10)	(11)
Net cash from/(used in) operating activities		**7,860**	**(9,862)**
Cash flows from investing activities (USD million)			
Proceeds from sale of premises, equipment and intangible assets	20,21,22	169	206
Capital expenditure for property, equipment and intangible assets	20,21,22	(169)	(207)
Net cash from/(used in) investing activities		**-**	**(1)**
Cash flows from financing activities (USD million)			
Repayment of long term debt (including long term debt at fair value through profit or loss)	26	(2,040)	(989)
Issue of shares	28	-	2,432
Share premium	28	-	1,811
Net cash (provided)/generated by financing activities		**(2,040)**	**3,254**
Net decrease in cash and due from banks		**5,820**	**(6,609)**
Cash and due from banks at beginning of period		13,203	19,812
Cash and due from banks at end of period		**19,023**	**13,203**
Cash and due from banks		18,475	11,101
Demand deposits		548	2,102
Cash and due from banks at end of period		**19,023**	**13,203**

[1] On 1 January 2013, the CSS(E)L Group adopted amendments to IAS 19 "Employee Benefits" (IAS 19R). Comparative information has been restated accordingly (See Note 2).

Notes to the consolidated financial statements

Notes to the Financial Statements for the year ended 31 December 2013

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 2013 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, financial assets available-for-sale 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 Policies.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised 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.

Standards and Interpretations effective in the current period

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

- 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 impact presentation only, and therefore the adoption of the amendments on 1 January 2013 did not have an impact on the CSS(E)L Group's financial position, results of operation or cash flows.

- Amendments to IAS 19 Employee Benefits: In June 2011, the IASB issued Amendments to IAS 19 “Employee Benefits” (IAS 19R). 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 adoption of IAS19R on 1 January 2013 resulted in a reduction of USD 140 million to shareholders’ equity and a reduction of USD 140 million to the consolidated balance sheet, net of tax on 1 January 2012.

- 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 certain disclosures 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. The adoption of IFRS 13 on 1 January 2013 did not have a material impact on the CSS(E)L Group’s financial position, results of operations or cash flows. In addition IFRS 13 replaces and expands the disclosure requirements about fair value measurements in other IFRSs. Please refer to Note 36 – Financial Instruments for further information.

- 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” (IFRS 7). 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 to IFRS 7 relate to disclosure only and therefore did not have an impact on the CSS(E)L Group’s financial position, results of operation or cash flows. Please refer to Note 40 – Offsetting of Financial Assets and Liabilities for further information.

- Annual Improvements to IFRS 2009-2011 Cycle: In May 2012, The IASB issued “Annual Improvements to IFRSs 2009-2011 Cycle” (Improvements to IFRS), which contain numerous amendments to IFRS that the IASB considers non-urgent but necessary. The Improvements to IFRS 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 standards. The adoption of the Improvements to IFRS on 1 January 2013 did not have an impact on the CSS(E)L Group’s financial position, results of operation or cash flows.

Standards and Interpretations endorsed by the EU and not yet effective

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

- 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 2012, however, the EU requires adoption for annual periods beginning on or after 1 January 2014. The adoption of IFRS 10 on 1 January 2014, did not have a material impact on the CSS(E)L Group’s financial position, results of operation or cash flows.

- 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 periods beginning on or after 1 January 2012, however, the EU requires adoption for annual periods beginning on or after 1 January 2014. The adoption of IFRS 11 on 1 January 2014, did not have an impact on the CSS(E)L Group's financial position, results of operation or cash flows.

- IFRS 12 Disclosures of Interests in Other Entities: In May 2012, 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 certain disclosures 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 2012, however, the EU requires adoption for annual periods beginning on or after 1 January 2014. As IFRS 12 requires disclosures only, the adoption thereof on 1 January 2014 did not have a material impact on the CSS(E)L Group's financial position, results of operation or cash flows.

- IAS 27 Separate Financial Statements: In May 2011, the IASB issued an amended version of IAS 27 "Separate Financial Statements" (IAS 27). IAS 27 outlines the accounting and disclosure requirements for separate financial statements. IAS 27 is effective for annual periods beginning on or after 1 January 2013, however, the EU requires adoption for annual periods beginning on or after 1 January 2014. The adoption of IAS 27 on 1 January 2014 had no impact on the CSS(E)L Group's financial position, results of operation or cash flows.

- IAS 28 Investments in Associates and Joint Ventures: In May 2011, the IASB issued IAS "28 Investments in Associates". The objective of IAS 28 is to prescribe the accounting for investments in associates and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The revised IAS 28 standard is effective for annual periods beginning on or after 1 January 2013, however, the EU requires adoption for annual periods beginning on or after 1 January 2014. The adoption of IAS 28 on 1 January 2014, did not have a material impact on the CSS(E)L Group's financial position, results of operation 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 adoption of IAS 32 on 1 January 2014, did not have a material impact on the CSS(E)L Group's financial position, results of operation or cash flows.

- Transition guidance for IFRS 10, IFRS 11 and IFRS 12: In June 2012, the IASB issued 'Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance' (Amendments to IFRS 10, IFRS 11 and IFRS 12). The amendments are intended to provide additional transition relief in IFRS 10, IFRS 11 and IFRS 12, by "limiting the requirement to provide adjusted comparative information to only the preceding comparative period". Also, amendments were made to IFRS 11 and IFRS 12 to eliminate the requirement to provide comparative information for periods prior to the immediately preceding period. The Amendments to IFRS 10, IFRS 11 and IFRS 12 are effective for annual periods beginning on or after 1 January 2013. The CSS(E)L Group has adopted the requirements of this amendment with the provisions of IFRS 10, IFRS 11 and IFRS 12 as at 1 January 2014. As the transition guidance is clarifications to IFRS 10, 11, 12, the impact is included in the adoption of the standards respectively.

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

The CSS(E)L Group is not yet 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 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. IFRS 9 is effective for annual periods beginning on or after 1 January 2018. The CSS(E)L Group continues to evaluate the impact of adopting IFRS 9.

- Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27): In October 2012, the IASB issued "Investment Entities Amendments to IFRS 10, IFRS 12 and IAS 27" (Investment Entities Amendment). Under IFRS 10, reporting entities were required to consolidate all investees they control, however the Investment Entities Amendment provides an exception and requires investment entities to measure particular subsidiaries at fair value through profit or loss, rather than consolidate them. The Investment Entities Amendment sets out disclosure requirements for investment entities. The Investment Entities Amendment is effective from 1 January 2014 with early adoption permitted. When endorsed, the adoption of the Investment Entities amendments will not have an impact on the CSS(E)L Group's financial position, results of operation or cash flows.

- IFRIC 21 Levies: In May 2013, the IASB issued "Levies" (IFRIC 21). The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. IFRIC 21 is effective for annual periods beginning on or after 1 January 2014. When endorsed, the adoption of IFRIC 21 will not have a material impact on the CSS(E)L Group's financial position, results of operation or cash flows.

- Annual Improvements to IFRSs 2010-2012 Cycle and 2011-2013 Cycle: In December 2013, the IASB issued both "Annual Improvements to IFRS's Cycle 2010-2012" and "Annual Improvements to IFRS's Cycle 2011-2013" (Improvements to IFRS's), which contain numerous amendments to IFRS that the IASB considers non-urgent but necessary. The Improvements to IFRSs are effective for annual periods beginning on or after 1 July 2014. The CSS(E)L Group is currently evaluating the impact of adopting these Improvements to IFRSs.

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 and had no impact on net income/ (loss) or total shareholders' equity.

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 on 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. Acquisition related costs such as legal or consulting fees are expensed in the period in which they are incurred. 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. Non-controlling interests are presented in the Consolidated Statement of Financial Position as a separate component of equity. Net profit attributable to non-controlling interests is shown separately in the Statement of Income.

d) 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 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 recognise further losses, unless it has incurred obligations or made payments on behalf of the entity.

e) Foreign currency

The Company's functional currency is United States Dollars ('USD'). 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 recognised in the 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 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 recognised directly in a separate component of equity. On disposal, these translation differences are reclassified to the Statement of Income as part of gain or loss on disposal.

f) 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 utilised 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 collects and remits cash between its clients and various Central Counterparty Clearing Houses ("CCPs"), Brokers and Deposit Banks. Where the CSS(E)L Group obtains benefits from or controls the cash from its clients, the cash is an asset of the CSS(E)L Group and is included within cash and due from banks on the Consolidated Statement of Financial Position and the corresponding liability is included in 'Other Liabilities'. Where the CSS(E)L Group has contractually agreed with the client that:

- the CSS(E)L Group will pass through to the client all interest paid by the CCP, Broker or Deposit Bank on cash deposits;
- the CSS(E)L Group is not permitted to transform cash balances into other assets; and
- the CSS(E)L Group does not guarantee and is not liable to the client for the performance of the CCP, Broker or Deposit Bank, then cash collected from clients and remitted to the CCP, Broker or Deposit Bank is not reflected on the CSS(E)L Group's Consolidated Statement of Financial Position. Examples include initial margin where the CSS(E)L Group acts as Broker in an agency capacity and cash designated as client money under the Client Assets ('CASS') client money rules of the UK's Financial Conduct Authority ('FCA').

g) Securities purchased or sold under resale agreements or repurchase agreements

Securities purchased under resale agreements ('reverse repurchase agreements') and securities sold under repurchase ('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 recognised 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.

h) 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 Consolidated 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.

i) 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'.

Embedded derivatives

When derivative features embedded in certain contracts that meet the definition of a derivative are not considered closely related to the host instrument, either the embedded feature will be accounted for separately at fair value, with changes in fair value recorded in the Statement of Income or the entire instrument, including the embedded feature, is accounted for at fair value either under the fair value option or due to classification as held for trading. In the latter case the entire instrument is recorded at fair value with changes in fair value recorded in the Statement of Income. If separated for measurement purpose, 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.

Net investment hedges

For hedges of a net investment in a foreign operation, the change in the fair value of the hedging instrument 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.

j) 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 price that would be received to sell an asset or transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value of an instrument, the CSS(E)L Group maximises the use of relevant observable inputs and minimises the use of unobservable inputs. Where the fair value is not determined on quoted price in an active market for an identical asset or liability or on a valuation technique that uses data from observable inputs, then 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 inputs 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'.

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 an 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 financial assets and financial 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 'Financial 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 recognised 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 recognised in AOCI including any related foreign exchange component. Gains and losses recorded in AOCI are transferred to the 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. 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, that is if the fair value has been below cost for more than six months or by more than 20%. Where there is evidence of impairment, the cumulative unrealised loss previously recognised in AOCI within equity is transferred to the 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 amortisation) and current fair value of the asset less any impairment loss on that investment previously recognised in the Statement of Income. Impairment losses on equity securities available-for-sale are not reversed; increases in their fair value after impairment are recognised in AOCI.

k) 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, unless the instrument is a derivative or designated at fair value through profit or loss, in which case trade date accounting applies.

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 repurchase 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 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 profit or loss”. Gains or losses on securitisation are recognised in Statement of Income. The line item in the Statement of Income, in which the gain or loss is presented, will depend on the nature of the asset securitised.

l) Other loans and receivables

Other loans and receivables are initially recorded at fair value, plus any directly attributable transaction costs and subsequently are amortised on an effective interest method, less impairment losses. In the event of an impairment loss the effective interest will be re-estimated.

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. For collateral dependent impaired loans, impairment charges are measured using the value of the collateral. 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 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 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 in note j. 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.

m) 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 normally ensure that the net position is settled in the event of default of either counterparty and effectively limits credit risk on gross exposures. However, because such contracts are not currently enforceable in the normal course of business and 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.

n) Income tax

Income tax recognised in the Statement of Income for the year comprises current and deferred taxes. Income tax is recognised in the 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 Statement of Income, the related income tax initially recognised in equity is also subsequently recognised in the 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 to 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.

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.

o) 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 capitalised 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 recognised 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 or a group of cash-generating units 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.

p) 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 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	67 years
Leasehold improvements	10 years
Computer equipment	2-7 years
Office equipment	5 years

The carrying amounts of property and equipment are reviewed at each reporting date to determine whether there is any indication of impairment. An impairment charge is recorded in the Statement of Income 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 recognised 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 Statement of Income.

q) Intangible Assets

Intangible assets consist primarily of internally developed software and right to use leisure facility.

Internally developed software 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. 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. Right to use leisure facility has an indefinite life. The amortisation of the intangible assets is included in the 'General and administrative expenses' in the 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 Statement of Income.

r) 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. CSS(E)L Group's Defined Benefit Obligations ('DBO') are calculated using the projected unit credit method. Obligations for contributions to defined contribution pension plans are recognised as an expense in the Statement of Income as incurred.

Remeasurements of the net defined benefit liability are recognised immediately in Other Comprehensive Income ('OCI'). The CSS(E)L Group determines the net interest expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability, taking into account any changes in the net defined benefit liability during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in Statement of Income. The CSS(E)L Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

The Company has no contractual agreement or stated policy for charging the net defined benefit cost to participating entities.

s) 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 unamortised premiums. Subsequent measurement is at amortised cost.

t) 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. CSS(E)L Group's long-term debt also includes instruments with embedded derivative features which are substantially all accounted for at fair value.

u) 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, except for those acquired under business combinations, which are recognised at fair value.

v) 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 Statement of

Income. Where incurred, provisions for loan losses are recorded in 'Provision for credit losses' in the Statement of Income.

w) 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 consists of individual tranches that vest in instalments (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 Statement of Income.

x) Other compensation plans

The CSS(E)L Group has 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.

y) 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) and certain 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.

z) Commissions and fees

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:

i) The amount of revenue can be measured reliably;

ii) It is probable that the economic benefits associated with the transaction will flow to the entity;

iii) The stage of completion of the transaction at the reporting date can be measured reliably; and

iv) 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 is recognised as revenue when the act is completed (these include brokerage activities as well as fees arising from negotiating, or participating in the negotiation of, a transaction for a third party, such as revenues from underwriting and fees from mergers and acquisitions and other corporate finance advisory services);

- Income earned from the provision of services is recognised as revenue as the services are provided (for example, portfolio management, granting of loan commitments where it is probable that the CSS(E)L Group will enter into a specific lending arrangement, customer trading and custody services); 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 (for example, certain loan commitment fees where it is probable that the CSS(E)L Group will enter into a specific lending agreement) 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 may be deferred to match the revenue recognised in relation to that transaction. These costs are recognised as the CSS(E)L Group recognises the related revenue.

aa) 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 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. For lease incentives provided by the lessor, the CSS(E)L Group, as lessee, recognises the aggregate benefit as a reduction of rental expense over the lease term on a straight-line basis.

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 lease income on a straight line basis over the period of the lease.

ab) Subleases

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

ac) Dividends

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

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 – Significant Accounting Policies, specifically the following:

i) Derivative financial instruments and hedging
j) Financial assets and liabilities at fair value through profit or loss
k) Recognition and derecognition
l) Other loans and receivables
n) Income tax
r) Retirement benefit costs
u) Contingent liabilities
v) Provisions
w) Share-based payments

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

A significant portion of the CSS(E)L Group's financial instruments (trading financial assets and liabilities, derivative instruments, financial assets and liabilities designated at fair value and financial assets available-for-sale) are carried at fair value in the Consolidated Statement of Financial Position. Related changes in the fair value are recognised in the 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. Deterioration of financial markets could significantly impact the fair value of these financial instruments and the results of operations.

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 grade 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. For these instruments, the determination of fair value requires subjective assessment judgement, depending on liquidity, pricing assumptions, the current economic and competitive environment and the risks affecting the specific instrument. In such circumstances, valuation is determined based on management's own judgements about the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. These instruments include certain OTC derivatives including equity and credit derivatives, certain corporate equity-linked securities, mortgage-related and Collateralised Debt Obligation ('CDO'), private equity investments, certain loans and credit products (including leverage finance, certain syndicated loans and certain high yield bonds) and life finance 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 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.

As of the end of 2013, 59.08% and 46.71% of the total assets and total liabilities, respectively, were measured at fair value (2012: 62.63% and 48.94%, respectively). The CSS(E)L Group Level 3 assets were USD 3.4 billion (2012: USD 4.1 billion), which was equivalent to 1.42% (2012: 1.60%) of total assets and 2.40% of total assets measured at fair value (2012: 2.56%).

For further information on the fair value hierarchy and a description of the valuation techniques, refer to Note 36 – 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. 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 when the fair value is expected to become observable.

Control processes are applied to ensure that the fair value of the financial instruments reported in the CSS(E)L Group and Company Financial Statements, including those derived from pricing models, are appropriate and determined on a reasonable basis. For further information related to the CSS(E)L Group's control and governance processes on the fair value of financial instruments please refer Note 36 – Financial Instruments.

Special Purpose Entities

As part of normal business, the CSS(E)L Group 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 CSS(E)L Group 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 CSS(E)L Group's capacity as the prime broker for entities qualifying as SPEs. The CSS(E)L Group also enters into lending arrangements with SPEs for the purpose of financing client projects or the acquisition of assets. Further, the CSS(E)L Group 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 CSS(E)L Group acts as structurer, manager, distributor, broker, market maker or liquidity provider.

An SPE is consolidated by the CSS(E)L Group when the substance of the relationship between the CSS(E)L Group and the SPE indicates that the SPE is controlled by a CSS(E)L Group 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 CSS(E)L Group according to its specific business needs so that the CSS(E)L Group obtains benefits from the SPEs operation;

(b) In substance, the CSS(E)L Group 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 CSS(E)L Group has delegated these decision-making powers;

Quantitative factors:

(c) In substance, the CSS(E)L Group 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 CSS(E)L Group 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 the CSS(E)L Group, 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 the CSS(E)L Group to reassess whether consolidation is required.

Contingencies and loss provisions

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.

Litigation contingencies

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, 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, as well as the CSS(E)L Group’s assessment of matters, including settlements, involving other defendants in similar or related 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 and 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.

Goodwill impairment

Recorded goodwill is not amortised, rather it is reviewed for possible impairment on an annual basis as of 31 December and at any other time that events or circumstances indicate that the carrying value of goodwill may not be recoverable. Circumstances that could trigger an impairment test include, but are not limited to:

(i) macroeconomic conditions such as a deterioration in general economic conditions or other developments in equity and credit markets;

(ii) industry and market considerations such as a deterioration in the environment in which the entity operates, an increased competitive environment, a decline in market-dependent multiples or metrics (considered in both absolute terms and relative to peers), and regulatory or political developments;

(iii) other relevant entity-specific events such as changes in management, key personnel or strategy;

(iv) a more-likely-than-not expectation of selling or disposing all, or a portion, of a cash-generating unit;

(v) results of testing for recoverability of a significant asset group within a reporting unit;

(vi) recognition of a goodwill impairment in the financial statements of a subsidiary that is a component of a cash-generating unit; and

(vii) a sustained decrease in share price (considered in both absolute terms and relative to peers).

For the purpose of testing goodwill for impairment, each cash-generating unit is assessed individually. A cash-generating unit is an operating segment or one level below an operating segment, also referred to as a component. A component of an operating segment is deemed to be a cash-generating unit if the component constitutes a business for which discrete financial information is available and management regularly reviews the operating results of that component. If the fair value of a cash-generating unit exceeds its carrying value, there is no goodwill impairment. Factors considered in determining the fair value of reporting units include, among other things: an evaluation of recent acquisitions of similar entities in the market place; current share values in the market place for similar publicly traded entities, including price multiples; recent trends in the share price and those of competitors; estimates of the future earnings potential and the level of interest rates.

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

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 use of assumptions, which include the discount rate 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 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 and thereafter). 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 CSS(E)L Group's 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 CSG's actual earnings performance to date and CSG's internal earnings projections over the remaining vesting period of the award. In determining the final liability, CSG 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

CSS(E)L Group and Company	2013	2012
Net interest expense (USD million)		
Securities purchased under resale agreements and securities borrowing transactions	605	731
Financial assets designated at fair value through profit or loss	211	383
Other loans and receivables	106	105
Other	265	319
Interest income	**1,187**	**1,538**
Deposits	(5)	(7)
Securities sold under repurchase agreements and securities lending transactions	(702)	(975)
Financial liabilities designated at fair value through profit or loss	(2)	(50)
Short term borrowings	(167)	(428)
Long term debt	(601)	(654)
Other	(69)	(44)
Interest expense	**(1,546)**	**(2,158)**
Net interest expense	**(359)**	**(620)**

Interest income accrued on impaired financial assets during the year was Nil (2012: Nil)

5. Commissions and Fee Income

CSS(E)L Group and Company	2013	2012
Commission and fee (expense)/income (USD million)		
Underwriting	371	214
Brokerage	567	530
Underwriting and brokerage	**938**	**744**
Other customer services	242	242
Total commission and fee income	**1,180**	**986**
Total commission and fee expense	**(198)**	**(119)**
Net commission and fee income	**982**	**867**

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	2013	2012 (Restated)[1]
Net gains/(losses) from financial assets/liabilities at fair value through profit or loss (USD million)		
Interest rate	672	(399)
Foreign exchange	(469)	(72)
Equity	741	1,814
Net income on trading financial assets and trading financial liabilities	920	369
Other	(194)	160
Total net gains from financial assets/liabilities at fair value through profit or loss	**1,670**	**1,872**
Of which:		
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	(59)	27
Other financial assets designated at fair value through profit or loss	(287)	191
of which related to credit risk	7	16
Securities sold under repurchase agreements and securities lending transactions	57	54
Long-term debt	(2)	(20)
Other financial liabilities designated at fair value through profit or loss	-	4
Total net (losses)/gain from financial assets/liabilities at fair value through profit or loss	**(284)**	**272**

Company	2013	2012
Net gains/(losses) from financial assets/liabilities at fair value through profit or loss (USD million)		
Fixed income/Interest rate	672	(399)
Foreign exchange	(469)	(72)
Equity	741	1,814
Net income on trading financial assets and trading financial liabilities	920	369
Other	(194)	160
Total net gains from financial assets/liabilities at fair value through profit or loss	**1,670**	**1,872**
Of which:		
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	(59)	27
Other financial assets designated at fair value through profit or loss	(155)	86
of which related to credit risk	-	-
Securities sold under repurchase agreements and securities lending transactions	57	54
Long-term debt	-	(20)
Other financial liabilities designated at fair value through profit or loss	-	6
Total net (losses)/gain from financial assets/liabilities at fair value through profit or loss	**(157)**	**153**

[1] On 1 January 2013, the CSS(E)L Group adopted amendments to IAS 19 "Employee Benefits" (IAS 19R). Comparative information has been restated accordingly (See Note 2).

7. Other Revenues

CSS(E)L Group and Company	Reference to Note	2013	2012
Other revenues (USD million)			
Revenue sharing agreements		(211)	(440)
Loss due to premium on redemption of subordinated debt	26	-	(44)
Realised gain from financial assets available-for-sale		4	42
Loss from equity method investments		-	(4)
Total other revenues		**(207)**	**(446)**

8. Compensation and Benefits

CSS(E)L Group and Company	2013	2012 (Restated)[1]
Compensation and benefits (USD million)		
Salaries and variable compensation	(1,315)	(1,326)
Social security	(185)	(180)
Pensions	(10)	(28)
Other	(39)	(33)
Total compensation and benefits	**(1,549)**	**(1,567)**

Included in the above table are amounts relating to Directors' remuneration. Further details are disclosed in Note 31 – Related Parties. Staff costs and staff numbers do not differ between CSS(E)L Group and Company.

Included in Salaries and variable compensation is USD 50 million (2012: USD 96 million) relating to severance cost.

Note: The CSS(E)L Group incurs compensation and benefits costs which are recharged to the relevant CS group companies through "Expenses receivable from other Credit Suisse group companies" in Note 9 – General and Administrative Expenses.

[1] On 1 January 2013, the CSS(E)L Group adopted amendments to IAS 19 "Employee Benefits" (IAS 19R). Comparative information has been restated accordingly (See Note 2).

9. General and Administrative Expenses

CSS(E)L Group and Company	Reference to Note	2013	2012
General and administrative expenses (USD million)			
Occupancy expenses		(144)	(150)
IT and machinery		(263)	(230)
Depreciation expense	20	(7)	(6)
Provisions	25	(2)	(11)
Brokerage charges and clearing house fees		(215)	(218)
Travel and entertainment		(47)	(53)
Auditors' remuneration		(1)	(1)
Professional services		(369)	(314)
UK Bank levy		(47)	(34)
Non income taxes		(73)	(70)
Marketing data, publicity and subscription		(50)	(56)
Communication expenses		(38)	(43)
Other		(28)	(7)
Expenses receivable from other Credit Suisse group companies		424	619
Total General and administrative expenses		**(860)**	**(574)**

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 – 31 Related Parties.

Auditor's remuneration

Auditor's remuneration in relation to the statutory audit amounted to USD 1.5 million (2012: USD 1.4 million). The following fees were payable by the group to the auditor, KPMG Audit Plc.

CSS(E)L Auditor's Remuneration (USD '000)	2013	2012
Fees payable to CSS(E)L Group's auditor for the audit of the CSS(E)L Group's annual accounts	(1,470)	(1,446)
Fees payable to CSS(E)L Group's auditor and its associates for other services:		
Audit-related assurance services	-	-
Other assurance services	-	-
Total Fees	**(1,470)**	**(1,446)**

10. Income Tax

CSS(E)L Group and Company	2013	2012 (Restated)[1]
Current and deferred taxes (USD million)		
Current expense on losses for the period	(43)	(139)
Adjustments in respect of previous periods	16	(3)
Current income tax expense	**(27)**	**(142)**
Deferred tax		
Origination and reversal of temporary differences	(3)	64
Current year tax losses	36	159
Adjustments in respect of previous periods	5	(3)
Impairment of deferred tax asset	(39)	(284)
Effect of changes in tax rate or the imposition of new taxes	(30)	(24)
Deferred income tax expense	**(31)**	**(88)**
Income tax expense	**(58)**	**(230)**

Current tax of USD Nil (2012: USD Nil) and deferred tax of USD Nil (2012: USD Nil) were debited directly to equity. Further information about deferred income tax is presented in Note 11 – Deferred Taxes.

Reconciliation of taxes computed at the UK statutory rate

CSS(E)L Group and Company	2013	2012 (Restated)[1]
Reconciliation of taxes computed at the UK statutory rate (USD million)		
Loss before tax	(323)	(468)
Loss before tax multiplied by the UK statutory rate of corporation tax @ 23.25% (2012: 24.5%)	75	115
Other permanent differences	(52)	(7)
Unrelievable foreign tax	(33)	(105)
Effect of different tax rates of operations/subsidiaries in other jurisdictions	-	81
Adjustments to current tax in respect of previous periods	16	(3)
Adjustments to deferred tax in respect of previous periods	5	(3)
Effect on deferred tax resulting from changes to tax rates	(30)	(24)
Impairment of deferred tax asset	(39)	(284)
Income tax expense	**(58)**	**(230)**

[1] On 1 January 2013, the CSS(E)L Group adopted amendments to IAS 19 "Employee Benefits" (IAS 19R). Comparative information has been restated accordingly (See Note 2).

11. Deferred Taxes

Deferred taxes are calculated on all temporary differences under the liability method using a tax rate of 20% (2012: 23%).

On 21 March 2012 the UK Government announced that the UK corporation tax rate applicable from 1 April 2013 would be 23%. This was substantively enacted on 3 July 2012.

The Finance Act 2013, which passed into law on 17 July 2013, included further rate reductions in the UK corporation tax rate from 23% to 21% with effect from 1 April 2014 and 21% to 20% with effect 1 April 2015.

The reduction in the UK corporation tax rate from 23% to 21% and from 21% to 20% has resulted in a reduction of the Group's net deferred tax asset as at 31 December 2013 of USD 30 million.

CSS(E)L Group and Company	**2013**	**2012**
Deferred tax (USD million)		
Deferred tax assets	218	248
Deferred tax liabilities	-	-
Net position	**218**	**248**
Balance at 1 January, net position	**248**	**337**
Debit to income for the year	(6)	(61)
Effect of change in tax rate expensed to Statement of Income	(30)	(24)
Adjustments related to the previous year	5	(3)
Exchange differences	1	(1)
Balance at 31 December, net position	**218**	**248**

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

CSS(E)L Group and Company	**2013**	**2012 (Restated)[1]**
Components of net deferred tax assets (USD million)		
Share-based compensation	128	175
Decelerated tax depreciation	23	25
Other short term temporary differences	40	34
Unpaid interest	133	153
Tax losses	-	-
Pensions and other post-retirement benefits	(106)	(139)
Balance at 31 December	**218**	**248**

[1] On 1 January 2013, the CSS(E)L Group adopted amendments to IAS 19 "Employee Benefits" (IAS 19R). Comparative information has been restated accordingly (See Note 2).

Details of the tax effect of temporary differences

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

CSS(E)L Group and Company	2013	2012 (Restated)[1]
Tax effect of temporary differences (USD million)		
Share-based compensation	(47)	(49)
Decelerated tax depreciation	(1)	-
Other short term temporary differences	4	80
Unpaid interest	(20)	(13)
Pensions and other post-retirement benefits	33	3
Deferred tax impact on losses carried forward	-	(109)
Total deferred tax expense in the Statement of Income	**(31)**	**(88)**

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 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.

As a consequence of this evaluation, deferred tax assets of USD 690 million (2012: USD 765 million restated) 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.

[1] On 1 January 2013, the CSS(E)L Group adopted amendments to IAS 19 "Employee Benefits" (IAS 19R). Comparative information has been restated accordingly (See Note 2).

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	**2013**	**2012**
Securities borrowed or purchased and subject to resale agreements (USD million)		
Securities purchased under resale agreements	10,292	7,476
Deposits paid for securities borrowed	32,804	29,633
Total securities borrowed or purchased and subject to repurchase agreements	**43,096**	**37,109**

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	**2013**	**2012**
Securities lent or sold and subject to repurchase agreements (USD million)		
Securities sold under repurchase agreements	8,789	2,760
Deposits received for securities lent	24,173	30,259
Total securities lent or sold and subject to repurchase agreements	**32,962**	**33,019**

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. In the CSS(E)L Group's normal course of business substantially all of the collateral received that may be sold or repledged has been sold or repledged as of 31 December 2013.

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

	CSS(E)L Group		Company	
	2013	**2012**	**2013**	**2012**
Trading financial assets at fair value through profit or loss (USD million)				
Debt securities	21,692	28,354	21,692	28,354
Equity securities	30,426	28,105	30,426	28,062
Derivative instruments	13,011	14,926	13,548	15,507
Total trading financial assets at fair value through profit or loss	**65,129**	**71,385**	**65,666**	**71,923**

	CSS(E)L Group		Company	
	2013	**2012**	**2013**	**2012**
Trading financial liabilities at fair value through profit or loss (USD million)				
Debt securities	13,259	12,624	13,259	12,624
Equity securities	10,239	10,422	10,239	10,422
Derivative instruments	14,582	16,571	14,548	16,538
Total trading financial liabilities at fair value through profit or loss	**38,080**	**39,617**	**38,046**	**39,584**

Debt securities primarily consist of corporate bonds and government securities.

Trading financial assets include USD 34,353 million (2012: USD 31,127 million) 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.

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

	CSS(E)L Group		Company	
	2013	**2012**	**2013**	**2012**
Financial assets designated at fair value through profit or loss (USD million)				
Securities purchased under resale agreements and securities borrowing transactions	72,420	87,246	72,420	87,246
Other financial assets designated at fair value through profit or loss	2,689	2,948	2,270	2,456
Total financial assets designated at fair value through profit or loss	**75,109**	**90,194**	**74,690**	**89,702**

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 the counterparties. Also, given that the credit exposure is eliminated to a large extent, 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 maximum exposure to credit risk as at 31 December 2013 and 31 December 2012 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 2013 was a gain of USD 6 million for CSS(E)L Group and USD NIL for Company in the Statement of Income (2012: gain of USD 16 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.

	CSS(E)L Group		Company	
	2013	**2012**	**2013**	**2012**
Financial liabilities designated at fair value through profit or loss (USD million)				
Securities sold under repurchase agreements and securities lending transactions	67,428	80,235	67,428	80,236
Long term debt	1,050	1,035	1,038	1,022
Other financial liabilities designated at fair value through profit or loss	716	1,360	715	1,452
Total financial liabilities designated at fair value through profit or loss	**69,194**	**82,630**	**69,181**	**82,710**

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 carrying amount of long term debt is USD 112 million higher 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 (2012: USD 99 million higher (CSS(E)L Group and Company)).

15. Financial Assets Available-For-Sale

CSS(E)L Group and Company	**2013**	**2012**
Financial assets available-for-sale (USD million)		
Equity securities available-for-sale	26	23
Total securities available-for-sale	**26**	**23**
Other	8	8
Total financial assets available-for-sale	**34**	**31**

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 2013	-	26	26
31 December 2012	-	23	23

16. Other Loans and Receivables

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

CSS(E)L Group and Company	2013	2012
Other loans and receivables (USD million)		
Financial institutions	1,483	1,483
Total other loans and receivables	**1,483**	**1,483**
■ of which domestic	1,483	1,483
■ of which foreign	-	-

None of the above loans and receivables are past due.

17. Other Assets and Other Liabilities

	CSS(E)L Group		Company	
	2013	**2012 (Restated)[1]**	**2013**	**2012 (Restated)[13]**
Other assets (USD million)				
Derivative instruments used for hedging (refer to Note 33)	1	-	1	-
Brokerage receivables (refer to Note 18)	27,025	33,717	27,025	33,717
Interest and fees receivable	1,092	1,624	1,092	1,624
Cash collateral on derivative instruments	2,378	3,825	2,378	3,825
■ Banks	871	2,357	871	2,357
■ Customers	1,507	1,468	1,507	1,468
Prepaid expenses	77	63	77	63
Other	936	869	950	710
Total other assets	**31,509**	**40,098**	**31,523**	**39,939**

Other assets are mainly due within one year.

	CSS(E)L Group		Company	
	2013	**2012**	**2013**	**2012**
Other liabilities (USD million)				
Derivative instruments used for hedging (refer to Note 33)	-	6	-	6
Brokerage payables (refer to Note 18)	20,852	29,333	20,852	29,333
Interest and fees payable	523	937	522	937
Cash collateral on derivative instruments	4,884	7,088	4,884	7,088
■ Banks	446	2,816	446	2,816
■ Customers	4,438	4,272	4,438	4,272
Cash collateral on non-derivative instruments	14,904	471	14,904	471
■ Banks	14,809	47	14,809	47
■ Customers	95	424	95	424
Share-based compensation liability	426	314	426	314
Other	2,756	2,197	2,937	2,176
Total other liabilities	**44,345**	**40,346**	**44,525**	**40,325**

Cash collateral on non-derivatives for 2013 includes financial guarantees which have been cash collateralised of USD 14,800 million provided by Credit Suisse AG London branch to reduce regulatory capital charges on related party exposures.

[1] On 1 January 2013, the CSS(E)L Group adopted amendments to IAS 19 "Employee Benefits" (IAS 19R). Comparative information has been restated accordingly (See Note 2)

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 and Company	2013	2012
Brokerage receivables (USD million)		
Due from customers	18,843	17,308
Due from banks, brokers and dealers	8,182	16,409
Total brokerage receivables	**27,025**	**33,717**
Brokerage payables (USD million)		
Due to customers	17,191	23,047
Due to banks, brokers and dealers	3,661	6,286
Total brokerage payables	**20,852**	**29,333**

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 (excluding debt and equity securities which have not reached their settlement date as these are recognised on settlement date of the transaction), receivables and payables from the Prime Brokerage business and cash collateral from futures trading.

Included within payables are liabilities identified in respect of either initial margin or client money received from clients, but only where it has been determined that the cash received represents an asset of the CSS(E)L Group. The CSS(E)L Group and Company held USD 11,329 million of client money as at 31 December 2013 (2012: USD 9,181 million), USD 6,350 million as of 31 December 2013 (2012: USD Nil) of which was not recorded in the Consolidated Statement of Financial Position as those balances did not represent assets of the CSS(E)L Group. This cash, when recognised on the balance sheet, is recorded under ‘Cash and due from banks’ and ‘Other assets’.

19. Significant Subsidiaries

Significant subsidiaries:

The following tables set forth the significant subsidiaries the Company owns, directly or indirectly as at 31 December 2013 and 31 December 2012:

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 35 – Securitisations, Special Purpose Entities and Other Structured Transactions for details on special purpose entities.

20. Property and Equipment

CSS(E)L Group and Company 2013	Leasehold Improvements	Computer Equipment	Office Equipment	Total
Cost:				
Cost as at 1 January 2013	**53**	**14**	**19**	**86**
Additions	2	-	-	2
Disposals	(1)	-	-	(1)
Other movements	1	2	-	3
Cost as at 31 December 2013	**55**	**16**	**19**	**90**
Accumulated depreciation:				
Accumulated depreciation as at 1 January 2013	**33**	**13**	**16**	**62**
Charge for the year	5	1	1	7
Disposals	(1)	(1)	-	(2)
Other movements	1	-	1	2
Accumulated depreciation as at 31 December 2013	**38**	**13**	**18**	**69**
Net book value as at 1 January 2013	**20**	**1**	**3**	**24**
Net book value as at 31 December 2013	**17**	**3**	**1**	**21**

CSS(E)L Group and Company 2012	Leasehold Improvements	Computer Equipment	Office Equipment	Total
Cost:				
Cost as at 1 January 2012	**52**	**17**	**18**	**87**
Additions	1	-	1	2
Disposals	-	(3)	-	(3)
Other movements	-	-	-	-
Cost as at 31 December 2012	**53**	**14**	**19**	**86**
Accumulated depreciation:				
Accumulated depreciation as at 1 January 2012	**27**	**14**	**15**	**56**
Charge for the year	5	-	1	6
Disposals	-	(1)	-	(1)
Other movements	1	-	-	1
Accumulated depreciation as at 31 December 2012	**33**	**13**	**16**	**62**
Net book value as at 1 January 2012	**25**	**3**	**3**	**31**
Net book value as at 31 December 2012	**20**	**1**	**3**	**24**

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 and equipment (2012: USD Nil).

No impairment charges were recorded in 2013 and 2012 for property and equipment.

21. Intangible Assets

CSS(E)L Group and Company 2013	Right to Use Leisure Facility	Internally Developed Software	Total
Intangible assets (USD million)			
Cost:			
Cost as at 1 January 2013	**4**	**2**	**6**
Additions	-	167	167
Disposals	-	(168)	(168)
Cost as at 31 December 2013	**4**	**1**	**5**
Accumulated amortisation:			
Accumulated amortisation as at 1 January 2013	-	-	-
Amortisation for the year	-	-	-
Impairment	(1)	-	(1)
Disposals	-	-	-
Accumulated amortisation as at 31 December 2013	**(1)**	**-**	**(1)**
Net book value as at 1 January 2013	**4**	**2**	**6**
Net book value as at 31 December 2013	**3**	**1**	**4**

CSS(E)L Group and Company 2012	Right to Use Leisure Facility	Internally Developed Software	Total
Intangible assets (USD million)			
Cost:			
Cost as at 1 January 2012	**4**	**-**	**4**
Additions	-	205	205
Disposals	-	(203)	(203)
Cost as at 31 December 2012	**4**	**2**	**6**
Accumulated amortisation:			
Accumulated amortisation as at 1 January 2012	-	-	-
Amortisation for the year	-	-	-
Impairment	-	-	-
Disposals	-	-	-
Accumulated amortisation as at 31 December 2012	**-**	**-**	**-**
Net book value as at 1 January 2012	**4**	**-**	**4**
Net book value as at 31 December 2012	**4**	**2**	**6**

No interest has been capitalised within intangible assets (2013:USD Nil).

Impairment charges of USD 1 million (2012: USD Nil) was recorded on right to use leisure facility. No impairment charges were recorded for internally developed software in 2013 and 2012. The impairment of the right to use leisure facility reduces the asset down to current market rate. This asset is held in the Korea Branch.

The internally developed software that was capitalised was transferred to Credit Suisse International in 2013.

22. Goodwill

CSS(E)L Group and Company	2013	2012
Goodwill (USD million)		
Cost:		
Balance as at 1 January	7	7
Foreign currency translation impact	-	-
Balance as at 31 December	**7**	**7**
Accumulated impairment losses		
Balance as at 1 January	-	-
Foreign currency translation impact	-	-
Balance as at 31 December	**-**	**-**
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.

23. Deposits

CSS(E)L Group and Company	2013	2012
Deposits (USD million)		
Non-interest bearing demand deposits	6	28
Interest-bearing demand deposits	350	434
Time Deposits	1,543	3,965
Total deposits	**1,899**	**4,427**
▪ of which due to banks	1,899	4,427
▪ of which due to customers	-	-

24. Short Term Borrowings

CSS(E)L Group and Company	2013	2012
Short-term borrowings (USD million)		
Short term borrowings:		
▪ from banks	29,196	34,095
▪ from customers	646	-
Total short term borrowings	**29,842**	**34,095**

25. Provisions

CSS(E)L Group and Company	Property	Litigation	Total
Provisions (USD million)			
Balance at 1 January 2013	**1**	**10**	**11**
Charges during the year	-	2	2
Utilised during the year	-	(8)	(8)
Balance at 31 December 2013	**1**	**4**	**5**

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 its 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 2013.

26. Long Term Debt

	CSS(E)L Group		Company	
	2013	**2012**	**2013**	**2012**
Long-term debt (USD million)				
Senior debt	8,972	11,312	8,972	11,176
Subordinated debt	4,368	4,286	4,368	4,286
Total long term debt	**13,340**	**15,598**	**13,340**	**15,462**

Senior Debt

During 2010, in response to the UK liquidity requirements required by the PRA as set out in its policy statement (PS) 09/16, new term profiles were put in place from Credit Suisse AG (London Branch). Accordingly, the following term issuances were raised:

CSS(E)L Group and Company

USD 1,500 million	12 February 2010	Two issuance of USD 750 million each with interest of 3 months LIBOR plus 207/221 basis points per annum
EUR 800 million	28 June 2010	Two issuance of EUR 400 million each with interest of 3 months EURIBOR plus 200/216 basis points per annum
USD 5,900 million	21 September 2010	Two issuance of USD 2,950 million each with interest of 3 months LIBOR plus 250/275 basis points per annum
USD 1,200 million	15 September 2010	Interest rate of 3 months LIBOR plus 225/250 basis points per annum

All these issuances have a maturity period varying between 3 and 5 years. During 2013 there were maturities of EUR 400 million issued on 28 June 2010, USD 750 million issued on 12 February 2010 and USD 2,950 million issued on 21 September 2010.

The following debt was raised with CS Private banking Deposit Centre:

CSS(E)L Group and Company

USD 1,500 million	12 August 2010	Interest payable at 3 months LIBOR plus 253 basis points per annum having a 30 year maturity period
USD 2,000 million	18 December 2013	Interest payable at 3 months USD LIBOR plus 87.5 basis points per annum, maturing on 19 December 2016

Exchange traded funds are being consolidated. These funds sell debt in the market. The sold portion of these funds representing USD Nil (2012: USD 43 million) is being included as senior debt.

During 2012, Credit Suisse European Mortgage Capital Limited Series 2012-1 (Windermere XIV) has been consolidated as the majority of the risks and rewards are with CSS(E)L Group. The sold portion of notes issued by the entity is USD Nil (2012: USD 93 million) is being included as senior debt.

Subordinated Debt

At 31 December 2013 subordinated debt comprises an amount of USD 4,368 million (2012: USD 4,286 million). This comprised USD 1,500 million (2012: USD 1,500 million) advanced by Credit Suisse PSL GmbH and USD 1,983 million (2012: USD 1,983 million) advanced by Credit Suisse First Boston Finance BV. Interest capitalisation amounts to USD 885 million (2012: USD 803 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 PRA. 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 PRA. 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. The total of USD 900 million was repaid on 8 February 2012 and loss of USD 44 million was booked (Refer Note 7 – Other Revenue). The repayment of loan and issuance of non-voting shares to Credit Suisse PSL GmBH was part of capital restructuring pursuant to special resolution of the Board of Directors dated 3 February 2012 (Refer Note 28 – Share Capital and Share Premium).

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 Credit Suisse 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.

27. Accumulated Other Comprehensive Income

CSS(E)L Group and Company	Unrealized gain/(loss) on Pension Fund	Cumulative translation adjustment	Unrealised gains/(losses) on financial assets available for sale	Accumulated other comprehensive income
2013				
Accumulated other comprehensive income (USD million)				
Balance at 1 January 2013	**-**	**(292)**	**23**	**(269)**
Transition adjustment for IAS19(R), pre-tax	**38**	**-**	**-**	**38**
Transition adjustment for IAS19(R), tax	**-**	**-**	**-**	**-**
Balance at 1 January 2013 (restated)	**38**	**(292)**	**23**	**(231)**
Increase/(decrease):				
Foreign exchange translation differences	**-**	**15**	**-**	**15**
Net loss on hedges of net investments in foreign entities taken to equity	**-**	**(16)**	**-**	**(16)**
Net gain on financial assets available-for-sale	**-**	**-**	**3**	**3**
Re-measurement of defined benefit (asset)/liability	**(111)**	**-**	**-**	**(111)**
Balance at 31 December 2013	**(73)**	**(293)**	**26**	**(340)**

CSS(E)L Group and Company	Unrealized gain/(loss) on Pension Fund	Cumulative translation adjustment	Unrealised gains/(losses) on financial assets available for sale	Accumulated other comprehensive income
2012 (Restated)[1]				
Accumulated other comprehensive income (USD million)				
Balance at 1 January 2012	**-**	**(285)**	**22**	**(263)**
Transition adjustment for IAS19(R), pre-tax	-	-	-	-
Transition adjustment for IAS19(R), tax	-	-	-	-
Balance at 1 January 2012 (restated)	**-**	**(285)**	**22**	**(263)**
Increase/(decrease):				
Foreign exchange translation differences	-	38	-	38
Net loss on hedges of net investments in foreign entities taken to equity	-	(45)	-	(45)
Net gain on financial assets available-for-sale	-	-	1	1
Re-measurement of defined benefit (asset)/liability	38	-	-	38
Balance at 31 December 2012	**38**	**(292)**	**23**	**(231)**

[1] On 1 January 2013, the CSS(E)L Group adopted amendments to IAS 19 "Employee Benefits" (IAS 19R). Comparative information has been restated accordingly (See Note 2).

28. Share Capital and Share Premium

CSS(E)L Group and Company	2013	2012
Share Capital (USD million)		
Opening balance 22,013,921,050 ordinary voting shares of USD 0.10 each 6,579,284,007 participating non-voting shares of USD 0.10 each (2012 - 4,277,300,000 ordinary voting shares of USD 1.00 each)	**2,859**	**4,277**
6 February 2012:		
Reduction in face value of ordinary voting shares (4,277,300,000 @ USD 0.90 each)	-	(3,850)
Issuance of participating non-voting shares (628,928,830 @ USD 0.10 each)	-	63
24 February 2012:		
Issuance of ordinary voting shares (200,000,000 @ USD 0.10 each)	-	20
29 June 2012:		
Issuance of ordinary voting shares (17,536,621,050 @ USD 0.10 each)	-	1,754
Issuance of participating non-voting shares (2,463,378,950 @ USD 0.10 each)	-	246
6 July 2012:		
Issuance of participating non-voting shares (3,486,976,227 @ USD 0.10 each)	-	349
Total called-up share capital	**2,859**	**2,859**

CSS(E)L Group and Company	2013	2012
Share Premium (USD million)		
Opening Balance	**5,661**	**-**
6 February 2012:		
Reduction in face value of ordinary voting shares (4,277,300,000 @ USD 0.90 each)	-	3,850
Issuance of participating non-voting shares (628,928,830 @ USD 1.40 each)	-	880
24 February 2012:		
Issuance of ordinary voting shares (200,000,000 @ USD 1.40 each)	-	280
6 July 2012:		
Issuance of participating non-voting shares (3,486,976,227 @ USD 0.19 each)	-	651
Total share premium	**5,661**	**5,661**

29. 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. Responsibility for governance and running of the UK Plan, including investment decisions (after consultation with the Company) and contribution schedules (which requires the agreement of the Company) lies with the Board of Trustees. The UK plan is closed to future defined benefit accrual however past service benefits for active members are still linked to pensionable salary. 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.

Profile of the pension plans

Approximately 13% of the UK plan's final salary liabilities are attributable to current employees, 71% to former employees yet to retire and 16% to current pensioners and dependants. The liabilities of the other plans in aggregate are broadly split 44% to current employees, 51% to former employees yet to retire and 5% to current pensioners and dependents. The UK plan duration is an indicator of the weighted-average time until benefits payments are made.

For the UK plan as a whole the duration is around 25 years reflecting the approximate split of the defined benefit obligation between current employees (duration of 28 years), deferred members (duration of 26 years) and current pensioners (duration of 15 years).

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	**UK**		**International**	
	2013	**2012**	**2013**	**2012**
Defined benefit pension and other post-retirement defined benefit plans (USD million)				
Operating Cost				
Current service costs on benefit obligation	5	6	2	2
Administrative expense	2	2	-	-
Past service costs (including curtailments)	-	(7)	-	-
Financing Cost				
Net Interest costs on benefit obligation	(31)	(27)	2	2
Total periodic pension costs/(credits)	(24)	(26)	4	4

The following table shows the changes in the defined benefit obligation and the fair value of plan assets during 2013 and 2012, 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 2013 and 2012 respectively:

CSS(E)L Group and Company	UK		International	
	2013	2012	2013	2012
Defined benefit pension and other post-retirement defined benefit plans (USD million)				
Defined benefit obligation – 1 January	1,508	1,399	59	48
Current service cost	5	6	2	2
Interest cost	69	71	2	2
Actuarial gains/ losses on assumptions	95	7	(3)	11
arising out of changes in demographic assumptions	(13)	(20)	-	-
arising out of changes in financial assumptions	108	27	(3)	11
Actuarial gains/ losses - experience	(5)	(2)	(3)	(2)
Benefit payments	(24)	(33)	(3)	(3)
Past service costs (including curtailments)	-	(7)	-	-
Plans deconsolidated during the year	-	-	-	(2)
Special termination benefits	-	-	2	1
Effect of business combinations and disposals	-	-	1	-
Exchange rate losses	36	67	2	2
Defined benefit obligation – 31 December	**1,684**	**1,508**	**59**	**59**
Fair value of plan assets – 1 January	2,159	1,858	12	11
Interest on plan assets	100	97	-	1
Actuarial gains/(losses) on plan assets	(31)	54	1	(1)
Actual return on plan assets	**69**	**151**	**1**	**-**
Employer contributions	9	92	1	3
Administrative expense	(2)	(2)	-	-
Benefit payments	(23)	(33)	(3)	(3)
Exchange rate gains	53	93	-	1
Effect of business combinations and disposals	-	-	-	-
Fair value of plan assets – 31 December	**2,265**	**2,159**	**11**	**12**
Total funded status – 31 December				
Plan assets	2,265	2,159	11	12
Defined benefit obligation related to funded plans	(1,684)	(1,508)	(11)	(13)
Funded status for funded plans	**581**	**651**	**-**	**(1)**
Defined benefit obligation related to non-funded plans	-	-	(48)	(46)
Funded status recognised - 31 December	**581**	**651**	**(48)**	**(47)**

Funding requirements

UK legislation requires that pension schemes are funded prudently. The last funding valuation of the UK plan was carried out by a qualified actuary as at 31 December 2011 and showed a deficit of GBP 61.2 million. The Company and Trustee agreed that no future shortfall contributions would be paid because the shortfall contributions paid soon after the valuation date and the allowance for post-valuation experience were sufficient to recover the shortfall. The next funding valuation is due no later than 31 December 2014 at which progress towards full-funding will be reviewed.

For additional Pension Fund security, the Company has pledged securities of GBP 237 million as at 31 December 2013. These securities are included in the balances in Note 37 – Assets Pledged or Assigned.

At 31 December 2013 and 2012 the pension fund plan assets hold no material amounts of CSS(E)L Group debt and equity securities.

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.

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

CSS(E)L Group and Company (USD million)	UK		International	
	2013	**2012**	**2013**	**2012**
At 1 January	651	459	(47)	(37)
Total amount recognised in profit and loss and OCI (charge)/credit	(95)	74	1	(13)
Other economic events	-	-	(1)	(1)
Plans deconsolidated during the year	-	-	-	2
Contributions paid	9	92	1	3
Gains/(losses) due to changes in exchange rates	16	26	(2)	(1)
At 31 December	**581**	**651**	**(48)**	**(47)**

Assumptions

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

CSS(E)L Group and Company

31 December in %	UK		International	
Benefit obligation	**2013**	**2012**	**2013**	**2012**
Discount rate	4.60	4.80	3.70	3.40
Retail Price Inflation	3.35	3.10	-	-
Consumer Price Inflation	2.35	2.40	1.90	2.30
Pension increases[1]	3.20	3.00	1.30	1.40
Salary increases	4.60	4.35	3.70	4.00
Net periodic pension cost				
Discount rate	4.80	4.90	3.40	4.60
Salary increases	4.35	4.45	4.00	4.00

Mortality Assumptions

The life expectancy assumptions for 2013 are similar to those used for 2012.

The assumptions for life expectancy for the 2013 benefit obligation pursuant to IAS 19 are based on the "SAPS light" base table with improvements in mortality in line with the core CMI 2012 projections and a scaling factor of 100%. Underpins to future mortality improvement have also been incorporated, the annual long term rate of improvement being 1.25% p.a.

[1] Pension earned pre 6 April 1997 are subject to pension increases on a discretionary basis, which are considered to be nil.

The post-retirement mortality assumptions are as follows:

	2013	2012
Life expectancy at age 60 for current pensioners aged 60 (years)		
- Males	28.7	28.9
- Females	30.0	30.2
Life expectancy at age 60 for future pensioners currently aged 40 (years)		
- Males	30.7	30.9
- Females	32.0	32.2

Sensitivity Analysis

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

	UK				International			
	DBO (USD million)	**Increase %**	**DBO (USD million)**	**Decrease %**	**DBO (USD million)**	**Increase %**	**DBO (USD million)**	**Decrease %**
Benefit obligation								
One-percentage point change								
+ 1%/ -1% Discount rate	2,140	27	1,335	(21)	71	21	49	(17)
+1% / -1% Inflation rate	1,979	18	1,435	(15)	63	7	55	(6)
+1% / -1% Salary increases rate	1,695	1	1,674	(1)	61	4	57	(4)
+1 / -1 year to life expectancy at 60	1,918	2	1,651	(2)	60	2	58	(2)

The sensitivity analysis above has been derived using a number of additional full valuation runs that have been carried out using the same data as that used for calculating the 2013 defined benefit obligation. The sensitivity analysis focuses on changes to the obligation. For the sensitivities to discount rate and inflation rates the impact on the UK funded status will most likely be lower to the impact on the benefit obligation, as a result of the assets being (partially) matched to the obligations.

The methodology used to calculate the sensitivities is consistent with previous years.

Plan assets and investment strategy

Responsibility for governance and running of the UK Plan, including investment decisions (after consultation with the Company) and contribution schedules (which requires the agreement of the Company) lies with the Board of Trustees. 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.

The Fund has a hedging target of around 80% of interest rate and inflation risk arising from the Economic Value of the liabilities. Guidelines have been put in place for the hedging portfolio to limit the risk between it and the basis on which the Economic Value of the liabilities is calculated. In particular limits have been placed on the level of exposure that may be obtained from bonds and gilt total return swaps, both in terms of interest rate and inflation sensitivity.

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.

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.

Risks Associated with UK Plan

The UK plan exposes the Company to a number of risks, the most significant of which are:

Asset volatility

The liabilities are calculated using a discount rate set with reference to corporate bond yields; if assets underperform this yield, this will reduce the surplus. The UK plan holds a significant proportion of growth assets (equities, diversified growth fund and global absolute return fund) which, though expected to outperform corporate bonds in the long-term, create volatility and risk in the short-term. The allocation to growth assets is monitored to ensure it remains appropriate given the UK plan's long term objectives.

Changes in bond yields

A decrease in corporate bond yields will increase the value placed on the UK plan's liabilities for accounting purposes, although this will be partially offset by an increase in the value of the plan's bond holdings. The plan does hedge interest rate risk, so whilst it might be expected that the hedge increases in value if bond yields decrease, the plan is exposed to the extent that the hedge is not designed to cover 100% of the accounting defined benefit obligation and also the fact that the hedge does not mitigate decreases in credit spreads.

Inflation Risk

A significant proportion of the UK plan’s benefit obligations are linked to inflation, and higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect against extreme inflation). The majority of the assets are either unaffected by or only loosely correlated with inflation, meaning that an increase in inflation will also increase the deficit to the extent that the inflation swap does not match the increase.

Life expectancy

The majority of the UK plan's obligations are to provide benefits for the life of the member, therefore increases in life expectancy will result in an increase in the liabilities.

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 (USD Million)	**2013**	**2012**
Defined benefit obligation	1,743	1,567
Fair value of plan assets	2,276	2,171
Funded status, surplus/(deficit)	533	604
Experience gains / (losses) on plan liabilities[1]	8	4
Experience gains/(losses) on plan assets	(31)	53

Estimated future benefit payments

	Defined Benefit Pension Plan	
Estimated future benefit payments (USD million)	**UK Plans**	**International Plans**
2014	14	1
2015	16	1
2016	18	1
2017	21	1
2018	24	1
For five years thereafter	192	8

Expected Contributions

Expected contributions to benefit plans for the year ending 31 December 2014 are USD 9 million for UK Plans and USD 1 million for International plans.

[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.

Plan assets measured at fair value

(USD Million)	2013 Quoted	Unquoted	Total	% of total fair value of scheme assets	2012 Quoted	Unquoted	Total	% of total fair value of scheme assets
Cash and cash equivalents	-	347	347	15.3	-	404	404	18.7
Debt Securities	1,002	425	1,427	63.0	768	419	1,187	55.0
of which governments	409	4	413	18.2	259	5	264	12.2
of which corporates	593	421	1,014	44.8	509	414	923	42.8
Equity Securities	192	2	194	8.6	200	3	203	9.4
Derivatives	1	(26)	(25)	(1.1)	28	233	261	12.1
Alternative investments	14	308	322	14.2	-	104	104	4.8
of which hedge funds	-	298	298	13.1	-	104	104	4.8
of which other	14	10	24	1.1	-	-	-	-
Total plan assets UK Plans	1,209	1,056	2,265	100.0	996	1,163	2,159	100.0
Debt Securities	11	-	11	100.0	12	-	12	100.0
Total plan assets International Plans	11	-	11	100.0	12	-	12	100.0

CSS(E)L Group and Company (USD Million)	2013	2012
Fair Value of entity's own transferable financial instruments held as plan assets (transferable refers to the entities and related parties equity securities)	-	-
Fair value of plan assets that are occupied by or used by the entity	-	-

The Company also contributes to various defined contribution pensions primarily in the United Kingdom.

The contributions in these plans during 2013 and 2012 were USD 64 million and USD 67 million respectively.

30. 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, granting deferred Compensation is solely at the discretion of senior management. Special deferred compensation granted as part of a contractual obligation is typically used to compensate new senior employees in a single year for forfeited awards from previous employers upon joining the Company. It is the Company's policy not to make multi-year guarantees.

Compensation expense for share-based and other awards that were granted as deferred compensation is recognized in accordance with the specific terms and conditions of each respective award and is primarily recognized over the future requisite service and vesting period, which is determined by the plan, retirement eligibility of employees, two-year moratorium periods on early retirement and certain other terms. All deferred compensation plans are subject to non-compete and non-solicit provisions. Compensation expense for share based and other awards that were granted as deferred compensation also includes the current estimated outcome of applicable performance criteria, estimated future forfeitures and mark-to-market adjustments for certain awards that are still outstanding.

Total compensation expense for cash-settled share-based compensation plans recognised during 2013 and 2012 was USD 325 million and USD 188 million respectively. The total stock award liability recorded as at 31 December 2013 was USD 426 million (2012: USD 314 million). The fair value used to calculate the stock award liability was the closing Credit Suisse Group share price as at 31 December 2013 CHF 27.27 (2012: CHF 22.26). The average weighted fair value of awards granted in 2013 was CHF 26.45 (2012: CHF 20.91). The intrinsic value of vested share based awards outstanding as at year end was USD 86 million (2012: USD 56 million).

The recognition of compensation expense for the deferred compensation awards granted in January 2014 began in 2014 and thus had no impact on the 2013 financial statements.

Performance Share Awards

Certain employees received a portion of their deferred variable compensation in the form of performance share awards ('PSA'), which are subject to explicit performance-related claw-back provisions. Each performance share award granted entitles the holder of award to receive one CSG share. Performance share awards also vest over three years, such that the performance share awards vest equally on each of the three anniversaries of the grant date. Unlike the Phantom share awards, however, the outstanding performance share awards are subject to a negative adjustment in the event of a divisional loss or a negative CSG ROE. Outstanding performance shares are subject to a negative adjustment in the event of a divisional loss, unless there is a negative CSG ROE that would call for a negative adjustment greater than the divisional adjustment for the year, in which case the negative adjustment is based on the CSG's negative ROE. For employees in Shared Services, the negative adjustment only applies in the event of a negative CSG ROE and is not linked to the performance of the divisions.

The performance share awards granted in 2014 are identical to those granted in 2013 and 2012, with the exception of the performance criteria which, in 2012, were based on reported CSG ROE, compared to the performance share awards granted in 2014 and 2013, which are based on underlying CSG ROE.

The number of performance share awards granted to employees was determined by dividing the deferred component of variable compensation being granted as performance shares by the average price of a CSG share over the twelve business days ended January 15, 2014. The fair value of each January 2014 Performance Share award was CHF 28.13 on the grant date. Performance share awards granted after January 1, 2014 do not include the right to receive dividend equivalents during the vesting period. The fair value was based on a valuation using the CSG's share price on the date of grant and discounted for expected dividends for 2014, 2015 and 2016 of CHF 0.74, CHF 0.94 and CHF 1.13, respectively.

Movements in the number of PSA outstanding were as follows:

CSS(E)L Group and Company

Number of units (millions)	**2013**	**2012**
As at 1 January	3.08	-
Granted	3.33	3.18
Shares transferred in/out	0.12	-
Delivered	(1.01)	-
Forfeited	(0.13)	(0.10)
As at 31 December	**5.39**	**3.08**

Phantom Share Awards

Share awards granted in January 2014 are similar to those granted in January 2013 and are awarded to certain employees in the Company. Each share award granted entitles the holder of the award to receive one Credit Suisse Group ("CSG") share and does not contain a leverage component or a multiplier effect and is subject to service conditions as it vests over three years, such that the share awards vest equally on each of the three anniversaries of the grant date. Share awards granted in January 2011 vest over a four-year period. The value of these share awards is solely dependent on the CSG share price at the time of delivery.

The share awards include other awards, such as blocked shares, and special awards, which may be granted to new employees. These awards entitle the holder to receive one CSG share, subject to continued employment with the Company, contain restrictive covenants and cancellation provisions and generally vest between zero and five years.

The number of share awards was determined by dividing the deferred component of variable compensation being granted as shares by the average price of a CSG share over the twelve business days ended January 15, 2014. Share awards granted after January 1, 2014 do not include the right to receive dividend equivalents during the vesting period. The fair value of each January 2014 share award was CHF 28.13 on the grant date. The fair value was based on a valuation using the CSG's share price on the date of grant and discounted for expected dividends for 2014, 2015 and 2016 of CHF 0.74, CHF 0.94 and CHF 1.13, respectively.

In order to comply with regulatory requirements, the CSG awarded an alternative form of share awards as a component of unrestricted cash to certain senior employees. For 2013, 2012 and 2011, these employees received a portion of the amount they otherwise would have received in cash in the form of blocked shares. The shares remain blocked for a period of time, which ranges from six months to three years, depending on the location, after which they are no longer subject to restrictions. Blocked shares granted on January 16, 2014 vest immediately upon grant, have no future service requirements and were attributed to services performed in 2013.

Movements in the number of Phantom Shares outstanding were as follows:

CSS(E)L Group and Company		
Number of units (millions)	**2013**	**2012**
As at 1 January	6.51	6.75
Granted	5.63	2.54
Shares transferred in/out	0.20	-
Delivered	(2.62)	(2.50)
Forfeited	(0.37)	(0.28)
As at 31 December	**9.35**	**6.51**

Contingent Capital Awards

Contingent Capital Awards ('CCA') are a new form of award granted in January 2014 as part of 2013 deferred variable compensation and have rights and risks similar to those of certain contingent capital instruments issued by CSG in the market. CCA provide a conditional right to receive semi-annual cash payments of interest equivalents at a rate of 5.33% over the six-month US dollar London Interbank Offered Rate ('LIBOR') until settled. Employees who received compensation in Swiss francs could elect to receive CCA denominated in Swiss francs or US dollars, and all other employees received CCA denominated in US dollars.

CCA were awarded as deferred variable compensation to certain employees in place of share awards and will be expensed over the three-year period from the grant date.

CCA are scheduled to vest on the third anniversary of the grant date and will be expensed over three years from the grant date. However, because CCA qualify as additional tier 1 capital of CSG, the timing and form of distribution upon settlement is subject to approval by the Swiss Financial Market Supervisory Authority ('FINMA'). At settlement, employees will receive either a contingent capital instrument or a cash payment based on the fair value of the CCA. CSG will determine that fair value at its discretion. CSG intends to grant CCA as one of its annual deferred variable compensation awards in future years.

CCA have loss-absorbing features such that prior to settlement, the principal amount of the CCA would be written down to zero if any of the following trigger events were to occur:

- CSG's reported common equity tier 1 ('CET1') ratio falls below 7%; or
- FINMA determines that cancellation of the CCA and other similar contingent capital instruments is necessary, or that CSG requires public sector capital support, in either case to prevent it from becoming insolvent or otherwise failing.

Plus Bond Awards

Certain employees received a portion of their 2012 deferred variable compensation in the form of Plus Bond awards. The Plus Bond award is essentially a fixed income instrument, denominated in US dollars, which provides a coupon payment that is commensurate with market-based pricing. Plus Bond award holders are entitled to receive semi-annual cash payments on their adjusted award amounts at the rate of LIBOR plus 7.875% per annum until settlement. The Plus Bond will settle in the summer of 2016 based on the amount of the initial award less portfolio losses, if any, in excess of a first loss portion retained by CSG of approximately USD 600 million. The value of the Plus Bond awards is based on the performance of a portfolio of unrated and sub-investment-grade asset-backed securities that are held in inventory by various trading desks of CSG's Investment Banking division. While the Plus Bond award is a cash-based instrument, CSG reserves the right to settle the award in CSG shares based on the share price at the time of final distribution. In addition, subject to oversight procedures, CSG retains the right to prepay all or a portion of the Plus Bond award in cash at any time and, in the event of certain regulatory developments or changes on capital treatment, exchange the award into CSG shares. The Plus Bond award plan contributes to a reduction of CSG's risk-weighted assets and constitutes a risk transfer from CSG to the Plus Bond award holders.

The Plus Bonds were fully vested and expensed as of the grant date of December 31, 2012.

Certain employees were given the opportunity in early 2013 to voluntarily reallocate a portion of the share award component of their deferred awards into the Plus Bond award. The Plus Bond awards resulting from the voluntary reallocation will vest on the third anniversary of the grant date in January 17, 2016 and will be expensed over the vesting period.

Total compensation expense recognized during the year ended December 31, 2013 was USD 4 million (2012: USD 37 million).

2011 Partner Asset Facility

As part of the 2011 annual compensation process, certain employees were awarded a portion of their deferred variable compensation in the form of 2011 Partner Asset Facility (PAF2) units. PAF2 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 pre-defined threshold. CSG will bear the first USD 500 million of any losses and the PAF2 holders, across a number of CS group entities including the Company, will bear any losses in excess of USD 500 million, up to the full amount of the deferred compensation awarded.

Certain employees received PAF2 awards, which vested in the first quarter of 2012.

The PAF2 units have a stated maturity of four years, but may be extended to nine years at the election of either 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 US dollars. Holders will receive a semi-annual cash interest payment equivalent to an annual return of 6.5% (US dollar-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.

In January 2012, CSG awarded PAF2 units and the associated compensation expenses were fully expensed in the first quarter of 2012, as the awards were fully vested as of March 31, 2012. Compensation expense 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.

Total compensation expense recognized during the year ended December 31, 2013 was USD 17 million (2012: USD 120 million).

In February 2014, CSG provided employees who hold outstanding PAF2 awards with the opportunity to exchange their PAF2 awards. PAF2 awards were linked to a portfolio of CSG's credit exposures, providing risk offset and capital relief. Due to regulatory changes, this capital relief was no longer available after December 31, 2013. As a result, CSG terminated the PAF2 awards and exchanged them at fair value for other compensation awards in the form of one of the following options, or a combination thereof:

- Capital Opportunity Facility: participants elect for all or part of their PAF2 award to be referenced to a Capital Opportunity Facility ('COF'). The COF is a seven-year facility that is linked to the performance of a portfolio of risk-transfer and capital mitigation transactions chosen by the Partner

Asset Facility management team. Participants who elect for the COF will receive distributions of 6.5% per annum until maturity;

- Contingent Capital Awards: participants elect to receive Contingent Capital Awards ('CCA'), with similar terms to the instruments used as part of the 2013 compensation awards. Settlement is expected to occur in early 2016, subject to regulatory approvals.

Restricted Cash Awards ('RCA')

Certain employees received the cash component of their 2012 variable compensation in the form of Restricted Cash Awards. These awards are cash payments made on the grant date, but are subject to a pro-rata repayment by the employee in the event of voluntary resignation or termination for cause within three years of the award grant. The Restricted Cash Award is reported as part of the deferred compensation award for the Company even though the award is fully settled at grant date. The expense recognition will occur over the three-year vesting period, subject to service conditions.

On January 17, 2013, the Company granted Restricted Cash Awards.

Total compensation expense recognized during the year ended December 31, 2013 was USD 41 million (2012: Nil).

Adjustable Performance Plan Awards

The Adjustable Performance Plan ('APPA') is a deferred compensation plan for certain employees. CSG introduced and granted APP cash awards as part of deferred compensation for 2009 (2009 APPA) and 2010 (2010 APPA).

The 2009 APPA cash awards were fully vested and were expensed as of December 31, 2012.

The 2010 APPA cash awards vest over a four-year period, with the final payout value subject to an upward or downward adjustment, depending on the financial performance of the specific business areas and the CSG ROE.

The adjustments are determined on an annual basis, increasing or decreasing the outstanding balances by a percentage equal to the reported 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. For employees in Shared Services and other support functions, all outstanding 2010 APP cash awards are linked to 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.

Total compensation expense/(income) recognized for APP cash awards during the year ended December 31, 2013 was USD (2) million (2012: USD 54 million).

In July 2012, CSG executed a voluntary exchange offer, under which employees had the right to voluntarily convert all or a portion of their respective unvested Adjustable Performance Plan cash awards into Adjustable Performance Plan share awards at a conversion price of CHF 16.29. Each Adjustable Performance Plan share award has a grant-date fair value of CHF 16.79 and contains the same contractual term, vesting period, performance criteria and other terms and conditions as the original Adjustable Performance Plan cash award.

Movements in the number of APP shares outstanding were as follows:

CSS(E)L Group and Company		
Number of units (millions)	**2013**	**2012**
As at 1 January	3.95	-
Granted	-	3.94
Shares transferred in/out	0.06	0.01
Delivered	(2.24)	-
Forfeited	(0.05)	-
As at 31 December	**1.72**	**3.95**

Incentive Share Unit

The Incentive Share Units ('ISUs') were the main form of share-based 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, compared to predetermined targets set on the grant date. 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. The ISU base unit vests equally on each of the three anniversaries of the grant date, whereas the ISU leverage units will only vest on the third anniversary of the grant date. Shares are delivered shortly after the ISU base units and the ISU leverage units vest.

In 2013, the ISU leverage units granted for 2009 were settled but did not have a value at settlement as the CSG share price performance was below the minimum predefined target of CHF 53.71. In 2012, the ISU leverage granted for 2008 were settled with a value for each outstanding leverage unit equivalent to 0.986 CSG shares.

Movements in the number of ISUs outstanding were as follows:

CSS(E)L Group and Company				
ISUs outstanding (millions)	**2013**		**2012**	
ISU Awards	**Base**	**Leverage**	**Base**	**Leverage**
As at 1 January	0.21	0.60	1.54	3.38
Granted	-	-	-	-
Share transferred in/out	-	-	(0.03)	(0.03)
Delivered	(0.20)	(0.60)	(1.26)	(2.53)
Forfeited	(0.01)	-	(0.04)	(0.22)
As at 31 December	**-**	**-**	**0.21**	**0.60**

Scaled Incentive Share Unit

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 SISU base unit vests equally on each of the four anniversaries of the grant date, whereas the SISU leverage unit will only vest on the fourth anniversary of the grant date. The new performance condition links the final delivery of additional shares to an average of the reported CSG ROE. If the CSG average ROE over the four-year period is higher than a pre-set target established at the grant date, 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 vesting period will be 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 shortly after the SISU base component and SISU leverage component vest. 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 fair value of the 2010 SISU base unit was CHF 50.30 and the fair value of the 2010 SISU leverage units was CHF 13.44.

Movements in the number of SISUs outstanding were as follows:

	CSS(E)L Group and Company			
Number of SISUs (millions)	**2013**		**2012**	
	Base	**Leverage**	**Base**	**Leverage**
As at 1 January	1.54	2.50	2.41	3.01
Granted	-	-	-	-
Share transferred in/out	0.01	0.11	(0.01)	(0.01)
Delivered	(0.80)	-	(0.84)	-
Forfeited	(0.02)	(0.27)	(0.02)	(0.50)
As at 31 December	**0.73**	**2.34**	**1.54**	**2.50**

2008 Partner Asset Facility

As part of the 2008 annual compensation process, CSG granted certain employees the majority of the deferred compensation in the form of 2008 Partner Asset Facility ('PAF') awards, denominated in US 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 Investment Banking.

The notional value of the Asset Pool was based on the fair market value of the assets within the Asset Pool on December 31, 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 CSG's risk-weighted assets, resulting in a reduction in capital usage.

The PAF awards, which have a contractual term of eight years, are fully vested. All PAF awards remain subject to non-compete and non-solicit provisions that expire equally on each of the first 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 grant date, 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.

In June 2012 and December 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. The new PAF awards are subject to the same contractual term, vesting period, performance criteria, settlement and other terms and conditions as the original PAF awards and constitute an additional risk transfer to employees on the expanded portfolio of assets that was removed from CSG's risk-weighted assets, resulting in a reduction in capital usage. Compensation expense for the new PAF awards will be updated at each reporting period date to reflect any change in the underlying fair value of the expanded portfolio of reference assets in addition to the original portfolio of PAF assets until the awards are finally settled. There was no impact on compensation expense on the exchange dates.

Total compensation expense recognized during the year ended December 31, 2013 was USD 22 million (2012: USD 41 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 Credit Suisse Group AG Master Share Plan, as of January 2004, options over Credit Suisse Group Registered Shares are only granted to employees located in Italy. The exercise price is the higher of the market value of Credit Suisse Group AG Registered Shares on date of grant or the average share price of Credit Suisse Group 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 Group 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:

	2013		2012	
	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 (2012: 92,443). The average weighted exercise price of options exercisable at year end was CHF 52.43 (2012: CHF 52.43). The intrinsic value of vested options outstanding as at year end was USD NIL (2012: USD NIL).

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

	Exercise Price (CHF)	31 December 2013	31 December 2012
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**

31. 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 – General and Administrative Expenses 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.

Transactions with CS Investment Holdings (UK) have been reported as 'Parent' and with other CS group companies are under 'Fellow group companies'.

a) Related party assets and liabilities

CSS(E)L Group	31 December 2013			31 December 2012		
	Parent	Fellow group companies	Total	Parent	Fellow group companies	Total
Assets (USD million)						
Cash and due from banks	-	17,694	17,694	-	11,353	11,353
Interest bearing deposits with banks	-	1,548	1,548	-	4,112	4,112
Securities purchased under resale agreements and securities borrowing transactions	-	38,345	38,345	-	30,152	30,152
Trading financials assets designated at fair value through profit or loss	-	9,288	9,288	-	11,472	11,472
Financial assets designated at fair value through profit or loss	-	20,789	20,789	-	18,824	18,824
Other loans and receivables	-	1,483	1,483	-	1,483	1,483
Other assets	-	7,989	7,989	-	9,787	9,787
Total assets	**-**	**97,136**	**97,136**	**-**	**87,183**	**87,183**
Liabilities (USD million)						
Deposits	-	1,578	1,578	-	3,980	3,980
Securities sold under repurchase agreements and securities lending transactions	-	28,135	28,135	-	22,391	22,391
Trading financial liabilities designated at fair value through profit or loss	-	8,547	8,547	-	11,407	11,407
Financial liabilities designated at fair value through profit or loss	-	24,734	24,734	-	31,564	31,564
Short term borrowings	-	29,824	29,824	-	34,095	34,095
Other liabilities	-	18,006	18,006	-	8,560	8,560
Long term debt	-	13,340	13,340	-	15,462	15,462
Share capital	2,201	658	2,859	2,201	658	2,859
Share premium	4,130	1,531	5,661	4,130	1,531	5,661
Capital contribution	5,390	-	5,390	5,390	-	5,390
Total liabilities	**11,721**	**126,353**	**138,074**	**11,721**	**129,648**	**141,369**

Company	31 December 2013				31 December 2012			
	Parent	Fellow group companies	Subsidiaries and SPEs	Total	Parent	Fellow group companies	Subsidiaries and SPEs	Total
Assets (USD million)								
Cash and due from banks	-	17,694	-	17,694	-	11,353	-	11,353
Interest bearing deposits with banks	-	1,548	-	1,548	-	4,112	-	4,112
Securities purchased under resale agreements and securities borrowing transactions	-	38,345	-	38,345	-	30,152	-	30,152
Trading financials assets designated at fair value through profit or loss	-	9,288	25	9,313	-	11,472	30	11,502
Financial assets designated at fair value through profit and loss	-	20,789	381	21,170	-	18,824	375	19,199
Other loans and receivables	-	1,483	-	1,483	-	1,483	-	1,483
Other assets	-	7,989	-	7,989	-	9,787	-	9,787
Total assets	**-**	**97,136**	**406**	**97,542**	**-**	**87,183**	**405**	**87,588**

Liabilities (USD million)								
Deposits	-	1,578	-	1,578	-	3,980	-	3,980
Securities sold under repurchase agreements and securities lending transactions	-	28,135	-	28,135	-	22,391	-	22,391
Trading financials liabilities designated at fair value through profit or loss	-	8,515	-	8,515	-	11,375	-	11375
Financial liabilities designated at fair value through profit and loss	-	24,722	-	24,722	-	31,551	-	31,551
Short term borrowings	-	29,824	-	29,824	-	34,095	-	34,095
Other liabilities	-	18,006	15	18,021	-	8,560	-	8,560
Long term debt	-	13,340	-	13,340	-	15,462	-	15,462
Share Capital	2,201	658	-	2,859	2,201	658	-	2,859
Share premium	4,130	1,531	-	5,661	4,130	1,531	-	5,661
Capital contribution	5,390	-	-	5,390	5,390	-	-	5,390
Total liabilities	**11,721**	**126,309**	**15**	**138,045**	**11,721**	**129,603**	**-**	**141,324**

Related party off-balance sheet transactions

CSS(E)L Group and Company (USD million)	31 December 2013			31 December 2012		
	Parent	Fellow group companies	Total	Parent	Fellow group companies	Total
Credit Guarantees	-	289	289	-	291	291
Forward reverse repurchase agreements with maturity <1 year	-	9,204	9,204	-	9,342	9,342
Commitments to purchase cash securities <1 year	-	5,085	5,085	-	2,834	2,834
Total	**-**	**14,578**	**14,578**	**-**	**12,467**	**12,467**

b) Related party revenues and expenses

CSS(E)L Group (USD million)	31 December 2013			31 December 2012		
	Parent	Fellow group companies	Total	Parent	Fellow group companies	Total
Interest income	-	447	447	-	524	524
Interest expense	-	(1,010)	(1,010)	-	(1,425)	(1,425)
Net interest expense	**-**	**(563)**	**(563)**	**-**	**(901)**	**(901)**
Commissions and fee income	-	(194)	(194)	-	(19)	(19)
Revenue sharing agreements' expense	-	(211)	(211)	-	(484)	(484)
Total non interest revenues	**-**	**(405)**	**(405)**	**-**	**(503)**	**(503)**
Net operating expense	**-**	**(968)**	**(968)**	**-**	**(1,404)**	**(1,404)**
Total operating expenses	**-**	**(545)**	**(545)**	**-**	**(719)**	**(719)**

c) Remuneration

Disclosure required by the Companies Act 2006

Remuneration of Directors

	2013	2012
	USD'000	USD'000
Emoluments	1,652	1,915
Long term incentive schemes:		
Amounts Paid under Deferred Cash Awards	1,417	2,930
Amounts Delivered under Share Based Awards	4,040	3,681
Total	**7,109**	**8,526**
Compensation for loss of office	526	3,295
Bank's contributions to defined contribution plan	41	26
Bank's contributions to defined benefit	39	53
Bank's contributions to defined benefit lump sum	107	-
Total	**7,822**	**11,900**

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 1,761,000 (2012: USD 3,805,000). The director was also a member of a defined contribution pension plan and the contribution paid during the year into the plan was USD 2,000 (2012: USD 8,000). Additionally a contribution was made for a defined benefit lump sum of USD 107,000 (2012: USD NIL). 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 2013 was USD 7,046,000 (2012: USD 11,816,000).

Number of Directors and Benefits	**2013 Number of Directors**	**2012 Number of Directors**
Retirement benefits are accruing to the following number of Directors under:		
Defined contribution schemes	3	2
No Scheme	3	3
Both defined contribution and defined benefit	1	4
Directors in respect of whom services were received or receivable under long term incentive schemes	**7**	**9**

Remuneration of Key Management Personnel

	2013	2012
Remuneration of Key Management Personnel (USD' 000)		
Emoluments	5,425	8,278
Long term incentive schemes	12,442	26,842
Total	**17,867**	**35,120**
Compensation for loss of office	406	4,202
Bank's contributions to defined contribution plan	147	77
Bank's contributions to defined benefit	73	116
Bank's contributions to defined benefit Lump Sum	274	-
Total	**18,767**	**39,515**

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

	2013	2012
Number of shares	482,689	993,411

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 the UK Investment Bank Executive Committee which was formed in January 2013 (2012 the 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 2013 (2012: USD Nil).

32. Employees

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

CSS(E)L Group and Company	**2013**	**2012**
	Number	**Number**
Investment banking	1,333	1,434
Shared services	3,465	3,470
Total	**4,798**	**4,904**

The CSS(E)L Group receives a range of services from related CS group. 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 group companies. The headcount related to these services cannot be accurately segregated and is therefore included in the above numbers.

33. 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 2013 were used for trading activities.

Economic Hedges

Economic hedges arise when the CSS(E)L Group enters into derivative contracts for its own risk management purposes, but the contracts entered into do not qualify for hedge accounting under IFRS. These economic hedges include the following types:

- interest rate derivatives to manage net interest rate risk on certain banking business assets and liabilities;
- foreign exchange derivatives to manage foreign exchange risk on certain banking business revenue and expense items, as well as on banking business assets and liabilities; and
- credit derivatives to manage credit risk on certain loan portfolios.

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 2013 was an asset of USD 1.0 million (2012: liability of USD 5.8 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 2013				31 December 2012			
	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	21	21			4	2	-	-
Swaps	6,264	6,901	-	-	8,256	9,427	-	-
Options bought and sold (OTC)	49	12	-	-	13	16	-	-
Options bought and sold (traded)	103	125	-	-	27	31	-	-
Interest rate products	**6,437**	**7,059**	**-**	**-**	**8,300**	**9,476**	**-**	**-**
Forwards and forward rate agreements	514	516	1	-	707	580	-	6
Swaps	1,166	1,186	-	-	1,395	1,441	-	-
Options bought and sold (OTC)	92	92	-	-	83	83	-	-
Foreign exchange products	**1,772**	**1,794**	**1**	**-**	**2,185**	**2,104**	**-**	**6**
Forwards and forward rate agreements	6	6	-	-	6	6	-	-
Swaps	3,748	4,860	-	-	3,567	3,781	-	-
Options bought and sold (OTC)	26	44	-	-	166	182	-	-
Options bought and sold (traded)	531	396	-	-	106	181	-	-
Equity/indexed-related products	**4,311**	**5,306**	**-**	**-**	**3,845**	**4,150**	**-**	**-**
Credit Swaps	**103**	**95**	**-**	**-**	**77**	**67**	**-**	**-**
Life Finance Related Mortality Swaps and others	717	657	-	-	610	865	-	-
Other products	**717**	**657**	**-**	**-**	**610**	**865**	**-**	**-**
Total derivative instruments	**13,340**	**14,911**	**1**	**-**	**15,017**	**16,662**	**-**	**6**

	2013		2012	
	Positive replacement value	**Negative replacement value**	**Positive replacement value**	**Negative replacement value**
Replacement values (USD million)				
Replacement values (trading and hedging) before netting	13,341	14,911	15,017	16,668
Replacement values (trading and hedging) after netting	13,012	14,582	14,926	16,577

Company	31 December 2013 Trading Positive replacement value	31 December 2013 Trading Negative replacement value	31 December 2013 Hedging Positive replacement value	31 December 2013 Hedging Negative replacement value	31 December 2012 Trading Positive replacement value	31 December 2012 Trading Negative replacement value	31 December 2012 Hedging Positive replacement value	31 December 2012 Hedging Negative replacement value
Trading and hedging derivatives instruments (USD million)								
Forwards and forward rate agreements	21	21	-	-	4	2	-	-
Swaps	6,264	6,901	-	-	8,256	9,427	-	-
Options bought and sold (OTC)	49	12	-	-	13	16	-	-
Options bought and sold (traded)	103	125	-	-	27	31	-	-
Interest rate products	**6,437**	**7,059**	**-**	**-**	**8,300**	**9,476**	**-**	**-**
Forwards and forward rate agreements	514	516	1	-	707	579	-	6
Swaps	1,166	1,187	-	-	1,395	1,441	-	-
Options bought and sold (OTC)	92	92	-	-	83	83	-	-
Foreign exchange products	**1,772**	**1,795**	**1**	**-**	**2,185**	**2,103**	**-**	**6**
Forwards and forward rate agreements	6	6	-	-	6	6	-	-
Swaps	3,748	4,860	-	-	3,567	3,781	-	-
Options bought and sold (OTC)	26	44	-	-	166	182	-	-
Options bought and sold (traded)	531	396	-	-	106	181	-	-
Equity/indexed-related products	**4,311**	**5,306**	**-**	**-**	**3,845**	**4,150**	**-**	**-**
Credit Swaps	**103**	**95**	**-**	**-**	**77**	**67**	**-**	**-**
Life Finance Related Mortality Swaps and others	1,254	622	-	-	1,191	832	-	-
Other products	**1,254**	**622**	**-**	**-**	**1,191**	**832**	**-**	**-**
Total derivative instruments	**13,877**	**14,877**	**1**	**-**	**15,598**	**16,628**	**-**	**6**

	2013 Positive replacement value	2013 Negative replacement value	2012 Positive replacement value	2012 Negative replacement value
Replacement values (USD million)				
Replacement values (trading and hedging) before netting	13,878	14,877	15,598	16,634
Replacement values (trading and hedging) after netting	13,549	14,548	15,507	16,544

34. Guarantees and Commitments

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 2013	<year	1-3 years	3-5 years	>5 years	amount	received	collateral
Guarantees (USD million)							
Credit guarantees and similar instruments	-	-	-	289	289	-	289
Total guarantees	**-**	**-**	**-**	**289**	**289**	**-**	**289**

CSS(E)L Group and Company	Maturity				Total gross	Collateral	Net of
31 December 2013	<year	1-3 years	3-5 years	>5 years	amount	received	collateral
Other commitments (USD million)							
Forward reverse repurchase agreements with maturity <1 year	34,510	-	-	-	34,510	-	34,510
Commitments to purchase cash securities <1 year	13,934	-	-	-	13,934	-	13,934
Total other commitments	**48,444**	**-**	**-**	**-**	**48,444**	**-**	**48,444**

CSS(E)L Group and Company	Maturity				Total gross	Collateral	Net of
31 December 2012	<year	1-3 years	3-5 years	>5 years	amount	received	collateral
Guarantees (USD million)							
Credit guarantees and similar instruments	-	-	-	291	291	-	291
Total guarantees	**-**	**-**	**-**	**291**	**291**	**-**	**291**

CSS(E)L Group and Company	Maturity				Total gross	Collateral	Net of
31 December 2012	<year	1-3 years	3-5 years	>5 years	amount	received	collateral
Other commitments (USD million)							
Forward reverse repurchase agreements with maturity <1 year	42,892	-	-	-	42,892	-	42,892
Commitments to purchase cash securities <1 year	11,679	-	-	-	11,679	-	11,679
Total other commitments	**54,571**	**-**	**-**	**-**	**54,571**	**-**	**54,571**

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 fulfil its obligation under a borrowing arrangement or other contractual obligation.

Commitment to purchase cash securities represents the value of debt and equity cash security contracts which requires CSS(E)L Group to make payments to customers, banks, brokers and dealers which have not settled as at the reporting date.

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	**2013**	**2013**	**2012**	**2012**
Operating lease commitments (USD million)	**Total**	**of which rental**	**Total**	**of which rental**
Up to 1 year	41	38	42	37
From 1 year and no later than 5 years	134	119	145	129
From 5 years and over	418	388	440	393
Future operating lease commitments	**593**	**545**	**627**	**559**
Less minimum non-cancellable sublease rentals	-	-	-	-
Total net future minimum lease commitments	**593**	**545**	**627**	**559**

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

CSS(E)L Group and Company	**2013**	**2013**	**2012**	**2012**
Net rental expense (USD million)	**Total**	**of which rental**	**Total**	**of which rental**
Minimum rentals	42	39	38	33
Sublease rental income	-	-	-	-
Total net rental expenses	**42**	**39**	**38**	**33**

During the year, there was no sublease rental.

Contingent Liabilities and Other Commitments

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 liabilities, if any, resulting from these proceedings will not significantly prejudice the financial position of the Company and have been provided for where deemed necessary in accordance with accounting policy.

In July 2013, the Directorate General for Competition of the European Commission ('DG Comp') issued a Statement of Objections ('SO') to various entities of thirteen CDS dealer banks, certain Market entities and the International Swaps and Derivatives Association, Inc. ('ISDA') in relation to its investigation into possible violations of competition law by certain CDS market participants. Certain Credit Suisse entities were among the named bank entities. The SO marks the commencement of enforcement proceedings in respect of what DG Comp alleges were unlawful attempts to prevent the development of exchange traded platforms for CDS between 2006 and 2009. In addition, certain Credit Suisse entities, as well as other banks, have been named in civil litigation in the US. Further, Credit Suisse (USA), Inc. has received civil investigative demands from the United States Department of Justice.

35. Securitisations, Special Purpose Entities and Other Structured Transactions

Consolidated SPE

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 2013 are as follows:

	2013	2012
Consolidated SPEs (USD million)		
Financial intermediation	1,756	1,985
Total assets of consolidated SPEs	**1,756**	**1,985**

The aggregate Statement of Financial Position value (including amounts held with the Company) in relation to Consolidated SPEs is shown below.

CSS(E)L Group	2013	2012
Assets (USD million)		
Trading financial assets at fair value through profit or loss	85	45
Financial assets designated at fair value through profit or loss	1,487	1,690
Other assets	184	250
Total assets	**1,756**	**1,985**
Liabilities (USD million)		
Trading financial liabilities at fair value through profit or loss	62	64
Financial liabilities designated at fair value through profit or loss	394	389
Long term debt	82	136
Other liabilities	19	22
Total liabilities	**557**	**611**
Shareholders' equity		
Capital	927	1,028
Retained earnings	272	346
Total shareholders' equity	**1,199**	**1,374**
Total liabilities and shareholders' equity	**1,756**	**1,985**

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

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.

Non - Consolidated SPE

	2013	2012
Non-consolidated SPEs (USD million)		
CDO	224	1,620
Financial intermediation	11,503	36,831
Total assets of non-consolidated SPEs	**11,727**	**38,451**

	2013	2012
Total maximum exposure to loss of non-consolidated SPEs		
CDO	5	146
Financial intermediation	511	786

The Company considers all possible trigger events which could impact upon the control of consolidated and unconsolidated SPEs as set out in Note 3 – Critical Accounting Estimates and Judgements in Applying Accounting Policies.

36. Financial Instruments

The disclosure of the CSS(E)L Group's financial instruments below includes the following sections:

- Analysis of financial instruments by categories;
- Fair value measurement (including fair value hierarchy; transfers between levels; level 3 reconciliation; qualitative and quantitative disclosures of valuation techniques; sensitivity analysis of unobservable input parameters; and recognition of trade date profit).
- Fair value of financial instruments not carried at fair value.

Analysis of financial instruments by categories

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.

Financial assets and liabilities by categories

31 December 2013			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**	**Other amortised cost**	
Financial Assets							
Cash and due from banks	**19,026**	-	-	-	-	19,026	**19,026**
Interest-bearing deposits with banks	**1,548**	-	-	-	-	1,548	**1,548**
Securities purchased under resale agreements and securities borrowing transactions	**43,096**	-	-	-	-	43,096	**43,096**
Trading financial assets at fair value through profit or loss	**65,129**	65,129	-	-	-	-	**65,129**
Financial assets designated at fair value through profit or loss	**75,109**	-	75,109	-	-	-	**75,109**
Financial assets available-for-sale	**34**	-	-	-	34	-	**34**
Other loans and receivables	**1,483**	-	-	1,483	-	-	**1,525**
Other assets	**31,509**	-	-	-	-	31,509	**31,509**
Total financial assets	**236,934**	**65,129**	**75,109**	**1,483**	**34**	**95,179**	**236,976**

31 December 2013		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	**1,899**	-	-	1,899	**1,899**
Securities sold under repurchase agreements and securities lending transactions	**32,962**	-	-	32,962	**32,962**
Trading financial liabilities at fair value through profit or loss	**38,080**	38,080	-	-	**38,080**
Financial liabilities designated at fair value through profit or loss	**69,194**	-	69,194	-	**69,194**
Short term borrowings	**29,842**	-	-	29,842	**29,842**
Other liabilities	**44,345**	-	-	44,345	**44,345**
Long term debt	**13,340**	-	-	13,340	**13,064**
Total financial liabilities	**229,662**	**38,080**	**69,194**	**122,388**	**229,386**

Financial assets and liabilities by categories

31 December 2012 (Restated)[1]	Carrying amount						Total fair value
CSS(E)L Group (USD million)	**Total carrying amount**	**Held for trading**	**Designated at fair value**	**Loans and receivables**	**Available-for-sale**	**Other amortised cost**	
Financial Assets							
Cash and due from banks	**13,204**	-	-	-	-	13,204	**13,204**
Interest-bearing deposits with banks	**4,112**	-	-	-	-	4,112	**4,112**
Securities purchased under resale agreements and securities borrowing transactions	**37,109**	-	-	-	-	37,109	**37,109**
Trading financial assets at fair value through profit or loss	**71,385**	71,385	-	-	-	-	**71,385**
Financial assets designated at fair value through profit or loss	**90,194**	-	90,194	-	-	-	**90,194**
Financial assets available-for-sale	**31**	-	-	-	31	-	**31**
Other loans and receivables	**1,483**	-	-	1,483	-	-	**1,584**
Other assets	**40,098**	-	-	-	-	40,098	**40,098**
Total financial assets	**257,616**	**71,385**	**90,194**	**1,483**	**31**	**94,523**	**257,717**

31 December 2012	Carrying amount				Total fair value
CSS(E)L Group (USD million)	**Total carrying amount**	**Held for trading**	**Designated at fair value**	**Other amortised cost**	
Financial Liabilities					
Deposits	**4,427**	-	-	4,427	**4,427**
Securities sold under repurchase agreements and securities lending transactions	**33,019**	-	-	33,019	**33,019**
Trading financial liabilities at fair value through profit or loss	**39,617**	39,617	-	-	**39,617**
Financial liabilities designated at fair value through profit or loss	**82,630**	-	82,630	-	**82,630**
Short term borrowings	**34,095**	-	-	34,095	**34,191**
Other liabilities	**40,346**	-	-	40,346	**40,346**
Long term debt	**15,598**	-	-	15,598	**16,879**
Total financial liabilities	**249,732**	**39,617**	**82,630**	**127,485**	**251,109**

[1] On 1 January 2013, the CSS(E)L Group adopted amendments to IAS 19 "Employee Benefits" (IAS 19R). Comparative information has been restated accordingly (See Note 2)

Financial assets and liabilities by categories

31 December 2013		Carrying amount					Total fair value
Company (USD million)	**Total carrying amount**	**Held for trading**	**Designated at fair value**	**Loans and receivables**	**Available -for-sale**	**Other amortised cost**	
Financial Assets							
Cash and due from banks	**19,023**	-	-	-	-	19,023	**19,023**
Interest-bearing deposits with banks	**1,548**	-	-	-	-	1,548	**1,548**
Securities purchased under resale agreements and securities borrowing transactions	**43,096**	-	-	-	-	43,096	**43,096**
Trading financial assets at fair value through profit or loss	**65,666**	65,666	-	-	-	-	**65,666**
Financial assets designated at fair value through profit or loss	**74,690**	-	74,690	-	-	-	**74,690**
Financial assets available-for-sale	**34**	-	-	-	34	-	**34**
Other loans and receivables	**1,483**	-	-	1,483	-	-	**1,525**
Other assets	**31,523**	-	-	-	-	31,523	**31,523**
Total financial assets	**237,063**	**65,666**	**74,690**	**1,483**	**34**	**95,190**	**237,105**

31 December 2013		Carrying amount			Total fair value
Company (USD million)	**Total carrying amount**	**Held for trading**	**Designated at fair value**	**Other amortised cost**	
Financial Liabilities					
Deposits	**1,899**	-	-	1,899	**1,899**
Securities sold under repurchase agreements and securities lending transactions	**32,962**	-	-	32,962	**32,962**
Trading financial liabilities at fair value through profit or loss	**38,046**	38,046	-	-	**38,046**
Financial liabilities designated at fair value through profit or loss	**69,181**	-	69,181	-	**69,181**
Short term borrowings	**29,842**	-	-	29,842	**29,842**
Other liabilities	**44,525**	-	-	44,525	**44,525**
Long term debt	**13,340**	-	-	13,340	**13,064**
Total financial liabilities	**229,795**	**38,046**	**69,181**	**122,568**	**229,519**

Financial assets and liabilities by categories

31 December 2012 (Restated)[1]				Carrying amount			Total fair value
Company (USD million)	Total carrying amount	Held for trading	Designated at fair value	Loans and receivables	Available -for-sale	Other amortised cost	
Financial Assets							
Cash and due from banks	**13,203**	-	-	-	-	13,203	**13,203**
Interest-bearing deposits with banks	**4,112**	-	-	-	-	4,112	**4,112**
Securities purchased under resale agreements and securities borrowing transactions	**37,109**	-	-	-	-	37,109	**37,109**
Trading financial assets at fair value through profit or loss	**71,923**	71,923	-	-	-	-	**71,923**
Financial assets designated at fair value through profit or loss	**89,702**	-	89,702	-	-	-	**89,702**
Financial assets available-for-sale	**31**	-	-	-	31	-	**31**
Other loans and receivables	**1,483**	-	-	1,483	-	-	**1,584**
Other assets	**39,939**	-	-	-	-	39,939	**39,939**
Total financial assets	**257,502**	**71,923**	**89,702**	**1,483**	**31**	**94,363**	**257,603**

31 December 2012		Carrying amount			Total fair value
Company (USD million)	Total carrying value	Held for trading	Designated at fair value	Other amortised cost	
Financial Liabilities					
Deposits	**4,427**	-	-	4,427	**4,427**
Securities sold under repurchase agreements and securities lending transactions	**33,019**	-	-	33,019	**33,019**
Trading financial liabilities at fair value through profit or loss	**39,584**	39,584	-	-	**39,584**
Financial liabilities designated at fair value through profit or loss	**82,710**	-	82,710	-	**82,710**
Short term borrowings	**34,095**	-	-	34,095	**34,191**
Other liabilities	**40,325**	-	-	40,325	**40,325**
Long term debt	**15,462**	-	-	15,462	**16,879**
Total financial liabilities	**249,622**	**39,584**	**82,710**	**127,328**	**251,135**

[1] On 1 January 2013, the CSS(E)L Group adopted amendments to IAS 19 "Employee Benefits" (IAS 19R). Comparative information has been restated accordingly (See Note 2)

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date. A significant portion of the CSS(E)L Group's financial instruments are carried at fair value. Deterioration of financial markets could significantly impact the fair value of these financial instruments and the results of operations.

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 CP, most investment grade corporate debt, certain high grade 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 judgement, depending on liquidity, pricing assumptions, the current economic and competitive environment and the risks affecting the specific instrument. In such circumstances, valuation is determined based on management's own judgements about the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. These instruments include certain OTC derivatives including equity and credit derivatives, certain corporate equity-linked securities, mortgage-related and CDO securities, private equity investments, certain loans and credit products including leveraged finance, certain syndicated loans and certain high yield bonds, and life finance instruments.

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.

IFRS 13 permits a reporting entity to measure the fair value of a group of financial assets and financial liabilities on the basis of the price that would be received to sell a net long position or paid to transfer a net short position for a particular risk exposure in an orderly transaction between market participants at the measurement date. This is consistent with industry practice. As such, the CSS(E)L Group applies bid and offer adjustments to net portfolios of cash securities and/or derivative instruments to adjust the value of the net position from a mid-market price to the appropriate bid or offer level that would be realized under normal market conditions for the net long or net short position for a specific market risk. In addition, the CSS(E)L Group reflects the net maximum exposure to credit risk for its derivative instruments where the CSS(E)L Group has legally enforceable agreements with its counterparties that mitigate credit risk exposure in the event of default. Valuation adjustments are recorded in a reasonable and consistent manner that results in an allocation to the relevant disclosures in the notes to the financial statements as if the valuation adjustment had been allocated to the individual unit of account.

Fair value hierarchy

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

- Level 1: Quoted market prices (unadjusted) in active markets for identical assets or liabilities that the CSS(E)L Group has the ability to access. This level of the fair value hierarchy provides the most reliable evidence of fair value and is used to measure fair value whenever available.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly. These inputs include: (i) quoted prices for similar assets or liabilities in active markets; (ii) quoted prices for identical or similar assets or similar liabilities in markets that are not active, that is, markets in which there are few transactions for the asset and liability, the prices are not current or price quotations vary substantially either over time or among market makers, or in which little information is publicly available; (iii) input other than quoted prices that are observable for the asset or liability; or (iv) inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs). These inputs reflect the CSS(E)L Group's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). These inputs are developed based on the best information available in the circumstances, which include the CSS(E)L Group's own data. The CSS(E)L Group's own data used to develop unobservable inputs is adjusted if information indicates that market participants would use different assumptions.

The following table presents the carrying value of the financial instruments held at fair value across the three levels of the fair value hierarchy.

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

31 December 2013 CSS(E)L Group	Level 1	Level 2	Level 3	Impact of netting	Total at fair value
Assets (USD million)					
Debt securities	**16,889**	**4,253**	**550**	**-**	**21,692**
Of which foreign governments	16,889	127	1	-	17,017
Of which corporates	-	4,119	521	-	4,640
Of which residential mortgage backed securities	-	7	12	-	19
Of which commercial mortgage backed securities	-	-	16	-	16
Of which collateralised debt obligations	-	-	-	-	-
Equity securities	**29,786**	**565**	**75**	**-**	**30,426**
Derivatives	**264**	**12,484**	**592**	**(329)**	**13,011**
Of which interest rate products	-	6,437	-	-	6,437
Of which foreign exchange products	2	1,768	-	-	1,770
Of which equity/index-related products	151	4,132	27	(329)[1]	3,981
Of which credit derivatives	-	103	-	-	103
Of which other derivatives	111	44	565	-	720
Trading financial assets at fair value through profit or loss	**46,939**	**17,302**	**1,217**	**(329)**	**65,129**
Securities purchased under resale agreements and securities borrowing transactions	**-**	**74,929**	**78**	**(2,587)[2]**	**72,420**
Loans	**-**	**112**	**93**	**-**	**205**
Of which loans to financial institutions		112	93		205
Other financial assets designated at fair value through profit or loss	**-**	**506**	**1,978**	**-**	**2,484**
Of which life finance instruments	-	-	1,978	-	1,978
Of which failed purchases	-	506	-	-	506
Financial assets designated at fair value through profit or loss	**-**	**75,547**	**2,149**	**(2,587)**	**75,109**
Total assets at fair value	**46,939**	**92,849**	**3,366**	**(2,916)**	**140,238**

[1] Trading financial assets at fair value through profit or loss are reported on a gross basis by level. The impact of netting represents an adjustment related to exchange traded derivatives with eligible exchanges.
[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.

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

31 December 2013 CSS(E)L Group	Level 1	Level 2	Level 3	Impact of netting	Total at fair value
Liabilities (USD million)					
Debt securities	**11,453**	**1,806**	**-**	**-**	**13,259**
Of which foreign governments	11,453	16	-	-	11,469
Of which corporates	-	1,790	-	-	1,790
Equity securities	**10,017**	**206**	**16**	**-**	**10,239**
Derivatives	**165**	**13,932**	**814**	**(329)**	**14,582**
Of which interest rate products	-	6,796	-	-	6,796
Of which foreign exchange products	3	1,792	-	-	1,795
Of which equity/index-related products	58	5,215	296	(329)[1]	5,240
Of which credit derivatives	-	95	-	-	95
Of which other derivatives	104	34	518	-	656
Trading financial liabilities at fair value through profit or loss	**21,635**	**15,944**	**830**	**(329)**	**38,080**
Securities sold under resale agreements and securities borrowing transactions	**-**	**70,015**	**-**	**(2,587)[2]**	**67,428**
Long Term Debt	**-**	**962**	**88**	**-**	**1,050**
Of which structured notes over two years	-	-	62	-	62
Of which other debt instruments	-	962	26	-	988
Other financial liabilities designated at fair value through profit or loss	**-**	**715**	**1**	**-**	**716**
Of which failed sales	-	715	-	-	715
Financial assets designated at fair value through profit or loss	**-**	**71,692**	**89**	**(2,587)**	**69,194**
Total liabilities at fair value	**21,635**	**87,636**	**919**	**(2,916)**	**107,274**

[1] Trading financial assets at fair value through profit or loss are reported on a gross basis by level. The impact of netting represents an adjustment related to exchange traded derivatives with eligible exchanges.
[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.

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

31 December 2013 Company	Level 1	Level 2	Level 3	Impact of netting	Total at fair value
Assets (USD million)					
Debt securities	**16,889**	**4,253**	**550**	**-**	**21,692**
Of which foreign governments	16,889	127	1	-	17,017
Of which corporates	-	4,119	521	-	4,640
Of which residential mortgage backed securities	-	7	12	-	19
Of which commercial mortgage backed securities	-	-	16	-	16
Of which collateralised debt obligations	-	-	-	-	-
Equity securities	**29,786**	**565**	**75**	**-**	**30,426**
Derivatives	**265**	**12,484**	**1,128**	**(329)**	**13,548**
Of which interest rate products	-	6,438	-	-	6,438
Of which foreign exchange products	2	1,766	-	-	1,768
Of which equity/index-related products	152	4,133	27	(329)[1]	3,983
Of which credit derivatives	-	103	-	-	103
Of which other derivatives	111	44	1,101	-	1,256
Trading financial assets at fair value through profit or loss	**46,940**	**17,302**	**1,753**	**(329)**	**65,666**
Securities purchased under resale agreements and securities borrowing transactions	**-**	**74,929**	**78**	**(2,587)[2]**	**72,420**
Loans	**-**	**112**	**93**	**-**	**205**
Of which loans to financial institutions	-	112	93	-	205
Other financial assets designated at fair value through profit or loss	**-**	**505**	**1,560**	**-**	**2,065**
Of which life finance instruments	-	-	1,560	-	1,560
Of which failed purchases	-	505	-	-	505
Financial assets designated at fair value through profit or loss	**-**	**75,546**	**1,731**	**(2,587)**	**74,690**
Total assets at fair value	**46,940**	**92,848**	**3,484**	**(2,916)**	**140,356**

[1] Trading financial assets at fair value through profit or loss are reported on a gross basis by level. The impact of netting represents an adjustment related to exchange traded derivatives with eligible exchanges.
[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.

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

31 December 2013 Company	Level 1	Level 2	Level 3	Impact of netting	Total at fair value
Liabilities (USD million)					
Debt securities	**11,453**	**1,806**	**-**	**-**	**13,259**
Of which foreign governments	11,453	16	-	-	11,469
Of which corporates	-	1,790	-	-	1,790
Equity securities	**10,017**	**206**	**16**	**-**	**10,239**
Derivatives	**165**	**13,934**	**778**	**(329)**	**14,548**
Of which interest rate products	-	6,796	-	-	6,796
Of which foreign exchange products	3	1,792	-	-	1,795
Of which equity/index-related products	58	5,217	296	(329)[1]	5,242
Of which credit derivatives	-	95	-	-	95
Of which other derivatives	104	34	482	-	620
Trading financial liabilities at fair value through profit or loss	**21,635**	**15,946**	**794**	**(329)**	**38,046**
Securities sold under resale agreements and securities borrowing transactions	**-**	**70,015**	**-**	**(2,587)[2]**	**67,428**
Long Term Debt	**-**	**962**	**76**	**-**	**1,038**
Of which structured notes over two years	-	-	62	-	62
Of which other debt instruments	-	962	14	-	976
Other financial liabilities designated at fair value through profit or loss	**-**	**715**	**-**	**-**	**715**
Of which failed sales	-	715	-	-	715
Financial assets designated at fair value through profit or loss	**-**	**71,692**	**76**	**(2,587)**	**69,181**
Total liabilities at fair value	**21,635**	**87,638**	**870**	**(2,916)**	**107,227**

[1] Trading financial assets at fair value through profit or loss are reported on a gross basis by level. The impact of netting represents an adjustment related to exchange traded derivatives with eligible exchanges.
[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.

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

31 December 2012 CSS(E)L Group	Level 1	Level 2	Level 3	Impact of netting	Total at fair value
Assets (USD million)					
Debt securities	**22,455**	**4,945**	**954**	**-**	**28,354**
Of which foreign governments	22,455	-	-	-	22,455
Of which corporates	-	3,652	773	-	4,425
Of which residential mortgage backed securities	-	767	69	-	836
Of which commercial mortgage backed securities	-	224	70	-	294
Of which collateralised debt obligations	-	302	42	-	344
Equity securities	**26,235**	**1,767**	**103**	**-**	**28,105**
Derivatives	**101**	**14,250**	**666**	**(91)**	**14,926**
Of which interest rate products	3	8,273	-	-	8,276
Of which foreign exchange products	-	2,184	-	-	2,184
Of which equity/index-related products	98	3,673	36	(91)[1]	3,716
Of which credit derivatives	-	78	-	-	78
Of which other derivatives	-	42	630	-	672
Trading financial assets at fair value through profit or loss	**48,791**	**20,962**	**1,723**	**(91)**	**71,385**
Securities purchased under resale agreements and securities borrowing transactions	**-**	**89,078**	**-**	**(1,832)[2]**	**87,246**
Loans	**-**	**46**	**156**	**-**	**202**
Of which loans to financial institutions	-	46	156	-	202
Other financial assets designated at fair value through profit or loss	**-**	**494**	**2,252**	**-**	**2,746**
Of which life finance instruments	-	-	2,252	-	2,252
Of which failed purchases	-	494	-	-	494
Financial assets designated at fair value through profit or loss	**-**	**89,618**	**2,408**	**(1,832)**	**90,194**
Total assets at fair value	**48,791**	**110,580**	**4,131**	**(1,923)**	**161,579**

[1] Trading financial assets at fair value through profit or loss are reported on a gross basis by level. The impact of netting represents an adjustment related to exchange traded derivatives with eligible exchanges.
[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.

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

31 December 2012 CSS(E)L Group	Level 1	Level 2	Level 3	Impact of netting	Total at fair value
Liabilities (USD million)					
Debt securities	**9,916**	**2,532**	**176**	**-**	**12,624**
Of which foreign governments	9,916	36	-	-	9,952
Of which corporates	-	2,496	176	-	2,672
Equity securities	**10,240**	**180**	**2**	**-**	**10,422**
Derivatives	**86**	**16,060**	**516**	**(91)**	**16,571**
Of which interest rate products	-	9,611	-	-	9,611
Of which foreign exchange products	-	1,943	-	-	1,943
Of which equity/index-related products	86	3,957	97	(91)[1]	4,049
Of which credit derivatives	-	67	-	-	67
Of which other derivatives	-	482	419	-	901
Trading financial liabilities at fair value through profit or loss	**20,242**	**18,772**	**694**	**(91)**	**39,617**
Securities sold under resale agreements and securities borrowing transactions	**-**	**82,067**	**-**	**(1,832)[2]**	**80,235**
Long Term Debt	**-**	**916**	**119**	**-**	**1,035**
Of which structured notes over two years	-	-	67	-	67
Of which other debt instruments	-	916	52	-	968
Other financial liabilities designated at fair value through profit or loss	**-**	**1,359**	**1**	**-**	**1,360**
Of which failed sales	-	1,321	-	-	1,321
Financial assets designated at fair value through profit or loss	**-**	**84,342**	**120**	**(1,832)**	**82,630**
Total liabilities at fair value	**20,242**	**103,114**	**814**	**(1,923)**	**122,247**

[1] Trading financial assets at fair value through profit or loss are reported on a gross basis by level. The impact of netting represents an adjustment related to exchange traded derivatives with eligible exchanges.
[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.

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

31 December 2012 Company	Level 1	Level 2	Level 3	Impact of netting	Total at fair value
Assets (USD million)					
Debt securities	**22,455**	**4,945**	**954**	**-**	**28,354**
Of which foreign governments	22,455	-	-	-	22,455
Of which corporates	-	3,651	773	-	4,424
Of which residential mortgage backed securities	-	768	69	-	837
Of which commercial mortgage backed securities	-	224	70	-	294
Of which collateralised debt obligations	-	302	42	-	344
Equity securities	**26,192**	**1,767**	**103**	**-**	**28,062**
Derivatives	**101**	**14,250**	**1,247**	**(91)**	**15,507**
Of which interest rate products	3	8,273	-	-	8,276
Of which foreign exchange products	-	2,184	-	-	2,184
Of which equity/index-related products	98	3,673	36	(91)[1]	3,716
Of which credit derivatives	-	78	-	-	78
Of which other derivatives	-	42	1,211	-	1,253
Other	**-**	**-**	**-**	**-**	**-**
Trading financial assets at fair value through profit or loss	**48,748**	**20,962**	**2,304**	**(91)**	**71,923**
Securities purchased under resale agreements and securities borrowing transactions	**-**	**89,078**	**-**	**(1,832)[2]**	**87,246**
Loans	**-**	**46**	**156**	**-**	**202**
Of which loans to financial institutions	-	46	156	-	202
Other financial assets designated at fair value through profit or loss	**-**	**494**	**1,760**	**-**	**2,254**
Of which life finance instruments	-	-	1,760	-	1,760
Of which failed purchases	-	494	-	-	494
Financial assets designated at fair value through profit or loss	**-**	**89,618**	**1,916**	**(1,832)**	**89,702**
Total assets at fair value	**48,748**	**110,580**	**4,220**	**(1,923)**	**161,625**

[1] Trading financial assets at fair value through profit or loss are reported on a gross basis by level. The impact of netting represents an adjustment related to exchange traded derivatives with eligible exchanges.
[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.

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

31 December 2012 Company	Level 1	Level 2	Level 3	Impact of netting	Total at fair value
Liabilities (USD million)					
Debt securities	**9,916**	**2,532**	**176**	**-**	**12,624**
Of which foreign governments	9,916	36	-	-	9,952
Of which corporates	-	2,496	176	-	2,672
Equity securities	**10,240**	**180**	**2**	**-**	**10,422**
Derivatives	**86**	**16,060**	**483**	**(91)**	**16,538**
Of which interest rate products	-	9,611	-	-	9,611
Of which foreign exchange products	-	1,943	-	-	1,943
Of which equity/index-related products	86	3,957	97	(91)[1]	4,049
Of which credit derivatives	-	67	-	-	67
Of which other derivatives	-	482	386	-	868
Trading financial liabilities at fair value through profit or loss	**20,242**	**18,772**	**661**	**(91)**	**39,584**
Securities sold under resale agreements and securities borrowing transactions	**-**	**82,068**	**-**	**(1,832)** [2]	**80,236**
Long Term Debt	**-**	**916**	**106**	**-**	**1,022**
Of which structured notes over two years	-	-	67	-	67
Of which other debt instruments	-	916	39	-	955
Other financial liabilities designated at fair value through profit or loss	**-**	**1,452**	**-**	**-**	**1,452**
Of which failed sales	-	1,321	-	-	1,321
Financial assets designated at fair value through profit or loss	**-**	**84,436**	**106**	**(1,832)**	**82,710**
Total liabilities at fair value	**20,242**	**103,208**	**767**	**(1,923)**	**122,294**

[1] Trading financial assets at fair value through profit or loss are reported on a gross basis by level. The impact of netting represents an adjustment related to exchange traded derivatives with eligible exchanges.
[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 whose market is now inactive or low trading volume. Transfers to level 1 out of level 2 are primarily driven by markets becoming 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)	2013		2012	
	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
Assets				
Trading financial assets at fair value through profit or loss	220	406	368	417
Total transfers in assets at fair value	**220**	**406**	**368**	**417**
Liabilities				
Trading financial liabilities at fair value through profit or loss	36	230	331	500
Total transfers in liabilities at fair value	**36**	**230**	**331**	**500**

Movements of level 3 instruments

The following table presents a reconciliation of financial instruments categorized in level 3 of the fair value hierarchy.

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

As at December 2013								Trading revenues		
CSS(E)L Group Assets	**Balance at beginning of period**	**Transfers in**	**Transfers out**	**Purchases**	**Sales**	**Issuances**	**Settlements**	**On transfers in/out[1]**	**On all other**	**Balance at end of period**
Assets at fair value (USD million)										
Debt Securities	**954**	**442**	**(400)**	**143**	**(760)**	**-**	**-**	**111**	**60**	**550**
Of which foreign governments	-	-	-	17	(17)	-	-	-	1	1
Of which corporates	773	419	(368)	55	(509)	-	-	113	38	521
Of which residential mortgage backed securities	69	5	(9)	30	(89)	-	-	-	6	12
Of which commercial mortgage backed securities	70	16	(23)	27	(86)	-	-	(2)	14	16
Of which collateralised debt obligations	42	2	-	14	(59)	-	-	-	1	-
Equity Securities	**103**	**75**	**(104)**	**45**	**(52)**	**-**	**-**	**(11)**	**19**	**75**
Derivatives	**666**	**1**	**-**	**-**	**-**	**329**	**(410)**	**-**	**6**	**592**
Of which equity/index-related products	36	1	-	-	-	6	-	-	(16)	27
Of which other derivatives	630	-	-	-	-	323	(410)	-	22	565
Trading financial assets at fair value through profit or loss	**1,723**	**518**	**(504)**	**188**	**(812)**	**329**	**(410)**	**100**	**85**	**1,217**
Securities purchased under resale agreements and securities borrowing transactions	**-**	**-**	**-**	**-**	**-**	**77**	**-**	**-**	**1**	**78**
Loans	**156**	**-**	**-**	**160**	**-**	**87**	**(151)**	**-**	**(159)**	**93**
Of which loans to financial institutions	156	-	-	160	-	87	(151)	-	(159)	93
Other financial assets designated at fair value through profit or loss	**2,252**	**-**	**-**	**229**	**(374)**	**-**	**-**	**-**	**(129)**	**1,978**
Of which life finance instruments	2,252	-	-	229	(374)	-	-	-	(129)	1,978
Financial assets designated at fair value through profit or loss	**2,408**	**-**	**-**	**389**	**(374)**	**164**	**(151)**	**-**	**(287)**	**2,149**
Total assets at fair value	**4,131**	**518**	**(504)**	**577**	**(1,186)**	**493**	**(561)**	**100**	**(202)**	**3,366**

[1] 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.

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

As at December 2013								Trading revenues		
CSS(E)L Group Liabilities	**Balance at beginning of period**	**Transfers in**	**Transfers out**	**Purchases**	**Sales**	**Issuances**	**Settlements**	**On transfers in/out[1]**	**On all other**	**Balance at end of period**
Liabilities at fair value (USD million)										
Debt Securities	**176**	**-**	**(95)**	**15**	**(93)**	**-**	**-**	**(4)**	**1**	**-**
Of which foreign governments	-	-	-	-	-	-	-	-	-	-
Of which corporates	176	-	(95)	15	(93)	-	-	(4)	1	-
Equity	**2**	**28**	**(9)**	**37**	**(34)**	**-**	**-**	**(5)**	**(3)**	**16**
Derivatives	**516**	**205**	**(166)**	**-**	**-**	**187**	**(182)**	**89**	**165**	**814**
Of which equity/index-related products	97	205	(166)	-	-	33	(45)	89	83	296
Of which other derivatives	419	-	-	-	-	154	(137)	-	82	518
Trading financial liabilities at fair value through profit or loss	**694**	**233**	**(270)**	**52**	**(127)**	**187**	**(182)**	**80**	**163**	**830**
Long term debt	**119**	**-**	**-**	**-**	**-**	**-**	**(29)**	**-**	**(2)**	**88**
Of which structured notes over two years	67	-	-	-	-	-	(1)	-	(4)	62
Of which other debt instruments	52	-	-	-	-	-	(28)	-	2	26
Other financial liabilities designated at fair value through profit or loss	**1**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1**
Financial liabilities designated at fair value through profit or loss	**120**	**-**	**-**	**-**	**-**	**-**	**(29)**	**-**	**(2)**	**89**
Total liabilities at fair value	**814**	**233**	**(270)**	**52**	**(127)**	**187**	**(211)**	**80**	**161**	**919**

[1] 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.

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

As at December 2013								Trading revenues		
Company Assets	**Balance at beginning of period**	**Transfers in**	**Transfers out**	**Purchases**	**Sales**	**Issuances**	**Settlements**	**On transfers in/out[1]**	**On all other**	**Balance at end of period**
Assets at fair value (USD million)										
Debt Securities	**954**	**442**	**(400)**	**144**	**(760)**	**-**	**-**	**111**	**59**	**550**
Of which foreign governments	-	-	-	17	(17)	-	-	-	1	1
Of which corporates	773	419	(368)	55	(509)	-	-	113	38	521
Of which residential mortgage backed securities	69	5	(9)	30	(89)	-	-	-	6	12
Of which commercial mortgage backed securities	70	16	(23)	27	(86)	-	-	(2)	14	16
Of which collateralised debt obligations	42	2	-	15	(59)	-	-	-	-	-
Equity Securities	**103**	**75**	**(104)**	**45**	**(52)**	**-**	**-**	**(11)**	**19**	**75**
Derivatives	**1,247**	**1**	**-**	**-**	**-**	**364**	**(437)**	**-**	**(47)**	**1,128**
Of which equity/index-related products	36	1	-	-	-	6	-	-	(16)	27
Of which other derivatives	1,211	-	-	-	-	358	(437)	-	(31)	1,101
Trading financial assets at fair value through profit or loss	**2,304**	**518**	**(504)**	**189**	**(812)**	**364**	**(437)**	**100**	**31**	**1,753**
Securities purchased under resale agreements and securities borrowing transactions	**-**	**-**	**-**	**-**	**-**	**77**	**-**	**-**	**1**	**78**
Loans	**156**	**-**	**-**	**160**	**-**	**87**	**(151)**	**-**	**(159)**	**93**
Of which loans to financial institutions	156	-	-	160	-	87	(151)	-	(159)	93
Other financial assets designated at fair value through profit or loss	**1,760**	**-**	**-**	**141**	**(169)**	**-**	**(175)**	**-**	**3**	**1,560**
Of which life finance instruments	1,760	-	-	141	(169)	-	(175)	-	3	1,560
Financial assets designated at fair value through profit or loss	**1,916**	**-**	**-**	**301**	**(169)**	**164**	**(326)**	**-**	**(155)**	**1,731**
Total assets at fair value	**4,220**	**518**	**(504)**	**490**	**(981)**	**528**	**(763)**	**100**	**(124)**	**3,484**

[1] 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.

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

As at December 2013								Trading revenues		
Company Liabilities	**Balance at beginning of period**	**Transfers in**	**Transfers out**	**Purchases**	**Sales**	**Issuances**	**Settlements**	**On transfers in/out[1]**	**On all other**	**Balance at end of period**
Liabilities at fair value (USD million)										
Debt Securities	**176**	**-**	**(95)**	**15**	**(93)**	**-**	**-**	**(4)**	**1**	**-**
Of which foreign governments	-	-	-	-	-	-	-	-	-	-
Of which corporates	176	-	(95)	15	(93)	-	-	(4)	1	-
Equity	**2**	**28**	**(9)**	**37**	**(34)**	**-**	**-**	**(5)**	**(3)**	**16**
Derivatives	**483**	**205**	**(166)**	**-**	**-**	**181**	**(182)**	**89**	**168**	**778**
Of which equity/index-related products	97	205	(166)	-	-	33	(45)	89	83	296
Of which credit derivatives	-	-	-	-	-	-	-	-	-	-
Of which other derivatives	386	-	-	-	-	148	(137)	-	85	482
Trading financial liabilities at fair value through profit or loss	**661**	**233**	**(270)**	**52**	**(127)**	**181**	**(182)**	**80**	**166**	**794**
Long term debt	**106**	**-**	**-**	**-**	**-**	**-**	**(28)**	**-**	**(2)**	**76**
Of which structured notes over two years	67	-	-	-	-	-	(1)	-	(4)	62
Of which other debt instruments	39	-	-	-	-	-	(27)	-	2	14
Other financial liabilities designated at fair value through profit or loss	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Financial liabilities designated at fair value through profit or loss	**106**	**-**	**-**	**-**	**-**	**-**	**(28)**	**-**	**(2)**	**76**
Total liabilities at fair value	**767**	**233**	**(270)**	**52**	**(127)**	**181**	**(210)**	**80**	**164**	**870**

[1] 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.

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

As at December 2012								Trading revenues		
CSS(E)L Group Assets	**Balance at beginning of period**	**Transfers in**	**Transfers out**	**Purchases**	**Sales**	**Issuances**	**Settlements**	**On transfers in/out[1]**	**On all other**	**Balance at end of period**
Assets at fair value (USD million)										
Debt Securities	**589**	**556**	**(451)**	**600**	**(397)**	**-**	**-**	**12**	**45**	**954**
Of which foreign governments	-	-	-	-	-	-	-	-	-	-
Of which corporates	372	409	(266)	414	(211)	-	-	3	52	773
Of which residential mortgage backed securities	107	76	(112)	74	(96)	-	-	9	11	69
Of which commercial mortgage backed securities	41	53	(63)	99	(45)	-	-	(1)	(14)	70
Of which collateralised debt obligations	69	18	(10)	13	(45)	-	-	1	(4)	42
Equity Securities	**34**	**212**	**(24)**	**106**	**(188)**	**-**	**-**	**1**	**(38)**	**103**
Derivatives	**997**	**26**	**(305)**	**-**	**-**	**407**	**(377)**	**(50)**	**(32)**	**666**
Of which equity/index-related products	3	26	-	-	-	1	(2)	-	8	36
Of which other derivatives	994	-	(305)	-	-	406	(375)	(50)	(40)	630
Trading financial assets at fair value through profit or loss	**1,620**	**794**	**(780)**	**706**	**(585)**	**407**	**(377)**	**(37)**	**(25)**	**1,723**
Securities purchased under resale agreements and securities borrowing transactions	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Loans	**191**	**-**	**-**	**126**	**(37)**	**49**	**(176)**	**-**	**3**	**156**
Of which loans to financial institutions	191	-	-	126	(37)	49	(176)	-	3	156
Other financial assets designated at fair value through profit or loss	**2,602**	**-**	**-**	**176**	**(665)**	**-**	**-**	**-**	**139**	**2,252**
Of which life finance instruments	2,602	-	-	176	(665)	-	-	-	139	2,252
Financial assets designated at fair value through profit or loss	**2,793**	**-**	**-**	**302**	**(702)**	**49**	**(176)**	**-**	**142**	**2,408**
Total assets at fair value	**4,413**	**794**	**(780)**	**1,008**	**(1,287)**	**456**	**(553)**	**(37)**	**117**	**4,131**

[1] 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.

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

As at December 2012

CSS(E)L Group Liabilities	Balance at beginning of period	Transfers in	Transfers out	Purchases	Sales	Issuances	Settlements	Trading revenues On transfers in/out[1]	Trading revenues On all other	Balance at end of period
Liabilities at fair value (USD million)										
Debt Securities	**8**	**197**	**(4)**	**5**	**(30)**	**-**	**-**	**-**	**-**	**176**
Of which foreign governments	-	18	-	-	(18)	-	-	-	-	-
Of which corporates	8	179	(4)	5	(12)	-	-	-	-	176
Equity	**1**	**5**	**(2)**	**7**	**(5)**	**-**	**-**	**(3)**	**(1)**	**2**
Derivatives	**573**	**86**	**(144)**	**-**	**-**	**124**	**(189)**	**13**	**53**	**516**
Of which equity/index-related products	5	85	(144)	-	-	3	(8)	13	143	97
Of which other	568	1	-	-	-	121	(181)	-	(90)	419
Trading financial liabilities at fair value through profit or loss	**582**	**288**	**(150)**	**12**	**(35)**	**124**	**(189)**	**10**	**52**	**694**
Long term debt	**446**	**-**	**-**	**18**	**(383)**	**51**	**(29)**	**-**	**16**	**119**
Of which structured notes over two years	83	-	-	-	(10)	1	(1)	-	(6)	67
Of which other debt instruments	363	-	-	18	(373)	50	(28)	-	22	52
Other financial liabilities designated at fair value through profit or loss	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1**	**1**
Financial liabilities designated at fair value through profit or loss	**446**	**-**	**-**	**18**	**(383)**	**51**	**(29)**	**-**	**17**	**120**
Total liabilities at fair value	**1,028**	**288**	**(150)**	**30**	**(418)**	**175**	**(218)**	**10**	**69**	**814**

[1] 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.

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

As at December 2012								Trading revenues		
Company Assets	**Balance at beginning of period**	**Transfers in**	**Transfers out**	**Purchases**	**Sales**	**Issuances**	**Settlements**	**On transfers in/out[1]**	**On all other**	**Balance at end of period**
Assets at fair value (USD million)										
Debt Securities	**606**	**559**	**(451)**	**597**	**(415)**	**-**	**-**	**13**	**45**	**954**
Of which foreign governments	-	-	-	-	-	-	-	-	-	-
Of which corporates	389	413	(266)	411	(229)	-	-	3	52	773
Of which residential mortgage backed securities	107	76	(112)	74	(96)	-	-	9	11	69
Of which commercial mortgage backed securities	41	53	(63)	98	(45)	-	-	-	(14)	70
Of which collateralised debt obligations	69	17	(10)	14	(45)	-	-	1	(4)	42
Equity Securities	**34**	**212**	**(24)**	**107**	**(188)**	**-**	**-**	**-**	**(38)**	**103**
Derivatives	**1,282**	**26**	**(305)**	**-**	**-**	**406**	**(73)**	**(50)**	**(39)**	**1,247**
Of which equity/index-related products	3	26	-	-	-	1	(2)	-	8	36
Of which other derivatives	1,279	-	(305)	-	-	405	(71)	(50)	(47)	1,211
Trading financial assets at fair value through profit or loss	**1,922**	**797**	**(780)**	**704**	**(603)**	**406**	**(73)**	**(37)**	**(32)**	**2,304**
Securities purchased under resale agreements and securities borrowing transactions	-	-	-	-	-	-	-	-	-	-
Loans	**191**	**-**	**-**	**126**	**(37)**	**49**	**(176)**	**-**	**3**	**156**
Of which loans to financial institutions	191	-	-	126	(37)	49	(176)	-	3	156
Other financial assets designated at fair value through profit or loss	**2,440**	**-**	**-**	**1,428**	**(468)**	**-**	**(1,602)**	**-**	**(38)**	**1,760**
Of which life finance instruments	2,440	-	-	1,428	(468)	-	(1,602)	-	(38)	1,760
Financial assets designated at fair value through profit or loss	**2,631**	**-**	**-**	**1,554**	**(505)**	**49**	**(1,778)**	**-**	**(35)**	**1,916**
Total assets at fair value	**4,553**	**797**	**(780)**	**2,258**	**(1,108)**	**455**	**(1,851)**	**(37)**	**(67)**	**4,220**

[1] 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.

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

As at December 2012								Trading revenues		
Company Liabilities	**Balance at beginning of period**	**Transfers in**	**Transfers out**	**Purchases**	**Sales**	**Issuances**	**Settlements**	**On transfers in/out[1]**	**On all other**	**Balance at end of period**
Liabilities at fair value (USD million)										
Debt Securities	**9**	**197**	**(4)**	**4**	**(30)**	**-**	**-**	**-**	**-**	**176**
Of which foreign governments	-	18	-	-	(18)	-	-		-	-
Of which corporates	9	179	(4)	4	(12)	-	-	-	-	176
Equity	**1**	**5**	**(2)**	**7**	**(5)**	**-**	**-**	**(3)**	**(1)**	**2**
Derivatives	**467**	**84**	**(143)**	**-**	**-**	**119**	**(113)**	**14**	**55**	**483**
Of which equity/index-related products	5	84	(143)	-	-	3	(8)	13	143	97
Of which other derivatives	462	-	-	-	-	116	(105)	1	(88)	386
Trading financial liabilities at fair value through profit or loss	**477**	**286**	**(149)**	**11**	**(35)**	**119**	**(113)**	**11**	**54**	**661**
Long term debt	**52**	**-**	**-**	**18**	**(10)**	**50**	**(19)**	**-**	**15**	**106**
Of which structured notes over two years	52	-	-	-	21	1	(1)	-	(6)	67
Of which other debt instruments	-	-	-	18	(31)	49	(18)	-	21	39
Other financial liabilities designated at fair value through profit or loss	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Financial liabilities designated at fair value through profit or loss	**52**	**-**	**-**	**18**	**(10)**	**50**	**(19)**	**-**	**15**	**106**
Total liabilities at fair value	**529**	**286**	**(149)**	**29**	**(45)**	**169**	**(132)**	**11**	**69**	**767**

[1] 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 2013		As at 31 December 2012	
Trading revenues (USD million)	**CSS(E)L Group**	**Company**	**CSS(E)L Group**	**Company**
Net realised/unrealised (losses)/gains included in net revenues	**(343)**	**(268)**	**1**	**(184)**
Whereof:				
Changes in unrealised (losses)/gains relating to assets and liabilities still held as of the reporting date				
Trading financial assets at fair value through profit or loss	(126)	(174)	(114)	(106)
Financial assets designated at fair value through profit or loss	(252)	(149)	(65)	19
Trading financial liabilities at fair value through profit or loss	(149)	(153)	6	7
Financial liabilities at fair value through profit or loss	1	3	5	5
Total changes in unrealised gains/(losses) relating to assets and liabilities still held as of the reporting date	**(526)**	**(473)**	**(168)**	**(75)**

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.

Transfers in and out of level 3

Trading financial assets at fair value through profit or loss

Trading financial assets transferred into and out of level 3 in 2013 amounted to USD 518 million and USD 504 million, respectively. USD 442 million of transfers into level 3 was related to debt securities primarily in Europe interest rate products and Europe residential mortgage backed securities business due to limited observability of pricing data and reduced pricing information from external providers. USD 400 million of transfers out of level 3 largely comprises debt securities primarily in Europe interest rate products and Europe residential mortgage backed securities business due to improved observability of pricing data and increased availability of pricing information from external providers.

Trading financial assets transferred into and out of level 3 in 2012 amounted to USD 794 million and USD 780 million, respectively. USD 556 million of transfers into level 3 was related to debt securities primarily in Europe interest rate products and Europe residential mortgage backed securities business due to limited observability of pricing data and reduced pricing information from external providers. USD 451 million of transfers out of level 3 largely comprises debt securities and derivatives primarily in Europe interest rate products and Europe residential mortgage backed securities business due to improved observability of pricing data and increased availability of pricing information from external providers.

Trading financial liabilities at fair value through profit or loss

Trading financial liabilities transferred into and out of level 3 in 2013 amounted to USD 233 million and USD 270 million, respectively. USD 205 million of transfers into level 3 was related to derivatives primarily in prime financing [Delta 1] business due to limited observability of pricing data and reduced pricing information from external providers. USD 166 million transfers out of level 3 largely comprises of derivatives primarily prime financing [Delta 1] business due to improved observability of pricing data and increased availability of pricing information from external providers.

Trading financial liabilities transferred into and out of level 3 in 2012 amounted to USD 288 million and USD 150 million, respectively. USD 197 million of transfers into level 3 was related to debt securities primarily in Europe interest rate products business due to limited observability of pricing data and reduced pricing information from external providers. USD 144 million transfers out of level 3 largely comprises of derivatives primarily in prime financing [Delta 1] business due to improved observability of pricing data and increased availability of pricing information from external providers.

Qualitative disclosures of valuation techniques

The CSS(E)L Group has implemented and maintains a valuation control framework, which is supported by policies and procedures that define the principles for controlling the valuation of the CSS(E)L Group's financial instruments. Product Control and Risk Management create, review and approve significant valuation policies and procedures. The framework includes three main internal processes: (i) valuation governance; (ii) independent price verification and significant unobservable inputs review; and (iii) a cross-functional pricing model review. Through this framework, the CSS(E)L Group determines the reasonableness of the fair value of its financial instruments.

On a monthly basis, meetings are held for each business line with senior representatives of the Front Office and Product Control to discuss independent price verification results, valuation adjustments, and other significant valuation issues. On a quarterly basis, a review of significant changes in the fair value of financial instruments is undertaken by Product Control and conclusions are reached regarding the reasonableness of those changes. Additionally, on a quarterly basis, meetings are held for each business line with senior representatives of the Front Office, Product Control, Risk Management, and Financial Accounting to discuss independent price verification results, valuation issues, business and market updates, as well as a review of significant changes in fair value from the prior quarter, significant unobservable inputs and prices used in valuation techniques, and valuation adjustments.

The results of these meetings are aggregated for presentation to the Valuation and Risk Management Committee ('VARMC') and the Audit Committee. The VARMC, which is comprised of Credit Suisse Group AG's Executive Board members and the heads of the business and control functions, meets to review and ratify valuation review conclusions, and to resolve significant valuation issues for the CSS(E)L Group. Oversight of the valuation control framework is through specific and regular reporting on valuation directly to the Credit Suisse Group AG's Executive Board through the VARMC.

One of the key components of the governance process is the segregation of duties between the Front Office and Product Control. The Front Office is responsible for measuring inventory at fair value on a daily basis, while Product Control is responsible for independently reviewing and validating those valuations on a periodic basis. The Front Office values the inventory using, wherever possible, observable market data which may include executed transactions, dealer quotes, or broker quotes for the same or similar instruments. Product Control validates this inventory using independently sourced data that also includes executed transactions, dealer quotes, and broker quotes.

Product Control utilises independent pricing service data as part of their review process. Independent pricing service data is analysed to ensure that it is representative of fair value including confirming that the data corresponds to executed transactions or executable broker quotes, review and assessment of contributors to ensure they are active market participants, review of statistical data and utilisation of pricing challenges. The analysis also includes understanding the sources of the pricing service data and any models or assumptions used in determining the results. The purpose of the review is to judge the quality and reliability of the data for fair value measurement purposes and its appropriate level of usage within the Product Control independent valuation review.

For certain financial instruments the fair value is estimated in full or in part using valuation techniques based on assumptions that are not supported by market observable prices, rates, or other inputs. In addition, there may be uncertainty about a valuation, which results from the choice of valuation technique or model used, the assumptions embedded in those models, the extent to which inputs are not market observable, or as a consequence of other elements affecting the valuation technique or model. Model calibration is performed when significant new market information becomes available or at a minimum on a quarterly basis as part of the business review of significant unobservable inputs for level 3 instruments. For models that have been deemed to be significant to the overall fair value of the financial instrument, model validation is performed as part of the periodic review of the related model.

The CSS(E)L Group performs a sensitivity analysis of its significant level 3 financial instruments. This sensitivity analysis estimates a fair value range by changing the related significant unobservable inputs value. Where a model-based technique is used to determine the fair value of the level 3 financial instrument, an alternative input value is utilised to derive an estimated fair value range. Where a price-based technique is used to determine the fair value of the level 3 financial instrument, Front Office professional judgment is used to estimate a fair value range.

The following information on the valuation techniques and significant unobservable inputs of the various financial instruments, and the sensitivity of fair value measurements to changes in significant unobservable inputs, should be read in conjunction with the table "Quantitative disclosure of valuation techniques".

Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions

Securities purchased under resale agreements and securities sold under repurchase agreements are measured at fair value using discounted cash flow analysis. Future cash flows are discounted using observable market interest rate repurchase/resale curves for the applicable maturity and underlying collateral of the instruments. As such, the significant majority of both securities purchased under resale agreements and securities sold under repurchase agreements are included in level 2 of the fair value hierarchy. Structured resale and repurchase agreements include embedded derivatives, which are measured using the same techniques as described below for stand-alone derivative contracts held for trading purposes or used in hedge accounting relationships. If the value of the embedded derivative is determined using significant unobservable inputs, those structured resale and repurchase agreements are classified within level 3 of the fair value hierarchy. The significant unobservable input for those classified as level 3 is funding spread.

Securities purchased under resale agreements are usually fully collateralised or over collateralised by government securities, money market instruments, corporate bonds, or other debt instruments. In the event of counterparty default, the collateral service agreement provides the CSS(E)LGroup with the right to liquidate the collateral held.

Debt securities

Foreign governments and corporates

Government debt securities typically have quoted prices in active markets and are categorized 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 modeling techniques, which may involve judgment. Those securities where the price or model inputs are observable in the market are categorized as level 2 instruments, while those securities where prices are not observable and significant model inputs are unobservable are categorised as level 3 of the fair value hierarchy.

Corporate bonds are priced to reflect current market levels either through recent market transactions or 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 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 modeling techniques utilising observable inputs, such as current interest rate curves and observable CDS spreads. The significant unobservable input is price. For securities using market comparable price, the differentiation between level 2 and level 3 is based upon the relative significance of any yield adjustments as well as the accuracy of the comparison characteristics (i.e. the observable comparable security may be in the same country but a different industry and may have a different seniority level – the lower the comparability the more likely the security will be level 3).

CMBS, RMBS and CDO securities

Fair values of RMBS, CMBS and CDOs may be available through quoted prices, which are often based on the prices at which similarly structured and collateralised securities trade between dealers and to and from customers. Fair values of RMBS, CMBS and CDOs for which there are significant unobservable inputs are valued using capitalization rate. Price may not be observable for fair value measurement purposes for many reasons, such as the length of time since the last executed transaction for the related security, use of a price from a similar instrument, or use of a price from an indicative quote. Fair values determined by market comparable price may include discounted cash flow models using the inputs prepayment rates, default rates, loss severity and discount rates. Prices from similar observable instruments are used to calculate implied inputs which are then used to value unobservable instruments using discounted cash flow. The discounted cash flow price is then compared to the unobservable prices and assessed for reasonableness.

For most structured debt securities, determination of fair value requires subjective assessment depending on liquidity, ownership concentration, and the current economic and competitive environment. Valuation is determined based on the Front Office'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.

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 and level 3 equities include, convertible bonds or equity securities with restrictions that are not traded in active markets. The significant unobservable input is price.

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. For exchange-traded derivatives where the market is not considered active, the observable exchange prices may not be considered executable at the reporting date. These derivatives are valued in the same manner as similar observable OTC derivatives and are included in level 2 of the fair value hierarchy. If the similar OTC derivative used for valuing the exchange-traded derivative is not observable, then the exchange-traded derivative is included in level 3 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 modeling assumptions. Where observable inputs (prices from exchanges, dealers, brokers or market consensus data providers) are not available, attempts are made to infer values from observable prices through model calibration (spot and forward rates, mean reversion, 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 the value is derived from unobservable inputs are categorised as level 3 of the fair value hierarchy.

The CSS(E)L Group's valuation of derivatives does not include an adjustment for the cost of funding uncollateralised OTC derivatives due to a lack of clear observability in the marketplace.

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 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 correlation, volatility, volatility skew, prepayment rate, credit spread, basis spread and mean reversion.

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 modeling 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 prepayment rate and correlation.

Equity and index-related derivatives

Equity derivatives include vanilla options and swaps in addition to different types of exotic options. Inputs for equity derivatives can include correlation, volatility, skew, buyback probability and gap risk.

Generally, the interrelationship between the volatility and correlation is positively correlated.

Credit derivatives

Credit derivatives include index and single name CDS 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 spread and recovery rate.

Complex structured credit derivatives are valued using proprietary models requiring unobservable inputs such as recovery rate, credit spread, correlation and price. These inputs are generally implied from available market observable data. Fair values determined by price may include discounted cash flow models using the inputs prepayment rate, default rate, loss severity and discount rate.

Other derivatives

Other derivatives include longevity swaps where the CSS(E)L Group enters into longevity and mortality swap transactions with institutional investors to transfer mortality risk. Generally, in a longevity swap, counterparty 'A' pays life contingent premiums to counterparty 'B' and in return receive death benefit at maturity of the underlying life. Longevity swaps are also structured to exchange fixed vs life contingent cash flows without any referenced death benefits. The longevity swaps cash flows may also be credit linked to underlying insurance carriers. Longevity swaps are valued using the discounted cash flow model and the primary unobservable input is market implied life expectancy.

Other financial assets designated at fair value through profit or loss

Life Finance Instruments

Life finance instruments include Single Premium Immediate Annuities (SPIA), life settlement and premium finance instruments. SPIAs are valued using discounted cash flow models and are purchased with an upfront payment to receive life contingent annuity income stream. Annuity streams are fixed and received until the individual matures. SPIAs annuity helps finance on-going premium obligation on the underlying policies and also acts as mortality hedge. Life settlement and premium finance instruments are valued using proprietary models with the primary input being market implied life expectancy. Life settlement policies are life insurance policies issued by insurance companies and pay a lump sum death benefit upon insured's death to beneficiaries in return for premiums paid over the life of an individual. Premium finance is where the CSS(E)L Group finances policy premiums for the insured / borrower set up as an Irrevocable Life Insurance Trust in return for receiving the majority of the insured's death benefit at maturity. The primary unobservable input for SPIAs, life settlement and premium finance instruments is market implied life expectancy.

Loans

Loans include fully funded swaps, which are valued using discounted cash flow models. The primary unobservable input is market implied life expectancy.

Short-term financial instruments

Certain short-term financial instruments are not carried at fair value on the Statement of Financial Position, but a fair value has been disclosed in the table "Analysis of financial instruments by categories" above. These instruments include: cash and due from banks, cash collateral receivables and payables and other receivables and payables arising in the ordinary course of business. For these financial instruments, the carrying value approximates the fair value due to the relatively short period of time between their origination and expected realization, as well as the minimal credit risk inherent in these instruments.

Sensitivity of fair value measurements to changes in significant unobservable inputs

For level 3 assets instruments with a significant unobservable input of price, in general, an increase in the significant unobservable input would increase the fair value. For level 3 assets instruments with a significant unobservable input of funding spread and market implied life expectancy, in general, an increase in the significant unobservable input would decrease the fair value

For level 3 liabilities an increase in the related significant unobservable inputs would have the inverse impact on fair value.

Interrelationships between significant unobservable inputs

Except as noted above, there are no material interrelationships between the significant unobservable inputs for the financial instruments. As the significant unobservable inputs move independently, generally an increase or decrease in one significant unobservable input will have no impact on the other significant unobservable inputs.

Quantitative disclosures of valuation techniques

The following tables provide the representative range of minimum and maximum values and the associated weighted average of each significant unobservable input for level 3 assets and liabilities by the related valuation technique most significant to the related financial instrument.

Quantitative information about level 3 assets and liabilities at fair value

As at 31 December 2013						
CSS(E)L Group (USD million, except as indicated)	**Fair Value**	**Valuation technique**	**Unobservable input**	**Minimum value**	**Maximum value**	**Weighted average[1]**
Assets						
Trading financial Assets at fair value through profit or loss						
Debt Securities	**550**					
of which corporates	**521**					
Of which	439	Vendor price	Price in actuals	117	3,419	3,412
Of which	6	Market comparable	Price, in %	0	90	43
Equity securities	**75**					
Of which	41	Vendor price	Price in actuals	0	164	85
Of which	32	Market comparable	Price, in %	0	138	21
Derivatives	**592**					
Of which equity/index-related products	27	Vendor price	Price in actuals	0	0	0
Of which other	537	Discounted cash flows	Market implied life expectancy, in years	1	20	6
Financial assets designated at fair value through profit or loss						
Securities purchased under resale agreements and securities borrowing transactions	78	Discounted cash flows	Funding spread, in bps	350	350	350
Loans	**93**					
Of which loans to financial institutions	54	Discounted cash flows	Market implied life expectancy, in years	3	17	7
Other financial assets designated at fair value through profit or loss	**1,978**					
Of which life finance instruments	1,880	Discounted cash flows	Market implied life expectancy, in years	1	23	9

[1] Cash instruments are generally presented on a weighted average basis while certain derivative instruments either contain a combination of weighted averages and arithmetic means of the related inputs or are presented on an arithmetic mean basis.

Quantitative information about level 3 assets and liabilities at fair value

As at 31 December 2013

CSS(E)L Group (USD million, except as indicated)	Fair value	Valuation technique	Unobservable input	Minimum value	Maximum value	Weighted average[1]
Liabilities						
Trading financial liabilities at fair value through profit or loss						
Equity securities	**16**					
Of which	16	Vendor price	Price in actuals	0	164	3
Derivatives	**814**					
Of which equity	296	Vendor price	Price in actuals	3,419	3,419	3,419
Of which other	518	Discounted cash flows	Market implied life expectancy, in years	1	24	6

Qualitative discussion of the ranges of significant unobservable inputs

The following sections provide further information about the ranges of significant unobservable inputs included in the tables above. The level of aggregation and diversity within the financial instruments disclosed in the tables above result in certain ranges of significant inputs being wide and unevenly distributed across asset and liability categories.

Market implied life expectancy

The CSS(E)L Group's market implied life expectancy determines an individual's mortality curve and is the primary unobservable input used on various longevity instruments including life settlements, premium finance, SPIAs and longevity swaps. Market life expectancy is determined based on individual's gender, age, and health status. It is calibrated to the market data when transaction data is available.

Sensitivity of fair values to reasonably possible alternative assumptions

The fair value of certain financial instruments recognised in the consolidated financial statements 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 and Company	As at 31 December 2013		As at 31 December 2012	
	Favourable changes	Unfavourable changes	Favourable changes	Unfavourable changes
Impact on net income/(loss) (USD million)				
Life insurance products	172	(172)	188	(188)
Asset backed securities	2	(2)	14	(14)
Debt and equity securities	17	(10)	15	(13)
Total	**191**	**(184)**	**217**	**(215)**

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, both physical and synthetic, are sensitive to mortality assumption. Sensitivity analysis is carried out by stressing market life expectancy of each underlying product in months between 2 to 9 months. Asset backed securities include RMBS and CDO positions. RMBS positions were subjected

[1] Cash instruments are generally presented on a weighted average basis while certain derivative instruments either contain a combination of weighted averages and arithmetic means of the related inputs or are presented on an arithmetic mean basis.

to sensitivities on price which were generally subjected to an 8% movement up and down of the price of the security.

Debt and equity securities include corporate bonds. The parameter subjected to sensitivity for corporate debt is price. Corporate debt positions are generally subjected to movements up and down of 3% to 4% of the price of the security.

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/loss

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.

The following table sets out the aggregate difference yet to be recognised in Statement of Income at the beginning of the year and end of the year with a reconciliation of the changes of the balance during the year.

CSS(E)L Group and Company	**2013**	**2012**
Deferred trade date profit and loss (USD million)		
Balance at 1 January	187	256
Decrease due to new trades	-	(5)
Reduction due to passage of time	(27)	(32)
Reduction due to redemption, sales, transfers or improved observability	-	(32)
Balance at 31 December	**160**	**187**

Fair value of financial instruments not carried at fair value

IFRS requires the disclosure of the fair value of financial instruments not carried at fair value in the consolidated Statements of Financial Position. IFRS also requires the disclosure of the fair values of these financial instruments within the fair value hierarchy.

As at 31 December 2013

CSS(E)L Group (USD million)	**Level 1**	**Level 2**	**Level 3**	**Total at fair value**
Assets				
Cash and due from banks	19,026	-	-	19,026
Interest-bearing deposits with banks	-	1,548	-	1,548
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	-	43,036	60	43,096
Loans	-	1,525	-	1,525
Other financial assets	-	30,676	-	30,676
Total fair value of financial assets	**19,026**	**76,785**	**60**	**95,871**
Liabilities				
Due to banks	356	1,543	-	1,899
Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions	-	32,962	-	32,962
Short-term borrowings	-	29,842	-	29,842
Long-term debt	-	13,064	-	13,064
Other financial liabilities	-	43,196	1	43,197
Total fair value of financial liabilities	**356**	**120,607**	**1**	**120,964**

The 'Fair value of financial instruments not carried at fair value' table applies to both Group and Company, with the exception of an additional estimated fair value of USD 15 million which would be included in both Other financial assets and Other financial liabilities for Company, which is at level 2 of the fair value hierarchy.

37. Assets Pledged or Assigned

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

Assets pledged or assigned (USD million)	**2013**	**2012**
Trading financial assets at fair value through profit or loss	41,384	39,211

Collateral received (USD million)		
Fair value of collateral received with the right to resell or repledge	225,871	278,281
Of which sold or repledged	218,789	241,047

Assets pledged or assigned represents the Statements of Financial Position of trading assets at fair value through profit or loss which have been pledged as collateral under securities sold under repurchase agreements, securities lending transactions and derivative instruments. Refer to Note 13 – Trading

Financial Assets and Liabilities at Fair Value Through Profit or Loss for the amount of securities transferred which are encumbered.

As at 31 December 2013 and 2012, 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 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.

The CSS(E)L Group enters into agreements with counterparties where collateral or security interests in positions which the CSS(E)L Group holds, has been provided. This includes situations where the CSS(E)L Group has registered charges to certain counterparties over the CSS(E)L Group's assets in connection with its normal operating activities.

38. Derecognition of Financial Assets

In the normal course of business, the CSS(E)L Group enters into transactions where it transfers previously recognized 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.

Transferred Financial Assets that are derecognised with continuing involvement

Where the transfer of a financial asset meets the derecognition criteria under IAS 39, the CSS(E)L Group may have continuing involvement in a financial asset that has been derecognised. The continuing involvement can take several forms, including but not limited to derivative instruments and debt instruments issued by Special Purpose Entities to which the asset has been transferred. In addition, the CSS(E)L Group does not have a continuing involvement in a transferred financial asset if, as part of the transfer, the CSS(E)L Group neither retains any of the contractual rights or obligations inherent in the transferred financial asset nor acquires any new contractual rights or obligations relating to the transferred financial asset. The CSS(E)L Group does not have continuing involvement in a transferred financial asset if it has neither an interest in the future performance of the transferred financial asset nor a responsibility under any circumstances to make payments in respect of the transferred financial asset in the future. The CSS(E)L Group's exposure resulting from continuing involvement in a transferred asset is generally limited to where the CSS(E)L Group retains any form of rights or obligations relating to the transferred asset.

The table below provides information for the transfer of financial assets that qualify for sale accounting and subsequent derecognition, in which the CSS(E)L Group still has continuing involvement as at 31 December 2013, irrespective of the date when the transfer occurred. The maximum exposure to loss from continuing involvement represents the maximum exposure before taking into account the amount of any collateral held against the continuing involvement.

Information on transferred assets by type of continuing involvement

2013	Carrying amount of continuing involvement	Fair value of continuing involvement		Maximum exposure to loss	Gain/(loss) recognised at the date of transfer	Income/(expense) from continuing involvement	
	Trading assets at fair value through profit or loss	Assets	Liabilities			For the year ended 31 December 2013	Cumulative to 31 December 2013
Type of continuing involvement							
Derivatives							
Swaps	56	56	-	56	-	(3)	3

2012	Carrying amount of continuing involvement	Fair value of continuing involvement		Maximum exposure to loss	Gain/(loss) recognised at the date of transfer	Income/(expense) from continuing involvement	
	Trading assets at fair value through profit or loss	Assets	Liabilities			For the year ended 31 December 2012	Cumulative to 31 December 2012
Type of continuing involvement							
Derivatives							
Swaps	56	56	-	56	-	(8)	7

The majority of the CSS(E)L Group's continuing involvement in derecognised transferred financial assets is in the form of derivative transactions. To reduce its credit risk to derivatives, the CSS(E)L Group enters into legally enforceable netting agreements with its derivative counterparties. Collateral on these derivative contracts is usually posted on a net counterparty basis.

Instruments that are considered to be continuing involvement are included in Note 13 - Trading Financial Assets and Liabilities at Fair Value Through Profit or Loss.

Transferred Financial Assets that are not derecognised in their entirety

Certain transactions may include provisions that prevent derecognition of the transferred financial asset 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. Where the transfer of an asset does not meet derecognition, it remains on the CSS(E)L Group's balance sheet with a corresponding liability established to represent an obligation to the counterparty. As part of the CSS(E)L Group's repurchase agreements and securities lending transactions, there is an obligation to return equivalent securities at the end of the transaction.

The following table provides details of financial assets which have been sold or otherwise transferred, but which do not qualify for derecognition, together with their associated liabilities.

Carrying amount of transferred assets not derecognised and associated liabilities

	2013		2012	
CSS(E)L Group (USD million)	**Carrying amount of assets**	**Carrying amount of associated liabilities**	**Carrying amount of assets**	**Carrying amount of associated liabilities**
Financial assets not derecognised due to the following transactions				
- Repurchase agreements and Securities lending agreements	41,384	41,384	39,211	39,211
- Total return swaps	288	324	657	653
- Other	864	390	1,256	705

	2013		2012	
Company (USD million)	**Carrying amount of assets**	**Carrying amount of associated liabilities**	**Carrying amount of assets**	**Carrying amount of associated liabilities**
Financial assets not derecognised due to the following transactions				
- Repurchase agreements and Securities lending agreements	41,384	41,384	39,211	39,211
- Total return swaps	288	324	657	653
- Other	390	390	798	798

The CSS(E)L Group also participates in securities lending agreements where the counterparty provides security as collateral. The carrying amount of the assets not derecognised in such transactions is equal to USD 14,547 million. (2012 : USD 29,330 million)

Where the CSS(E)L Group sells the contractual rights to the cash flows of the securities included above, it does not have the ability to use the transferred assets during the term of the arrangement. The counterparties to the associated liabilities included above, have full recourse to the CSS(E)L Group.

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 sale 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 position.

39. 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. The Company 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.

The Company has policies and processes in place to ensure 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 the Company level down to specific portfolios. The Company uses market risk measurement and management methods in line with industry standards. These include general tools capable of calculating comparable exposures across the Company'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, the Company's market risk exposures are reflected in the ERC 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.

The Company 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 PRA 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 VaR model uses assumptions and estimates that the Company 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 does not provide 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 Company'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 may be 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, 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 Company'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 and the results, trend information and supporting analysis are reported to the Board, senior management and the business lines.

The Company's stress testing framework is governed through a dedicated steering committee that operates across the CS group. 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 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. There is no material difference in VaR between the Company and the CSS(E)L Group.

Ten-day, 99% VaR – trading portfolios

in / end of period	Interest rate and credit spread	Foreign exchange	Commodity	Equity	Diversification benefit [1]	Total
2013						
USD million						
Average	**36**	**4**	**1**	**24**	**(19)**	**46**
Minimum	17	1	0	12	-[2]	25
Maximum	65	12	4	46	-[2]	72
End of period	29	3	4	22	(18)	40
2012						
USD million						
Average	**82**	**7**	**1**	**31**	**(31)**	**90**
Minimum	33	3	-	19	-	44
Maximum	203	14	5	100	-	211
End of period	52	8	1	38	(33)	66

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.

VaR results

The CSS(E)L Group's ten-day, 99% regulatory VaR as of 31 December 2013 decreased by 40% to USD 40 million compared to 31 December 2012.

Banking portfolios

Risk measurement and management

The market risks associated with the non-trading portfolios are measured, monitored and limited using several tools, including ERC, 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 has established 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 1 million as at 31 December 2013 compared to USD 1 million as at 31 December 2012. 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 2013 the fair value impacts of a 200-basis-point move in yield curves (flooring at zero where appropriate) were:

+200bps increase of USD 88 million (2012 decrease of USD 48 million)

-200bps decrease of USD 179 million (2012 decrease of USD 197 million)

The fair value impact of a statistical one-year adverse interest rate move (to 99% confidence level) was a decrease of USD 46 million as at 31 December 2013. 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.

CS group wide management of liquidity risk

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 Chief Executive Officers ('CEOs') of the CS group and the divisions, the Chief Financial Officer ('CFO'), the Chief Risk Officer ('CRO') and 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. The liquidity and funding profile is regularly reported to CARMC and the Board of Directors, who define the Company's risk tolerance and set parameters for the balance sheet usage of businesses. The liquidity and funding profile of Credit Suisse AG ('CS') reflects the risk appetite, business activities, strategy, the markets and overall operating environment. 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 and / 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 stress situation(s).

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 in excess of illiquid assets. CS primarily funds the balance sheet through core customer deposits, long-term debt and shareholders' equity.

To address short term liquidity needs a portfolio of highly liquid securities and cash is maintained. This liquidity buffer is managed, to sustain operations for an extended period of time in the event of a crisis.

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 structural liquidity position of the firm and as the basis for funds transfer pricing policy is Net Stable Funding Ratio ('NSFR'). This is complemented by CS's internal 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. This framework is supplemented by the modelling of additional stress events and additional liquidity risk measurement tools.

In the event of a liquidity crisis, CS would activate its Contingency Funding Plan ('CFP'), 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 contingency plan would be activated by the Funding Execution Committee ('FEC'), which includes but not limited to, senior business line, funding, risk and finance department management adapted to include the relevant stakeholders depending upon the degree and nature of stress. This committee would meet frequently throughout the crisis to ensure that the plan is executed.

On regulatory developments, 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 NSFR. The BCBS has stated that it will review the effect of these liquidity standards on financial markets, credit extension and economic growth to address unintended consequences.

The LCR, which will be phased in beginning January 1, 2015 through January 1, 2019, following an observation period which began in 2012, addresses liquidity risk over a 30-day period. The LCR aims to ensure that banks have a stock of unencumbered high-quality liquid assets available to meet 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 is subject to an initial minimum requirement of 60%, which will increase by 10% for four years, reaching 100% by January 1, 2019.

The NSFR, which is expected to be introduced on January 1, 2018 following an observation period which began in 2013, establishes criteria for a minimum amount of stable funding based on the liquidity of a bank's assets and activities over a one-year horizon. The NSFR is intended to ensure banks maintain a structurally sound long-term funding profile beyond one year and is a complementary measure to the LCR. The standard is defined as the ratio of available stable funding over the amount of required stable funding and should always be at least 100%.

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 to achieve 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 legal entity internal liquidity risk management framework incorporates local regulatory compliance requirements. Such compliance requirements are measured as part of the Prudential Regulation Authority's Individual Liquidity Guidance (ILG) which results in CSS(E)L Group holding term funding and a local liquid asset buffer of qualifying securities.

Following global regulatory developments, the European Banking Association (EBA) has published its version of the LCR and NSFR as part of the implementation guidance for Basel III. In line with guidelines published by BCBS, the LCR will be subject to an initial minimum requirement of 60% on January 1, 2015 with full compliance by January 1, 2018 (one year prior to BCBS guidelines). The NSFR is expected to be introduced on January 1, 2018.

In the context of liquidity management at the legal entity, the Company's Board is responsible for setting the liquidity risk appetite. 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;
- Compliance with local regulatory requirements;
- Funding of illiquid assets on a term basis;
- Holding a liquid asset portfolio composed of highly liquid unencumbered assets;
- The liquidity value of assets, liabilities and the calibration of contingent liabilities being aligned with the CS global liquidity risk methodologies.

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

The UK IB approves the liquidity risk tolerance and assumptions underlying the relevant stress tests on at least an annual basis.

Treasury is responsible for maintaining a CFP that details specific dealing strategies, actions and responsibilities required depending upon severity of the crisis. 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, daylight collateral requirements and communication strategies.

Incremental to the Company's unsecured funding sources from CS, the Company has the ability to access secured funding markets via repurchase and stock lending agreements. These funding streams provide diversification to the funding profile of the entity.

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

		Current				Noncurrent		Total
CSS(E)L Group 2013	**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	355	-	1,544	**1,899**	-	-	-	**1,899**
Securities sold under repurchase agreements and securities lending transactions	4,618	446	27,898	**32,962**	-	-	-	**32,962**
Trading financial liabilities at fair value through profit or loss	38,080	-	-	**38,080**	-	-	-	**38,080**
Financial liabilities designated at fair value through profit or loss	10,169	42,241	13,993	**66,403**	2,721	70	2,791	**69,194**
Short term borrowings	-	90	29,752	**29,842**	-	-	-	**29,842**
Other liabilities	29,545	-	11,100	**40,645**	3,700	-	3,700	**44,345**
Long term debt	-	846	272	**1,118**	8,301	7,037	15,338	**16,456**
Perpetual debt	-	-	-	**-**	-	1,858	1,858	**1,858**
Total financial liabilities	**82,767**	**43,623**	**84,559**	**210,949**	**14,722**	**8,965**	**23,687**	**234,636**

		Current				Noncurrent		Total
CSS(E)L Group 2012	**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	462	-	3,965	**4,427**	-	-	-	**4,427**
Securities sold under repurchase agreements and securities lending transactions	9,773	803	21,783	**32,359**	660	-	660	**33,019**
Trading financial liabilities at fair value through profit or loss	39,617	-	-	**39,617**	-	-	-	**39,617**
Financial liabilities designated at fair value through profit or loss	19,636	56,998	2,912	**79,546**	2,640	444	3,084	**82,630**
Short term borrowings	-	56	34,039	**34,095**	-	-	-	**34,095**
Other liabilities	40,346	-	-	**40,346**	-	-	-	**40,346**
Long term debt	-	859	3,803	**4,662**	6,990	7,445	14,435	**19,097**
Perpetual debt	-	-	-	**-**	-	1,823	1,823	**1,823**
Total financial liabilities	**109,834**	**58,716**	**66,502**	**235,052**	**10,290**	**9,712**	**20,002**	**255,054**

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.

For instruments with perpetual features (i.e. no maturity date), the projected coupons have been excluded. Callable deposits, open ended positions and overnight funding will be recorded at their present value in an 'on demand' categorisation. This classification will be based on the underlying legal and contractual ability of the counterparty or the Company to put or call the positions at short notice.

iii) 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 has 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.

iv) Credit Risk

Credit risk in CSS(E)L Group is managed by the UK Credit Risk Management ('UK CRM') department, which is headed by the UK Chief Credit Officer ('UK CCO'), who in turn reports to the UK Chief Risk Officer. UK CRM is a part of the wider Credit Risk Management ('CRM') department, which is an independent function 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. All credit limits in CSS(E)L Group are subject to approval by UK CRM.

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 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.

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 country limits, industry 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 CSS(E)L Group is 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.

CSS(E)L Group assigns 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. CSS(E)L Group 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 CSS(E)L group has been granted permission by PRA to use internal credit rating models under the Basel A-Internal Rating Based ('AIRB') approach for the majority of credit exposures in CSS(E)L group. Exposures which are not covered by AIRB treatment are subject to the standardised 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.

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.

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 maximum exposure to credit risk equals their carrying amount as at 31 December 2013. For loan commitments and other credit related commitments which are forward reverse repurchase agreements and commitments to purchase cash securities are irrevocable up to settlement date and the maximum exposure to credit risk is the full amount to be paid.

Maximum exposure to credit risk:

2013	Group			Company		
Maximum exposure to credit risk (USD million)	**Gross**	**Collateral**	**Net**	**Gross**	**Collateral**	**Net**
Cash and due from banks	19,026	-	19,026	19,026	-	19,026
Interest-bearing deposits with banks	1,548	-	1,548	1,548	-	1,548
Securities purchased under resale agreements and securities borrowing transactions	43,096	42,192	904	43,096	42,192	904
Trading financial assets at fair value through profit or loss						
■ Debt securities	21,692	-	21,692	21,692	-	21,692
■ Derivative trading positions	13,011	12,334	677	13,548	12,334	1,214
Financial assets designated at fair value through profit or loss						
■ Securities purchased under resale agreements and securities borrowing transactions	72,420	72,291	129	72,420	72,291	129
■ Other	2,689	-	2,689	2,270	-	2,270
Financial assets available-for-sale	34	-	34	34	-	34
Other loans and receivables	1,483	-	1,483	1,483	-	1,483
Other assets	30,621	14,201	16,420	30,621	14,201	16,420
Maximum exposure to credit risk – total assets	**205,620**	**141,018**	**64,602**	**205,738**	**141,018**	**64,720**
Off-balance sheet items						
■ Loan commitments and other credit related commitments	48,733	-	48,733	48,733	-	48,733
Maximum exposure to credit risk – total off-balance sheet	**48,733**	**-**	**48,733**	**48,733**	**-**	**48,733**
Maximum exposure to credit risk	**254,353**	**141,018**	**113,335**	**254,471**	**141,018**	**113,453**

Maximum exposure to credit risk:

2012		Group			Company	
Maximum exposure to credit risk (USD million)	**Gross**	**Collateral**	**Net**	**Gross**	**Collateral**	**Net**
Cash and due from banks	13,204	-	13,204	13,203	-	13,203
Interest-bearing deposits with banks	4,112	-	4,112	4,112	-	4,112
Securities purchased under resale agreements and Securities borrowing transactions	37,109	36,293	816	37,109	36,293	816
Trading financial assets at fair value through profit or loss						
■ Debt securities	28,354	-	28,354	28,354	-	28,354
■ Derivative trading positions	14,926	13,731	1,195	15,507	13,733	1,774
Financial assets designated at fair value through profit or loss						
■ Securities purchased under resale agreements and securities borrowing transactions	87,246	86,483	763	87,246	86,483	763
■ Other	2,948	-	2,948	2,456	-	2,456
Financial assets available-for-sale	31	-	31	31	-	31
Other loans and receivables	1,483	-	1,483	1,483	-	1,483
Other assets	39,364	14,746	24,618	39,364	14,746	24,618
Maximum exposure to credit risk – total assets	**228,777**	**151,253**	**77,524**	**228,865**	**151,255**	**77,610**
Off-balance sheet items						
■ Loan commitments and other credit related commitments	54,862	-	54,862	54,862	-	54,862
Maximum exposure to credit risk – total off-balance sheet	**54,862**	**-**	**54,862**	**54,862**	**-**	**54,862**
Maximum exposure to credit risk	**283,639**	**151,253**	**132,386**	**283,727**	**151,255**	**132,472**

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. 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, an enforceable 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 Agreements.

For further information on collateral held as security that the CSS(E)L Group is permitted to sell or repledge, refer to Note 37 – 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 maximum exposure to credit risk.

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 in which case the value of collateral reflected as a risk mitigant is net of an appropriate haircut

Counterparty Exposure before Collateral by Rating

Company	2013		2012	
	USD million	%	USD million	%
AAA	148	1	179	2
AA+ to AA-	7,115	50	3,932	40
A+ to A-	5,559	39	3,993	41
BBB+ to BBB-	518	4	638	6
BB+ to BB-	527	4	714	7
B+ and below	347	2	358	4
	14,214	**100**	**9,814**	**100**

Unsecured Exposure by Counterparty Rating

Company	2013		2012	
	USD million	%	USD million	%
AAA	148	1	179	2
AA+ to AA-	6,953	52	3,875	44
A+ to A-	5,574	42	4,030	46
BBB+ to BBB-	420	3	384	5
BB+ to BB-	83	1	107	1
B+ and below	88	1	157	2
	13,266	**100**	**8,732**	**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.

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.

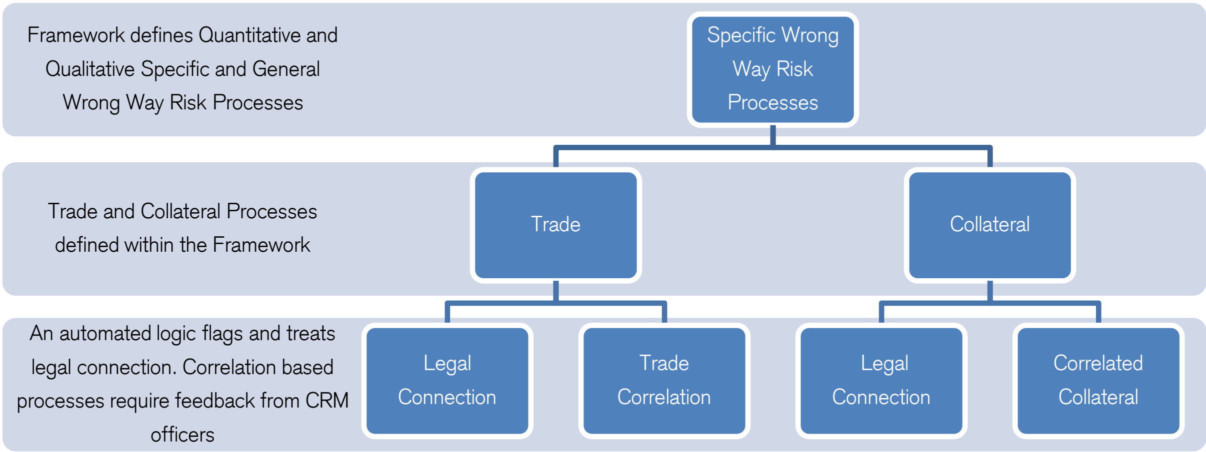
Credit approval and reviews

A primary responsibility of CRM is the approval of new counterparty trading relationships and the subsequent on-going review of the creditworthiness of the client. Part of the review and approval process involves consideration of 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

Wrong way risk can arise from different business relationships.

An exposure methodology based on jump to default assumption, ineligibility of collateral or scenario based add-ons is in place to identify and adjust exposures for all specific wrong way risk types as per the distinction in the table below.



With respect to general wrong way risk, a scenario based exposure add-on is applied to those counterparties where the Basel III prescribed stressed calibration of exposure is not deemed sufficient to capture the additional risk fully.

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. Transactions containing wrong way risk due to legal connection are automatically flagged and included in the regular reporting. Transactions containing wrong way risk due to correlation are flagged to CRM officers for confirmation and then included into regular reporting. Scenarios giving rise to general wrong risk for a set of counterparties broken down by industry and region are also reported to CRM officers and discussed on a regular basis at the relevant committees.

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 cash flows 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.

v) 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. UK CRM has incorporated country limits into its Credit Risk Appetite Framework in order to mitigate this risk in CSS(E)L Group.

For CSS(E)L Group, country limits are set for both developed and emerging markets, based on a potential future exposure view and on a scenario view respectively. Limits are calibrated to the capital base of CSS(E)L Group through a methodology which measures the capital consumption of a stressed limit utilization via the Economic Risk Capital internal model. Upon UK CRM recommendation, limits are calibrated and approved by the UK Risk Management Committee on an annual basis or more frequently if warranted by a fundamental change in strategy or market conditions. The measurement of exposures against country limits is undertaken by RAR with weekly reports to UK CRM dedicated teams and senior management. Front Office representatives are responsible for ensuring limits are respected and any breach is promptly managed. RAR and CRM provide independent oversight to ensure that businesses operate within their limits. During the course of the year, reserves are available to UK CCO and UK CRO in case a temporary or permanent limit increase is needed and justified from a risk/return perspective. More fundamental changes to the country risk profile of the firm necessitate discussions and approval at UK Risk Management Committee level.

vi) 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.

vii) Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people or 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 is comprised of a large number of disparate risks. While market and credit risk are often chosen for the prospect of gain, operational risk is normally accepted as a necessary consequence of doing business. In comparison to market or credit risk, the sources of operational risk are difficult to identify comprehensively and the amount of risk is also inherently difficult to measure. CS group believe that effective management of operational risk requires a common CS group-wide framework with ownership of these risks residing with the management responsible for the relevant business process.

Operational Risk Management

Each individual business area takes responsibility for its operational risks and the provision of adequate resources and procedures for the management of those risks. Businesses are supported by designated operational risk teams at the divisional and CS group level who are responsible for the implementation of the operational risk management framework, methodologies, tools and reporting within their areas as well as working with management on any operational risk issues that arise.

In 2013, CS group consolidated the various operational risk teams in the independent risk management function into a single ORM department, reporting into the Chief Risk Officer. ORM is responsible for the overall design of the operational risk management framework, for operational risk capital modelling and for providing assistance and challenge to business line operational risk teams. It ensures the cohesiveness of policies, tools and practices throughout CS group for operational risk management, specifically with regard to identification, evaluation, mitigation, monitoring and reporting of relevant operational risks.

Operational risk exposures, metrics, issues and remediation efforts are discussed at the Company's risk management committees, which have senior staff representatives from all the relevant functions. The Company utilises a number of CS group-wide tools for the management and reporting of operational risk.

These include:

- Risk appetite tolerance levels, which set out senior management's expectations with respect to losses or metrics; breaches of tolerance levels are reported to senior management and may trigger actions;
- Reporting on top operational risks, which is used to highlight the most material risks to senior management, along with associated risk remediation efforts;
- The operational risk register, which contains a catalogue of inherent operational risks arising as a consequence of CS group's activities;
- Risk and control indicators, which are metrics that are used to monitor specified operational risks and controls over time; they may be associated with tolerance levels that define acceptable performance and provide early warning signals about potential impending issues;
- Risk and control self-assessments ('RCSAs'), which are comprehensive, bottom-up assessments of the key operational risks in each business; RCSAs utilise other components of the operational risk framework, such as risk and control indicators and loss data, and they evaluate the strength of mitigating controls to produce an assessment of the residual risks in each business;
- Internal operational risk incident data, which provide information on CS group's operational risk profile; incident investigations are carried out for material internal operational risk events, including those that did not result in economic losses; incident investigations are used to assess control failings, identify required improvements and ascertain whether events have implications for other businesses;
- External operational risk incident data for peer firms, which are collected to identify risks that may be relevant in the future, even if they have not impacted CS group to date; and
- Operational risk scenarios, which are used to identify and measure exposure to a range of adverse events, such as unauthorised trading; these scenarios help businesses assess the suitability of controls in the light of potential losses, and they are also an input to the internal model used by CS group to calculate economic and regulatory capital.

CS group is continuously enhancing its operational risk management practices and has an ongoing programme to roll out improvements to each of the components of the operational risk framework and to ensure that the links between individual components work effectively. In 2013, key enhancements included the introduction of a standardised operational risk register to ensure that risks are categorised and reported consistently, revisions to the RCSA process to improve assessment quality and increase output transparency, and the introduction of more granular operational risk tolerance levels for certain businesses. The framework enhancement programme is scheduled to be completed by the end of 2015.

viii) Conduct Risk

Conduct risk is the risk of poor conduct and behaviour by firms and/or individuals resulting in clients not getting a fair deal, a lack of integrity in dealings on financial markets and in the wider financial system and a lack of effective competition in the interests of consumers.

A London Conduct Risk Committee ('LCRC') has been established which is designed to enable the CSS(E)L Group to review the effectiveness of the CSS(E)L Group's conduct risk framework and challenge business leaders on the suitability and effectiveness of the measures and tools used in their businesses to identify, control and mitigate conduct risk. The LCRC is tasked with sponsoring and reviewing appropriate policies and procedures and monitoring peer group and regulatory statements and developments in the conduct risk space. The LCRC will consider reports covering conduct risk identification, conduct risk mitigation and conduct risk management information.

ix) Reputational Risk

It is CS group's policy to avoid any action, transaction or relationship with a politically exposed person which poses an unacceptable level of risk to CS group's reputation. Reputational risk may arise from a variety of sources, including, but not limited to, 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. The Company's Board has formally delegated reputational risk issues to CS group's global Reputational Risk Review Process ('RRRP') and where an action or transaction gives rise to potential reputational risk for CS group, the relevant business proposal is required to be submitted to the RRRP.

The RRRP in EMEA involves a vetting of the proposal by senior business management, and its subsequent referral to one of CS group's Reputational Risk Approvers ('RRA'), each of whom is independent of the business divisions and has the authority to approve, reject, or impose conditions on CS group's participation. If the RRA considers there to be a material reputational risk associated with a submission, it is escalated to the EMEA Reputational Risk Committee ('the Committee') for review and final decision. The Committee is comprised of senior regional, divisional, shared services and the Company's management.

Reputational risk is assessed on a regional basis; however the EMEA RRA will be included as part of the decision making process for any action or transaction which is a Remote Booking into the Company, which may include escalation to the Committee where appropriate. Reputational risk statistics, trends and notable submissions are reported to the Company's Board on a quarterly basis.

40. Offsetting of Financial Assets and Financial Liabilities

The disclosures set out in the tables below include derivative instruments, reverse repurchase and repurchase agreements, securities lending and borrowing transactions, and other financial assets and financial liabilities that:

- are offset in the CSS(E)L Group's Consolidated Statement of Financial Position; or
- are subject to an enforceable master netting agreement or similar agreement (enforceable master netting agreements), irrespective of whether they are offset in the CSS(E)L Group's Consolidated Statement of Financial Position.

Similar agreements include derivative clearing agreements, global master repurchase agreements, global master securities lending agreements, and any related rights to financial collateral.

Financial instruments such as loans and deposits are not disclosed in the tables below. They are not offset in the Consolidated Statement of Financial Position.

Derivatives

The CSS(E)L Group transacts bilateral OTC derivatives mainly under International Swaps and Derivatives Association (ISDA) Master Agreements. These agreements provide for the net settlement of all transactions under the agreement through a single payment in the event of default or termination under the agreement.

The above ISDA Master Agreements do not meet the criteria for offsetting in the Consolidated Statement of Financial Position. This is because they create a right of set-off of recognized amounts that is enforceable only following an event of default, insolvency or bankruptcy of the CSS(E)L Group or the counterparties. In addition CSS(E)L Group and its counterparties do not intend to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

Collateral for OTC derivatives is received and provided in the form of cash and marketable securities. Such collateral may be subject to the standard industry terms of an ISDA Credit Support Annex. The terms of an ISDA Credit Support Annex provide that securities received or provided as collateral may be pledged or sold during the term of the transactions and must be returned upon maturity of the transaction. These terms also give each counterparty the right to terminate the related transactions upon the other counterparty's failure to post collateral. Financial collateral received or pledged for OTC derivatives may also be subject to collateral agreements which restrict the use of financial collateral.

For exchange-traded derivatives, positive and negative replacement values and related cash collateral are offset if the terms of the rules and regulations governing these exchanges respectively central clearing counterparties permit such netting and offset because the CSS(E)L Group:

- currently has a legally enforceable right to set off the recognized amounts; and
- intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously. Criteria (b) of IAS 32.42 may only be met, if – depending on the settlement mechanism – certain criteria are met (e.g. derivatives with the same currency).

Where no such agreements exist, fair values are recorded on a gross basis.

Under IFRS, the CSS(E)L Group has elected to account for substantially all hybrid financial instruments with an embedded derivative that is not considered closely related to the host contract at fair value. Where these hybrid financial instruments are subject to an enforceable master netting agreement or similar agreement, they are included in the tables Offsetting of 'Funded Derivatives' on pages 161 and 162.

The following table presents the gross amount of derivative instruments subject to enforceable master netting agreements, the amount of offsetting, the amount of derivatives not subject to enforceable master netting agreements and the net amount presented in the Consolidated Statement of Financial Position.

Offsetting of derivative instruments

(USD Million)	2013			2012		
CSS(E)L Group	**Gross**	**Offsetting**	**Net**	**Gross**	**Offsetting**	**Net**
Derivative Assets						
Derivative instruments subject to enforceable master netting agreements	12,928	(329)	12,599	14,572	(91)	14,481
Derivative instruments not subject to enforceable master netting agreements[1]	413	-	413	445	-	445
Total derivative instruments presented in the Consolidated Statement of Financial Position	**13,341**	**(329)**	**13,012**	**15,017**	**(91)**	**14,926**
of which recorded in trading financial assets at fair value through profit or loss	13,340	(329)	13,011	15,017	(91)	14,926
of which recorded in other assets	1	-	1	-	-	-
Derivative Liabilities						
Derivative instruments subject to enforceable master netting agreements	14,368	(329)	14,039	15,727	(91)	15,636
Derivative instruments not subject to enforceable master netting agreements[1]	543	-	543	941	-	941
Total derivative instruments presented in the Consolidated Statement of Financial Position	**14,911**	**(329)**	**14,582**	**16,668**	**(91)**	**16,577**
of which recorded in trading financial liabilities at fair value through profit or loss	14,911	(329)	14,582	16,662	(91)	16,571
of which recorded in other liabilities	-	-	-	6	-	6

(USD Million)	2013			2012		
Company	**Gross**	**Offsetting**	**Net**	**Gross**	**Offsetting**	**Net**
Derivative Assets						
Derivative instruments subject to enforceable master netting agreements	13,440	(329)	13,111	15,123	(91)	15,032
Derivative instruments not subject to enforceable master netting agreements[1]	438	-	438	475	-	475
Total derivative instruments presented in the Company Statement of Financial Position	**13,878**	**(329)**	**13,549**	**15,598**	**(91)**	**15,507**
of which recorded in trading financial assets at fair value through profit or loss	13,877	(329)	13,548	15,598	(91)	15,507
of which recorded in other assets	1	-	1	-	-	-
Derivative Liabilities						
Derivative instruments subject to enforceable master netting agreements	14,332	(329)	14,003	15,691	(91)	15,600
Derivative instruments not subject to enforceable master netting agreements[1]	545	-	545	944	-	944
Total derivative instruments presented in the Company Statement of Financial Position	**14,877**	**(329)**	**14,548**	**16,635**	**(91)**	**16,544**
of which recorded in trading financial liabilities at fair value through profit or loss	14,877	(329)	14,548	16,629	(91)	16,538
of which recorded in other liabilities	-	-	-	6	-	6

[1] Represents derivative instruments where a legal opinion supporting the enforceability of netting in the event of default or termination under the agreement is not in place.

Reverse repurchase and repurchase agreements and securities lending and borrowing transactions

Reverse repurchase and repurchase agreements are generally covered by global master repurchase agreements with netting terms similar to ISDA Master Agreements. In certain situations, for example in the event of default, all contracts under the agreements are terminated and are settled net in one single payment.

Reverse repurchase and repurchase agreements may also be novated with central clearing counterparties and therefore covered by the central clearing counterparty's rules and regulations. These transactions are netted in the Consolidated Statement of Financial Position if the terms of the rules and regulations governing these central clearing counterparties permit such netting and offset because the CSS(E)L Group:

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

The amounts offset are measured on the same basis as the underlying transaction (i.e. on an accrual basis or fair value basis).

Securities lending and borrowing transactions are generally executed under global master securities lending agreements with netting terms similar to ISDA Master Agreements. In certain situations, for example in the event of default, all contracts under the agreement are terminated and are settled net in one single payment. Securities lending and borrowing transactions may also be novated with central clearing counterparties and therefore covered by the central clearing counterparty's rules and regulations. Transactions under these similar agreements are generally not netted in the Consolidated Statement of Financial Position because most securities lending and borrowing transactions do not meet the criterion of having the same settlement date specified at inception of the transaction, and therefore they are not eligible for netting in the Consolidated Statement of Financial Position apart from the other conditions to be met for netting.

Reverse repurchase and repurchase agreements are collateralised principally by government securities, money market instruments and corporate bonds and have terms ranging from overnight to a longer or unspecified period of time. In the event of counterparty default, the reverse repurchase agreement or securities lending agreement provides the CSS(E)L Group with the right to liquidate the collateral held. As is the case in the CSS(E)L Group's normal course of business, substantially all of the collateral received that may be sold or repledged was sold or repledged as of December 31, 2013 and December 31, 2012. In certain circumstances, financial collateral received may be restricted during the term of the agreement (e.g. in tri-party arrangements).

The following table presents the gross amount of securities purchased under resale agreements and securities borrowing transactions subject to enforceable master netting agreements, the amount of offsetting, the amount of securities purchased under resale agreements and securities borrowing transactions not subject to enforceable master netting agreements and the net amount presented in the Consolidated Statement of Financial Position.

Offsetting of securities purchased under resale agreements and securities borrowing transactions

(USD Million)		2013			2012	
CSS(E)L Group and Company	**Gross**	**Offsetting**	**Net**	**Gross**	**Offsetting**	**Net**
Securities purchased under resale agreements and securities borrowing transactions						
Securities purchased under resale agreements	75,215	(2,587)	72,628	85,491	(1,832)	83,659
Securities borrowing transactions	35,759	-	35,759	31,620	-	31,620
Total subject to enforceable master netting agreements	**110,974**	**(2,587)**	**108,387**	**117,111**	**(1,832)**	**115,279**
Total not subject to enforceable master netting agreements[1]	**7,129**	**-**	**7,129**	**9,076**	**-**	**9,076**
Total	**118,103**	**(2,587)**	**115,516**	**126,187**	**(1,832)**	**124,355[2]**

The following table presents the gross amount of securities sold under repurchase agreements and securities lending transactions subject to enforceable master netting agreements, the amount of offsetting, the amount of securities sold under repurchase agreements and securities lending transactions not subject to enforceable master netting agreements and the net amount presented in the Consolidated Statement of Financial Position.

Offsetting of securities sold under repurchase agreements and securities lending transactions

(USD Million)		2013			2012	
CSS(E)L Group and Company	**Gross**	**Offsetting**	**Net**	**Gross**	**Offsetting**	**Net**
Securities sold under repurchase agreements and securities lending transactions						
Securities sold under repurchase agreements	73,067	(2,587)	70,480	80,834	(1,832)	79,002
Securities lending transactions	27,326	(720)	26,606	31,353	(929)	30,424
Total subject to enforceable master netting agreements	**100,393**	**(3,307)**	**97,086**	**112,187**	**(2,761)**	**109,426**
Total not subject to enforceable master netting agreements[1]	**3,304**	**-**	**3,304**	**3,828**	**-**	**3,828**
Total	**103,697**	**(3,307)**	**100,390**	**116,015**	**(2,761)**	**113,254[3]**

The following table presents the gross amount of Prime Brokerage Receivables and Funded Derivative Assets subject to enforceable master netting agreements, the amount of offsetting, the amount of Funded Derivative Assets not subject to enforceable master netting agreements and the net amount presented in the Consolidated Statement of Financial Position.

Prime Brokerage Receivables are only offset with Prime Brokerage Payables, if the CSS(E)L Group:

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

[1] Represents securities purchased under resale agreements and securities borrowing transactions where a legal opinion supporting the enforceability of netting in the event of default or termination under the agreement is not in place
[2] USD 72,420 million (2012: USD 87,246 million) of the total net amount are reported at fair value.
[3] USD 67,428 (2012: USD 80,235 million) of the total net amount are reported at fair value.

Offsetting of prime brokerage receivables and funded derivative assets

(USD Million)	2013			2012		
CSS(E)L Group	**Gross**	**Offsetting**	**Net**	**Gross**	**Offsetting**	**Net**
Prime brokerage receivables and funded derivative assets						
Prime brokerage receivables subject to enforceable master netting agreements	26,161	(10,780)	15,381	25,393	(10,647)	14,746
Funded derivative assets subject to enforceable master netting agreements	174	-	174	180	-	180
Total subject to enforceable master netting agreements	**26,335**	**(10,780)**	**15,555**	**25,573**	**(10,647)**	**14,926**
Total not subject to enforceable master netting agreements[1]	**-**	**-**	**-**	**1**	**-**	**1**
Total	**26,335**	**(10,780)**	**15,555**	**25,574**	**(10,647)**	**14,927**

(USD Million)	2013			2012		
Company	**Gross**	**Offsetting**	**Net**	**Gross**	**Offsetting**	**Net**
Prime brokerage receivables and funded derivative assets						
Prime brokerage receivables subject to enforceable master netting agreements	26,161	(10,780)	15,381	25,393	(10,647)	14,746
Funded derivative assets subject to enforceable master netting agreements	555	-	555	554	-	554
Total subject to enforceable master netting agreements	**26,716**	**(10,780)**	**15,936**	**25,947**	**(10,647)**	**15,300**
Total not subject to enforceable master netting agreements[1]	**-**	**-**	**-**	**1**	**-**	**1**
Total	**26,716**	**(10,780)**	**15,936**	**25,948**	**(10,647)**	**15,301**

Funded Derivative Assets are recorded in Financial Assets Designated at Fair Value Through Profit and Loss and Prime Brokerage Receivables are recorded in Other Assets in the Consolidated Statement of Financial Position.

The following table presents the gross amount of Prime Brokerage Payables and Funded Derivative Liabilities subject to enforceable master netting agreements, the amount of offsetting, the amount of Funded Derivative Liabilities not subject to enforceable master netting agreements and the net amount presented in the Consolidated Statement of Financial Position.

[1] Represents funded derivative assets where a legal opinion supporting the enforceability of netting in the event of default or termination under the agreement is not in place.

Offsetting of prime brokerage payables and funded derivative liabilities

(USD Million)	2013			2012		
CSS(E)L Group	**Gross**	**Offsetting**	**Net**	**Gross**	**Offsetting**	**Net**
Prime brokerage payables and funded derivative liabilities						
Prime brokerage payables subject to enforceable master netting agreements	23,538	(10,060)	13,478	27,273	(9,718)	17,555
Funded derivative liabilities subject to enforceable master netting agreements	964	-	964	586	-	586
Total subject to enforceable master netting agreements	**24,502**	**(10,060)**	**14,442**	**27,859**	**(9,718)**	**18,141**
Total not subject to enforceable master netting agreements[1]	**66**	**-**	**66**	**429**	**-**	**429**
Total	**24,568**	**(10,060)**	**14,508**	**28,288**	**(9,718)**	**18,570**

(USD Million)	2013			2012		
Company	**Gross**	**Offsetting**	**Net**	**Gross**	**Offsetting**	**Net**
Prime brokerage payables and funded derivative liabilities						
Prime brokerage payables subject to enforceable master netting agreements	23,538	(10,060)	13,478	27,273	(9,718)	17,555
Funded derivative liabilities subject to enforceable master netting agreements	964	-	964	586	-	586
Total subject to enforceable master netting agreements	**24,502**	**(10,060)**	**14,442**	**27,859**	**(9,718)**	**18,141**
Total not subject to enforceable master netting agreements[1]	**53**	**-**	**53**	**429**	**-**	**429**
Total	**24,555**	**(10,060)**	**14,495**	**28,288**	**(9,718)**	**18,570**

Funded Derivative Liabilities are recorded in Financial Liabilities Designated at Fair Value Through Profit and Loss and Prime Brokerage Payables are recorded in Other Liabilities in the Consolidated Statement of Financial Position.

The following table presents the net amount presented in the Consolidated Statement of Financial Position of financial assets and liabilities subject to enforceable master netting agreements and the gross amount of financial instruments and cash collateral not offset in the Consolidated Statement of Financial Position. The gross amount of financial instruments not offset in the Consolidated Statement of Financial Position includes amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in IAS 32.42 as well as non-cash financial collateral. The table excludes derivative instruments, reverse repurchase and repurchase agreements, securities lending and borrowing transactions and funded derivatives not subject to enforceable master netting agreements where a legal opinion supporting the enforceability of netting in the event of default or termination under the agreement is not in place. Net exposure reflects risk mitigation in the form of collateral.

[1] Represents funded derivative assets where a legal opinion supporting the enforceability of netting in the event of default or termination under the agreement is not in place.

Amounts not offset in the Consolidated Statement of Financial Position

CSS(E)L Group (USD Million)	Net[1] 2013	Financial instruments[2] 2013	Cash collateral received/ pledged[2] 2013	**Net exposure 2013**	Net[1] 2012	Financial instruments[2] 2012	Cash collateral received/ pledged[2] 2012	**Net exposure 2012**
Financial assets subject to enforceable master netting agreements								
Derivative instruments	12,599	(11,136)	(1,198)	**265**	14,481	(12,819)	(912)	**750**
Securities purchased under resale agreements	72,628	(72,622)	(6)	**-**	83,659	(83,625)	(34)	**-**
Securities borrowing transactions	35,759	(35,034)	-	**725**	31,620	(30,257)	-	**1,363**
Prime brokerage receivables	15,381	(14,201)	-	**1,180**	14,746	(14,746)	-	**-**
Funded derivative instruments	174	(75)	-	**99**	180	(103)	-	**77**
Total financial assets subject to enforceable master netting agreements	**136,541**	**(133,068)**	**(1,204)**	**2,269**	**144,686**	**(141,550)**	**(946)**	**2,190**
Financial liabilities subject to enforceable master netting agreements								
Derivative instruments	14,039	(10,476)	(742)	**2,821**	15,636	(12,332)	(351)	**2,953**
Securities sold under repurchase agreements	70,480	(70,420)	(60)	**-**	79,002	(78,764)	(238)	**-**
Securities lending transactions	26,606	(24,940)	-	**1,666**	30,424	(28,443)	-	**1,981**
Prime brokerage payables	13,478	-	-	**13,478**	17,555	-	-	**17,555**
Funded derivative instruments	964	(135)	-	**829**	586	(116)	-	**470**
Total financial liabilities subject to enforceable master netting agreements	**125,567**	**(105,971)**	**(802)**	**18,794**	**143,203**	**(119,655)**	**(589)**	**22,959**

[1] Net amount presented in the Consolidated Statement of Financial Position and subject to enforceable master netting agreements, as per the preceding tables.

[2] The total amount reported in financial instruments and cash collateral is limited to the net amount for the related instruments presented in the Consolidated Statement of Financial Position.

Amounts not offset in the Company Statement of Financial Position

Company	2013 Net[1]	2013 Financial instruments[2]	2013 Cash collateral received/ pledged[2]	2013 **Net exposure**	2012 Net[1]	2012 Financial instruments[2]	2012 Cash collateral received/ pledged[2]	2012 **Net exposure**
Financial assets subject to enforceable master netting agreements								
Derivative instruments	13,111	(11,136)	(1,198)	**777**	15,032	(12,821)	(912)	**1,299**
Securities purchased under resale agreements	72,628	(72,622)	(6)	**-**	83,659	(83,625)	(34)	**-**
Securities borrowing transactions	35,759	(35,034)	-	**725**	31,620	(30,257)	-	**1,363**
Prime brokerage receivables	15,381	(14,201)	-	**1,180**	14,746	(14,746)	-	**-**
Funded derivative instruments	555	(75)	-	**480**	554	(103)	-	**451**
Total financial assets subject to enforceable master netting agreements	**137,434**	**(133,068)**	**(1,204)**	**3,162**	**145,611**	**(141,552)**	**(946)**	**3,113**
Financial liabilities subject to enforceable master netting agreements								
Derivative instruments	14,003	(10,476)	(742)	**2,785**	15,600	(12,332)	(351)	**2,917**
Securities sold under repurchase agreements	70,480	(70,420)	(60)	**-**	79,002	(78,764)	(238)	**-**
Securities lending transactions	26,606	(24,940)	-	**1,666**	30,424	(28,443)	-	**1,981**
Prime brokerage payables	13,478	-	-	**13,478**	17,555	-	-	**17,555**
Funded derivative instruments	964	(135)	-	**829**	586	(116)	-	**470**
Total financial liabilities subject to enforceable master netting agreements	**125,531**	**(105,971)**	**(802)**	**18,758**	**143,167**	**(119,655)**	**(589)**	**22,923**

Net exposure is subject to further credit mitigation through the transfer of the exposure to other market counterparties by the general use of CDSs. Therefore the net exposure presented in the table above is not representative for the CSS(E)L Group's counterparty exposure.

[1] Net amount presented in the Company Statement of Financial Position and subject to enforceable master netting agreements, as per the preceding tables.
[2] The total amount reported in financial instruments and cash collateral is limited to the net amount for the related instruments presented in the Company Statement of Financial Position.

41. 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 Prudential Regulation Authority ('PRA'), 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 regulatory deductions for items specified by the regulators, including material holdings of capital instruments issued by banks and investment firms, along with prudential filters, which are adjustments to accounting values for regulatory purposes.

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

During 2013 the Company received no capital injections. In 2012 the Company received a Tier 1 capital injection of USD 3.3 billion to support the business.

The Company made changes to its capital base during the year as follows:

CSS(E)L Group and Company	**2013**	**2012 (Restated)[1]**
Regulatory capital less deductions (USD million)		
Total regulatory capital less deductions at 1 January	**10,786**	**7,428**
Capital injections during the year		
■ Tier 1	-	3,300
■ Tier 2	-	-
Capital restructuring during the year		
■ Tier 1 Capital Instruments (including Share Premium)	-	944
■ Tier 2 Subordinated Loans	-	(900)
Total Capital Injections	**-**	**3,344**
Other movements		
■ Statement of Income and other movements	(531)	(809)
■ Net movement in regulatory deductions and prudential filters	362	823
Total regulatory capital less deductions at 31 December	**10,617**	**10,786**

Under the Basel Committee guidelines, an institution must have a ratio of total eligible capital to aggregate risk-weighted assets of at least 8%, although the PRA requires this ratio to exceed the Individual Capital Guidance ('ICG') determined for each institution. This ratio can also be expressed as a capital coverage ratio, being the ratio of total eligible capital to total capital resources requirements, which must be at least

[1] On 1 January 2013, the CSS(E)L Group adopted amendments to IAS 19 "Employee Benefits" (IAS 19R). Comparative information has been restated accordingly (See Note 2).

100%. The capital resources requirements reflect the credit, market and other risks of the Company calculated using methodologies set out by the PRA.

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

The following table sets out details of the Company's regulatory capital resources at 31 December 2013 and 2012.

Company	**2013**	**2012 (Restated)[1]**
USD million		
Total shareholders' equity	7,680	8,211
Reconciliation to tier 1 capital:		
■ Regulatory Deductions (Intangible Assets and Goodwill)	(11)	(7)
■ Prudential Filters	(554)	(623)
Tier 1 capital less deductions	**7,115**	**7,581**
Tier 2 capital:		
■ Upper Tier 2 – Perpetual Subordinated Debt	1,500	1,500
■ Upper Tier 2 – Available for Sale Equities	24	22
■ Lower Tier 2 – Term Subordinated Debt	1,983	1,983
Excess Tier 2 Capital	-	-
Tier 2 capital	**3,507**	**3,505**
Tier 1 plus Tier 2 capital	10,622	11,086
Deductions	(1)	(299)
Tier 1 plus Tier 2 capital, less deductions	**10,621**	**10,787**
Deductions from total capital:	-	-
■ Free Deliveries	(4)	(1)
Total regulatory capital less deductions	**10,617**	**10,786**

In December 2010, the Basel Committee on Banking Supervision 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. This was designed to strengthen the resilience of the banking sector. There were subsequent refinements to this framework. The new capital standards and capital buffers require banks to hold more capital, mainly in the form of common equity. Basel III was implemented in the EU by amendment to the Capital Requirements Directive ('CRD') and applies to both banks and investment firms. This has taken the form of a regulation and a directive with effect from 1 January 2014.

42. PRA Pillar 3 disclosures

Pillar 3 disclosures required by the UK implementation of Basel II under PRA rules can be found separately at www.credit-suisse.com

[1] On 1 January 2013, the CSS(E)L Group adopted amendments to IAS 19 "Employee Benefits" (IAS 19R). Comparative information has been restated accordingly (See Note 2).

43. Country-by-Country Reporting

The information relating to Country-by-Country reporting, required by Article 89 of Directive 2013/36/EU ('Capital Requirements Directive'), will be published at www.credit-suisse.com on or before 1 July 2014.

44. Subsequent Events

In February 2014, CSG provided employees who hold outstanding 2011 Partner Asset Facility ('PAF2') awards with the opportunity to exchange their PAF2 awards. PAF2 awards were linked to a portfolio of CSG's credit exposures, providing risk offset and capital relief. Due to regulatory changes, this capital relief was no longer available after December 31, 2013. As a result, CSG terminated the PAF2 awards and exchanged them at fair value for other compensation awards. Refer to Note 30 – Share-based Compensation and other Compensation Benefits for further information on the exchange of PAF2 awards.

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