Credit Suisse International

Annual Report 2011

Board of Directors

Fawzi Kyriakos-Saad (Chairman and CEO)
Costas P Michaelides
Eric Varvel
James Henry Leigh Pemberton
Rudolf Bless
Tobias Guldimann
Chris Carpmael
Noreen Doyle (Non-Executive)
Stephen Kingsley (Non-Executive)

Company Secretary

Paul E Hare

Directors' Report for the Year ended 31 December 2011

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

International Financial Reporting Standards

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

The Financial Statements for the year ended 31 December 2011 comprise Credit Suisse International ('CSi' or the 'Bank') and its subsidiaries together referred to as the 'CSi group'.

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

Business Review

Profile

Credit Suisse Group AG ('CSG'), a company domiciled in Switzerland, is the ultimate parent of a worldwide group of companies (collectively referred to as the 'CS group') specializing in Investment Banking, Private Banking and Asset Management. CSi is authorised under the Financial Services and Markets Act 2000 by the Financial Services Authority ('FSA').

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 clients through three divisions, Investment Banking, Private Banking and Asset Management, which co-operate closely to provide holistic financial solutions based on innovative products and specially tailored advice. Founded in 1856, CS group has a truly global reach today, with operations in over 50 countries and a team of more than 49,700 employees from approximately 100 different nations.

CSG prepares financial statements under US Generally Accepted Accounting Principles ('US GAAP'). These accounts are publicly available and can be found at www.credit-suisse.com. CSi is an unlimited liability company and an indirect wholly owned subsidiary of CSG.

CSi is a bank domiciled in the United Kingdom. It is a global market leader in over-the-counter ('OTC') derivative products from the standpoints of counterparty service, innovation, product range and geographic scope of operations. CSi offers a range of interest rate, currency, equity, commodity and credit-related OTC derivatives and certain securitised products. CSi's business is primarily client-driven, focusing on transactions that address the broad financing, risk management and investment concerns of its worldwide client base. CSi enters into derivative contracts in the normal course of business for market-making, positioning and arbitrage purposes, as well as for risk management needs, including mitigation of interest rate, foreign currency and credit risk.

Principal products/Principal product areas

The CSi group has three principal business divisions: Fixed Income, Equities and Investment Banking, which are managed as a part of the Investment Banking Division of CS group:

- The Fixed Income Division ('FID') provides a complete range of derivative products including forward rate agreements, interest rate and currency swaps, interest rate options, bond options, 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, 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, options and futures and OTC derivatives.
- The Investment Banking Division ('IBD') includes 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 FID and Equities, capital raising services.

Economic environment

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

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

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

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

The US Federal Reserve ('Fed') maintained interest rates unchanged through the year and completed its plan to purchase USD 60 billion of long-term treasuries in an effort to stimulate the economic recovery. The Fed announced it would keep short-term interest rates at low levels through mid-2013 and changed the composition of its US treasury securities holdings to hold a greater proportion of longer maturities.

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

In 2011, the indebtedness of several developed countries was cause for substantial concern. In the third quarter, the ratings agency, Standard & Poor's, downgraded the US long-term debt rating to AA+.

Several European countries also had their ratings downgraded, and Italian and Spanish government bond spreads reached new highs, while German bond yields fell to record lows. Greece remained an open issue with Eurozone leaders moving to increase the haircut on Greek government bonds held by private investors. In July, the Eurozone and EU finance ministers agreed to increase the effective capacity of the European Financial Stability Facility and to widen the scope of its mandate.

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

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

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

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

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

Sector environment

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

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

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

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

Performance

For the year ended 31 December 2011, the CSi group reported a net loss attributable to shareholders of USD 278 million (2010: USD 103 million profit). Net revenues amounted to USD 1,786 million (2010: USD 2,244 million). After operating expenses the CSi group reported a loss before tax of USD 193 million (2010: USD 331 million profit).

Included in net revenues for the year of 2011 was a USD 210 million charge as a result of a change in estimate relating to the use of Overnight Indexed Swap ('OIS') interest rate yield curves, instead of other reference rates such as London Interbank Offered Rate ('LIBOR'), in determining the fair value of certain collateralised derivatives. This was based on the regular review of observable parameters used in pricing models.

The 2011 financial performance of the CSi group was markedly impacted by the severe dislocation in markets which had the following features:

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

Fixed Income revenues fell in 2011 by 24% to USD 1,767 million compared to December 2010. This includes the impact of OIS as described above. The Fixed Income businesses were impacted by deteriorating market conditions in the year driven by increased uncertainty over the European sovereign debt crises, the US Government borrowing ceiling, and concern over the future regulatory environment.

Equity revenues were USD 744 million, a decrease of 17% compared to December 2010. The first half of the year was characterised by good performance in Equity Derivatives (both Structured and Flow Derivatives businesses). However, in the second half of the year, the Equity Derivatives Flow business suffered as a result of decreased market activity and reduced spreads in a competitive market.

Investment Banking revenues were USD 227 million which were consistent with the prior year.

Included in net revenues are valuation gains of USD 184 million (2010: USD 14 million loss) as a result of fair value changes in financial liabilities due to changes in the CSi group's own creditworthiness.

Net revenues also include revenue sharing agreements with other CS group companies and the CSi group recognised for the year an expense of USD 459 million (2010: USD 1,052 million). Also, net revenues include an expense of USD 540 million relating to Treasury Funding charges (2010: USD 436 million). This increased cost of USD 104 million was due to more expensive long term funding that was obtained mid-way through 2010 to replace a portion of the short term borrowings in response to the UK liquidity requirements.

The CSi group's operating expenses were USD 1,979 million (2010: USD 1,913 million). Compensation costs have decreased by USD 247 million in 2011 which primarily reflects the impact of the one-time UK Bonus tax charge of USD 174 million in 2010, and lower level of bonus accruals in 2011. General and administrative expenses increased by USD 313 million, predominantly as a result of an increase in overhead expenses allocated from CS group which included an increase in costs associated with regulatory compliance initiatives.

The effective tax rate was -44.0% for the year ended 31 December 2011. The effective tax rate differs from the statutory rate primarily due to the decrease of the deferred tax asset as a result of the change in statutory tax rate. The effective tax rate for the similar period in 2010 was 68.9%. In that period the effective tax rate was higher than the statutory rate primarily due to the impact of the UK bonus tax which was not deductible for tax purposes and the write-down of the deferred tax asset due to a change in the UK corporation tax rate.

During 2011 the UK Government introduced a new tax, the UK Bank Levy, for all Banks and Banking groups operating in the UK. The tax is charged on a firm's liabilities as at the statement of financial position date (i.e. 31 December 2011) at a rate of 7.5 basis points for all short-term liabilities and 3.75 basis points for long-term liabilities. CSi has recognised an expense of USD 43.7 million in 2011 for UK Bank Levy. The rates announced for 2012 are 8.8 basis points for short term liabilities and 4.4 basis points for long term liabilities.

As at 31 December 2011, the CSi group had total assets of USD 712,409 million (31 December 2010: USD 577,438 million as restated for the change in accounting policy from trade date accounting to settlement date accounting) and total shareholders' equity of USD 11,135 million (31 December 2010: USD 11,413 million).

Off-Balance Sheet arrangements are highlighted in Note 34 - Guarantees and Commitments and Note 35 - Securitisations, Special Purpose Entities and Other Structured Transactions.

Outlook

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

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

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

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

The impact of these actions will provide the CSi group with substantial opportunity for growth and stronger overall performance, particularly when economic and market conditions improve.

Fair Value Measurement

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

Total Level 3 assets were USD 20.5 billion as at 31 December 2011 (31 December 2010: USD 20.0 billion as restated), which was equivalent to 2.88% of total assets.

Total Level 3 liabilities were USD 15.5 billion as at 31 December 2011 (31 December 2010: USD 20.1 billion as restated), which was equivalent to 2.21% of total liabilities.

The increase in Level 3 assets was driven by valuation increases and transfers to Level 3 across a range of businesses, offset by asset disposals.

The decrease in Level 3 liabilities was principally driven by buybacks/expiries and transfers out of Level 3 due to improved pricing procedures and liquidity across a range of businesses.

Selected European credit risk exposures

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

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

31 December 2011	Sovereign		Financial Institutions		Corporate	
USD Billions	Gross Exposure	Net Exposure	Gross Exposure	Net Exposure	Gross Exposure	Net Exposure
Greece	0.2	0.1	0.1	-	0.1	-
Ireland	0.1	-	1.7	0.2	0.5	0.3
Italy	4.3	0.4	2.7	1.1	0.4	0.4
Portugal	0.1	-	0.3	0.1	0.1	0.1
Spain	-	-	1.5	0.7	1.2	0.9
Total	**4.7**	**0.5**	**6.3**	**2.1**	**2.3**	**1.7**

Capital Resources

The Bank has access to capital and funding from CS group to ensure ongoing stability and support of its business activities. The Bank continues to closely monitor its capital and funding requirements on a daily basis. CS group has confirmed that it will ensure that the Bank is able to meet its debt obligations and maintain a sound financial position over the foreseeable future.

Issues of long-term debt are set out in Note 27 - Long Term Debt.

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

The capital in CSi was restructured post year end; refer to Note 43 - Subsequent Events.

Subsidiary Undertakings and Branches

Credit Suisse First Boston International Warrants Limited was put into members' voluntary liquidation during 2005 by the Bank, and remains in liquidation (refer to Note 21 - Significant Subsidiaries and Equity Method Investments).

Dividends

No dividends were paid or are proposed for the year ended 31 December 2011 (2010: USD Nil).

Risk management (Audited except where specifically noted)

Overview

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

Risk governance

The prudent taking of risk in line with CS group's strategic priorities is fundamental to its business as a leading global bank. To meet the challenges in a fast changing industry with new market players and

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

Risk organisation

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

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

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

Committees are implemented at a senior management level to support risk management. The Risk Processes and Standards Committee is responsible for establishing and approving standards regarding risk management and risk measurement, including methodology and parameters. The Credit Portfolio and Provisions Review Committee review the quality of the credit portfolio with a focus on the development of impaired assets and the assessment of related provisions and valuation allowances. The Reputational Risk and Sustainability Committee sets policies, and reviews processes and significant cases relating to

reputational risks. There are also Divisional Risk Management Committees ('RMC'), which manage risk on a divisional basis.

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

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

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

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

Risk limits

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

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

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

The CSi group's financial risk management objectives and policies and the exposure of the CSi group to market risk, credit risk, liquidity risk and currency risk are outlined in Note 39 - Financial Instruments Risk Positions.

Economic capital and position risk

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

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

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

As at 31 December 2011 the 99% Position risk was USD 2,816 million (2010: USD 3,257 million) for the CSi group which was within the agreed limit set by CSi group board of directors[1].

Directors

The names of the directors as at the date of this report are set out on page 2. Changes in the directorate since 31 December 2010 and up to the date of this report are as follows:

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

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

[1] Unaudited

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

Internal Control and Financial Reporting

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

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

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

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

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 of the Bank delegates certain functions and responsibilities to the following Board committees:

Credit Suisse International Disclosure Committee

The purpose of the Committee is to ensure compliance with the EU Prospectus and Transparency directives in relation to the listing by the Bank of debt securities on European exchanges. The Committee reviews and updates the Bank's disclosure document and ongoing disclosure requirements so as to provide investors with all such information as may reasonably be required to make an informed assessment of the Bank as an issuer of debt securities.

Credit Suisse International Audit Committee

The purpose of the Committee is to:

- review the Internal Audit Plan to ensure its adequacy, as it pertains to the Bank;
- review reports on systems of accounting, internal controls, and compliance with regulatory and legal requirements, and on litigation;
- review reports on quality and accuracy of financial reporting to external bodies;
- review other Internal Audit, regulatory examination reports and External Audit reports / management letters;

- review the Annual Financial Statements on behalf of the Board;
- report significant issues to the Board.

Disclosure of Information to Auditors

The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the CSi 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 the CSi group's auditors are aware of that information.

Employment of Disabled Persons

The CSi group adopts the CS Group's policies relating to the 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 the CSi group made USD 11,450 (2010: USD 18,585) of charitable donations. There were no political donations made by the CSi group during the year (2010: USD Nil).

Auditors

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

Business Combination

On 30 April 2011, Credit Suisse completed the acquisition of ABN AMRO Bank's (formerly Fortis Bank Netherland) Prime Fund Services ('PFS') hedge fund administration business, a global leader in hedge fund administration services. As a part of this transaction the Bank has opened a new Dublin branch to house some of this business (Refer to Note 40 - Business Combination).

Subsequent Events

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

In anticipation of the implementation of Basel III, the capital in CSi was restructured in February 2012. All classes of preference shares (held by CS Group AG ('CSG'), Credit Suisse Investments (UK) ('CSI (UK)'), and Credit Suisse PSL GmbH ('PSL')) amounting to USD 5.235 billion and all callable subordinated loans (issued by PSL & Credit Suisse First Boston Finance B.V. (Fin BV')) amounting to approximately USD 2.964 billion have been redeemed and replaced by new participating shares, i.e. ordinary shares with no voting rights.

In addition, on 29 February 2012, USD 500 million was injected into CSi in the form of new participating shares which will contribute to core Tier 1 equity.

In the budget announcement of 21 March 2012, the UK government announced its intention to further reduce the corporation tax rate by 1% with effect from 1 April 2012. This rate reduction was substantively enacted on 26 March 2012. If this rate reduction had been substantively enacted as at 31 December 2011 it would have had the impact of decreasing the deferred tax asset recorded by USD 68 million.

By Order of the Board

Paul E Hare
Company Secretary

One Cabot Square
London E14 4QJ
29 March 2012

COMPANY REGISTRATION NUMBER: 2500199

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report of the CSi group and the Bank in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and Bank financial statements for each financial year. Under that law they have elected to prepare both the CSi group and Bank financial statements in accordance with IFRS as adopted by the EU and applicable law.

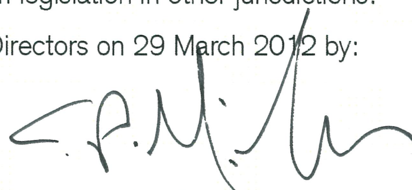
Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the CSi group and Bank and of their profit or loss for that period. In preparing each of the CSi group and Bank financial statements, the 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 IFRS as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the CSi group and the Bank will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the CSi group and Bank's transactions and disclose with reasonable accuracy at any time the financial position of the CSi group and Bank 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 CSi 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 Bank's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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



Costas P. Michaelides

Director

Independent Auditor's Report to the Members of Credit Suisse International

We have audited the financial statements of Credit Suisse International for the year ended 31 December 2011 set out on pages 20 to 148. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU and, as regards the parent company ("the Bank") financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Bank'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 Bank'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 Bank and the Bank's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditors

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 APB's web-site at http://www.frc.org.uk/apb/scope/private.cfm

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the CSi group's and of the Bank's affairs as at 31 December 2011 and of the CSi group's loss for the year then ended;
- the CSi group financial statements have been properly prepared in accordance with IFRS as adopted by the EU;
- the Bank financial statements have been properly prepared in accordance with IFRS as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the CSi group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the Bank, or returns adequate for our audit have not been received from branches not visited by us; or
- the Bank 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.

H R Horgan
(Senior Statutory Auditor)

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

Consolidated Statement of Income for the Year ended 31 December 2011

	Reference to note	2011	2010
Consolidated statement of income (USD million)			
Interest income	5	1,285	1,118
Interest expense	5	(1,367)	(1,034)
Net interest (expense)/income		(82)	84
Commission and fee income	6	184	147
Commission and fee expense	6	(222)	(184)
Net commission and fee expense		(38)	(37)
(Provision)/Release of provision for credit losses	7	(23)	53
Net gains from financial assets/liabilities at fair value through profit or loss	8	2,399	3,178
Income from equity method investments		9	18
Revenue sharing agreements expense	9	(459)	(1,052)
Gain arising on business combination	40	4	-
Other expenses		(24)	-
Net revenues		**1,786**	**2,244**
Compensation and benefits	10	(465)	(712)
General and administrative expenses	11	(1,514)	(1,201)
Total operating expenses		**(1,979)**	**(1,913)**
(Loss)/Profit before taxes		**(193)**	**331**
Income tax expense	12	(85)	(228)
Net (loss)/profit attributable to Credit Suisse International shareholders		**(278)**	**103**

(Loss)/Profit for both 2011 and 2010 is from continuing operations.

The Bank's loss after tax was USD (272) million for the year ended 31 December 2011 (2010: Profit USD 107 million). As permitted by s408 of the Companies Act 2006, no separate income statement is presented in respect of the Bank.

There are no other comprehensive incomes or expenses not included within the Consolidated Statement of Income.

The notes on pages 27 to 148 form an integral part of the Financial Statements.

Consolidated Statement of Financial Position as at 31 December 2011

	Reference to note	2011	2010 (restated)[1]	1 Jan 2010 (restated)[1]
Assets (USD million)				
Cash and due from banks		14,795	20,863	19,130
Interest-bearing deposits with banks		1,496	127	255
Securities purchased under resale agreements and securities borrowing transactions	14	29,406	16,132	19,337
Trading financial assets at fair value through profit or loss	15	574,734	459,503	459,303
of which positive market values from derivative instruments		529,346	406,719	409,898
Financial assets designated at fair value through profit or loss	16	18,701	24,479	29,681
Other loans and receivables	17	14,343	5,519	6,234
Equity method investments	21	-	647	-
Other investments		31	36	-
Investment property	18	561	652	34
Current tax assets		51	221	224
Deferred tax assets	13	1,843	1,935	2,148
Other assets	19	55,744	46,717	39,444
Intangible assets	22	407	325	256
Property and equipment	23	297	282	275
Total assets		**712,409**	**577,438**	**576,321**
Liabilities and shareholders' equity (USD million)				
Deposits	24	4,451	2,733	2,231
Securities sold under repurchase agreements and securities lending transactions	14	6,971	7,885	4,120
Trading financial liabilities at fair value through profit or loss	15	551,224	434,300	438,032
of which negative market values from derivative instruments		540,734	418,227	420,099
Financial liabilities designated at fair value through profit or loss	16	31,352	34,142	43,071
Short term borrowings	25	32,742	19,024	28,038
Other liabilities	19	42,835	37,494	37,191
Provisions	26	26	18	40
Long term debt	27	31,673	30,429	12,788
Total liabilities		**701,274**	**566,025**	**565,511**
Shareholders' equity				
Called-up share capital	28	9,625	9,625	9,125
Share premium account	28	1,016	1,016	4,868
Retained earnings		494	772	(3,183)
Total shareholders' equity		**11,135**	**11,413**	**10,810**
Total liabilities and shareholders' equity		**712,409**	**577,438**	**576,321**

The notes on pages 27 to 148 form an integral part of the Financial Statements.

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

Costas P. Michaelides

Director

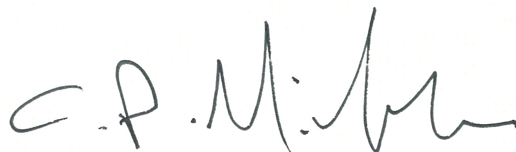
1. On 1 January 2011, the CSi group voluntarily adopted settlement date accounting for regular-way trading securities replacing trade date accounting. Comparative information has been restated accordingly (See Note 2(b)).

Bank Statement of Financial Position As at 31 December 2011

	Reference to note	2011	2010 (restated)[1]	1 Jan 2010 (restated)[1]
Assets (USD million)				
Cash and due from banks		14,750	20,691	18,641
Interest-bearing deposits with banks		1,496	110	238
Securities purchased under resale agreements and securities borrowing transactions	14	29,406	16,132	19,337
Trading financial assets at fair value through profit or loss	15	574,953	460,442	459,343
of which positive market values from derivative instruments		530,064	407,305	410,761
Financial assets designated at fair value through profit or loss	16	18,701	26,276	29,924
Other loans and receivables	17	14,348	5,519	6,234
Current tax assets		51	138	204
Deferred tax assets	13	1,843	1,935	2,148
Other assets	19	56,066	48,240	40,909
Investments in subsidiary undertakings	21	10	27	27
Intangible assets	22	407	325	256
Property and equipment	23	281	282	275
Total assets		**712,312**	**580,117**	**577,536**
Liabilities and shareholders' equity (USD million)				
Deposits	24	4,451	2,731	2,195
Securities sold under repurchase agreements and securities lending transactions	14	6,971	7,885	4,120
Trading financial liabilities at fair value through profit or loss	15	551,916	434,783	438,365
of which negative market values from derivative instruments		541,427	418,710	420,432
Financial liabilities designated at fair value through profit or loss	16	30,298	34,857	42,727
Short term borrowings	25	32,766	19,262	28,300
Other liabilities	19	43,137	38,797	38,234
Provisions	26	26	18	40
Long term debt	27	31,645	30,410	12,788
Total liabilities		**701,210**	**568,743**	**566,769**
Shareholders' equity				
Called-up share capital	28	9,625	9,625	9,125
Share premium account	28	1,016	1,016	4,868
Retained earnings		461	733	(3,226)
Total shareholders' equity		**11,102**	**11,374**	**10,767**
Total liabilities and shareholders' equity		**712,312**	**580,117**	**577,536**

The notes on pages 27 to 148 form an integral part of the Financial Statements.

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



Costas P. Michaelides

Director

1. On 1 January 2011, the CSi group voluntarily adopted settlement date accounting for regular-way trading securities replacing trade date accounting. Comparative information has been restated accordingly (See Note 2(b)).

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

Consolidated statement of changes in equity (USD million)	Share Capital	Share Premium	Retained Earnings	Total
Balance at 1 January 2011	**9,625**	**1,016**	**772**	**11,413**
Loss for the period	-	-	(278)	(278)
Balance at 31 December 2011	**9,625**	**1,016**	**494**	**11,135**

Consolidated statement of changes in equity (USD million)	Share Capital	Share Premium	Retained Earnings	Total
Balance at 1 January 2010	**9,125**	**4,868**	**(3,183)**	**10,810**
Profit for the period	-	-	103	103
Capital restructuring (refer to Note 28)	-	(3,852)	3,852	-
Issue of shares	500	-	-	500
Balance at 31 December 2010	**9,625**	**1,016**	**772**	**11,413**

There were no dividends paid during 2011 (2010: Nil).

The notes on pages 27 to 148 form an integral part of the Financial Statements.

Bank Statement of Changes in Equity for the Year ended 31 December 2011

	Share Capital	Share Premium	Retained Earnings	Total
Consolidated statement of changes in equity (USD million)				
Balance at 1 January 2011	**9,625**	**1,016**	**733**	**11,374**
Loss for the period	-	-	(272)	(272)
Balance at 31 December 2011	**9,625**	**1,016**	**461**	**11,102**

	Share Capital	Share Premium	Retained Earnings	Total
Consolidated statement of changes in equity (USD million)				
Balance at 1 January 2010	**9,125**	**4,868**	**(3,226)**	**10,767**
Profit for the period	-	-	107	107
Capital restructuring (refer Note 28)	-	(3,852)	3,852	-
Issue of shares	500	-	-	500
Balance at 31 December 2010	**9,625**	**1,016**	**733**	**11,374**

There were no dividends paid during 2011 (2010: Nil).

The notes on pages 27 to 148 form an integral part of the Financial Statements.

Consolidated Statement of Cash Flows For the Year ended 31 December 2011

	Reference to notes	2011	2010 (restated)[1]
Cash flows from operating activities (USD million)			
(Loss)/Profit before tax for the period		(193)	331
Adjustments to reconcile net profit to net cash used in operating activities			
Non-cash items included in net (loss)/profit before tax and other adjustments:			
■ Impairment, depreciation and amortisation	22,23	196	163
■ Disposal of property and equipment	23	2	1
■ Disposal of intangible assets	22	1	-
■ Accrued interest on long term debt	5	685	557
■ Interest accrued on tax balances		-	(22)
■ Provision for credit losses/(Release of allowance for loan losses)	7	23	(53)
■ (Impairment)Reversal on loan commitments		(1)	1
■ Foreign exchange (losses)/gains		(481)	512
■ Impairment on investment property	18	63	11
■ Provisions	26	18	3
■ Gain on acquisition of PFS business (net of cash acquired)	40	(4)	-
■ Income from equity method investment	21	(9)	-
Cash generated before changes in operating assets and liabilities		**300**	**1,504**
Net (increase)/decrease in operating assets:			
■ Securities purchased under resale agreements and securities borrowing transactions		(13,274)	3,205
■ Trading financial assets at fair value through profit or loss		(115,226)	(665)
■ Financial assets designated at fair value through profit or loss		5,934	5,202
■ Investment property		-	(652)
■ Disposal of repossessed collateral		-	23
■ Other loans and receivables		(8,452)	768
■ Other assets		(9,020)	(4,861)
Net (increase)/decrease in operating assets		**(140,038)**	**3,020**
Net increase/(decrease) in operating liabilities:			
■ Deposits		719	5
■ Securities sold under repurchase agreements and securities lending transactions		(914)	3,765
■ Trading financial liabilities		116,923	(3,353)
■ Financial liabilities designated at fair value through profit or loss		(2,944)	(8,929)
■ Short term borrowings		13,718	(9,014)
■ Other liabilities and provisions		5,385	(2,648)
■ Share-based compensation		(55)	(83)
Net increase/(decrease) in operating liabilities		**132,832**	**(20,257)**
Income taxes refund		180	85
Income taxes paid		(4)	(85)
Net cash used in operating activities		**(6,730)**	**(15,733)**
Cash flows from investing activities (USD million)			
Capital expenditures for property, equipment and intangible assets	22,23	(278)	(240)
Sale of equity method investment	21	656	-
Acquisition of PFS business (net of cash acquired)	40	(410)	-
Net cash used in investing activities		**(32)**	**(240)**
Cash flows from financing activities (USD million)			
Issuances of long term debt (including designated at fair value through profit or loss)		2,977	16,724
Repayments of long term debt (including designated at fair value through profit or loss)		(1,913)	(143)
Issue of shares	28	-	500
Net cash provided by financing activities		**1,064**	**17,081**
Net (decrease)/increase in cash and due from banks		**(5,698)**	**1,108**
Cash and due from banks at beginning of period		18,266	17,158
Cash and due from banks at end of period		**12,568**	**18,266**
Cash and due from banks		14,795	20,863
Interest-bearing deposits with banks		1,496	127
Demand deposits	24	(3,723)	(2,724)
Cash and due from banks at end of period		**12,568**	**18,266**

1. On 1 January 2011, the CSi group voluntarily adopted settlement date accounting for regular-way trading securities replacing trade date accounting. Comparative information has been restated accordingly (See Note 2(b)).

Bank Statement of Cash Flows For the Year ended 31 December 2011

	Reference to notes	2011	2010 (restated)[1]
Cash flows from operating activities (USD million)			
(Loss)/Profit before tax for the period		(187)	335
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	22,23	196	163
■ Disposal of property and equipment	23	2	1
■ Disposal of intangible assets	22	1	-
■ Accrued interest on long term debt	5	685	557
■ Interest accrued on tax balances		-	(22)
■ Provision for credit losses/(Release of allowance for loan losses)	7	23	(53)
■ (Impairment)/Reversal on loan commitment		(1)	1
■ Foreign exchange (losses)/gains		(512)	511
■ Provisions	26	18	3
■ Gain on acquisition of PFS business (net of cash acquired)	40	(4)	-
Cash generated before changes in operating assets and liabilities		**221**	**1,496**
Net (increase)/decrease in operating assets:			
■ Securities purchased under resale agreements and securities borrowing transactions		(13,274)	3,205
■ Trading financial assets at fair value through profit or loss		(114,542)	(882)
■ Financial assets designated at fair value through profit or loss		7,731	3,648
■ Other loans and receivables		(8,458)	768
■ Other assets		(7,786)	(4,919)
Net (increase)/decrease in operating assets		**(136,329)**	**1,820**
Net increase/(decrease) in operating liabilities:			
■ Deposits		719	5
■ Securities sold under repurchase agreements and securities lending transactions		(914)	3,765
■ Trading financial liabilities		117,133	(3,203)
■ Financial liabilities designated at fair value through profit or loss		(4,713)	(7,870)
■ Short term borrowings		13,504	(9,037)
■ Other liabilities and provisions		4,379	(2,385)
■ Share-based compensation		(52)	(86)
Net increase/(decrease) in operating liabilities		**130,056**	**(18,811)**
Income taxes refund		97	66
Income taxes paid		(4)	(1)
Net cash used in operating activities		**(5,959)**	**(15,430)**
Cash flows from investing activities (USD million)			
Capital expenditures for property, equipment and intangible assets	22,23	(263)	(240)
Acquisition of PFS business (net of cash acquired)	40	(410)	-
Investment in subsidiary	21	17	-
Net cash used in investing activities		**(656)**	**(240)**
Cash flows from financing activities (USD million)			
Issuances of long term debt (including designated at fair value through profit or loss)		2,954	16,704
Repayments of long term debt (including designated at fair value through profit or loss)		(1,895)	(143)
Issue of shares	28	-	500
Net cash provided by financing activities		**1,059**	**17,061**
Net (decrease)/increase in cash and due from banks		**(5,556)**	**1,391**
Cash and due from banks at beginning of period		18,079	16,688
Cash and due from banks at end of period		**12,523**	**18,079**
Cash and due from banks		14,750	20,691
Interest-bearing deposits with banks		1,496	110
Demand deposits	24	(3,723)	(2,722)
Cash and due from banks at end of period		**12,523**	**18,079**

1. On 1 January 2011, the CSi group voluntarily adopted settlement date accounting for regular-way trading securities replacing trade date accounting. Comparative information has been restated accordingly (See Note 2(b)).

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

1. General

Credit Suisse International ('CSi' or the 'Bank') is a bank domiciled in the United Kingdom. The address of the Bank's registered office is One Cabot Square, London, E14 4QJ. The Consolidated Financial Statements for the year ended 31 December 2011 comprise CSi and its subsidiaries (together referred to as the 'CSi group').

2. Significant Accounting Policies

a) Statement of compliance

Both the Bank financial statements and the CSi 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 IFRS'). On publishing the parent company financial statements here together with the CSi group financial statements, the Bank is taking advantage of the exemption in s408 of the Companies Act 2006 not to present its individual Statement of Income and related notes.

b) Basis of preparation

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

The preparation of financial statements in conformity with adopted IFRS requires management to make judgments, 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 judgments 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 judgments applied to these Financial Statements are set out in Note 3-Critical Accounting Estimates and Judgments 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 CSi group and Bank have unrestricted and direct access to funding sources from CSG. After making enquiries of the CSG, the Directors of the Bank have received confirmation that CSG will ensure that the Bank maintains a sound financial position and is able to meet its debt obligations for the foreseeable future. Accordingly the Directors have prepared these accounts on a going concern basis.

Settlement date accounting: Under IAS 39, "Financial Instruments: Recognition and Measurement" (IAS 39) an entity is required to recognise a financial asset or a financial liability in its statement of financial position when, and only when, the entity becomes a party to the contractual provisions of the instrument. IAS 39 permits a choice between trade date and settlement date accounting for recording regular way transactions.

During 2011, CSi has changed its accounting for regular way trading securities transactions from trade date to settlement date accounting. This is considered by the directors to show a more relevant and reliable representation of the assets and liabilities of the Bank at the statement of financial position date for the following reasons:

- It applies a consistent basis for the recognition of all financial instruments at the time at which the contract has been settled, consummated or delivery has otherwise been perfected, and
- It defers the recognition of assets on the statement of financial position at a time when CSi is still exposed to settlement risks.
- In accordance with IAS 39 movements in fair value between trade date and settlement date are reflected as they occur, with the movement in fair value taken through profit or loss.

Changes have been applied retrospectively in accordance with IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors" (IAS 8) resulting in the restatement of prior year financial information. As a result of the voluntary accounting policy change the following changes have been made to the financial statements as at 31 December 2010 and 1 January 2010: Trading financial assets at fair value through profit or loss has decreased by USD 387 million and USD 217 million, Other assets decreased by USD 1,094 million and USD 2,412 million, Trading financial liabilities at fair value through profit or loss decreased/(increased) by USD 279 million and USD (379) million, Other liabilities decreased by USD 1,202 million and USD 3,008 million.

The impact of the voluntary accounting policy change on the current year is as follows: Trading financial assets at fair value through profit or loss has increased by USD 943 million, Other assets decreased by USD 3,144 million, Trading financial liabilities at fair value through profit or loss decreased by USD 487 million and Other liabilities decreased by USD 1,714 million.

Standards and Interpretations effective in the current period

The CSi group has adopted the following amendments and interpretation in the current year:

- Revised IAS 24 Related Party Disclosures: In November 2009, the IASB issued revisions to IAS 24, "Related Party Disclosures" (IAS 24). The objective of the revised IAS 24 is to simplify and ensure that an entity's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and profit or loss may have been affected by the existence of related parties and by transactions and outstanding balances with such parties. The CSi group has adopted the revisions to IAS 24 and did not have a material impact on the existing related party disclosures. For further information, refer to Note 31 - Related Parties.

- Improvements to IFRS 2010: In May 2010, the IFRS issued 'Improvements to IFRS', which contains 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 IFRS standards. The adoption of 'Improvements to IFRS's did not have a material impact on the CSi group's financial position, results of operations or cash flows. The disclosures required as a result of adoption are included in the notes to the financial statements for the year ending 31 December 2011. For further information, refer to Note 39 - Financial Instruments Risk Position.

- Prepayments of a minimum funding requirement (Amendments to IFRIC 14): In November 2009, the IASB issued 'Prepayments of a Minimum Funding Requirement' (Amendments to IFRIC 14).

The adoption of Amendments to IFRIC 14 did not have a material impact on the CSi group's financial position, results of operations or cash flows.

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

Standards and Interpretations endorsed by the EU and not yet effective

The CSi group is not required to adopt the following standards and interpretations which are issued by the IASB but not yet effective.

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

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

The CSi group is not required to adopt the following standards and interpretations which are issued by the IASB but not yet effective and have not yet been endorsed by the EU.

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

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

- IFRS 12 Disclosure of Interests in Other Entities: In May 2011, the IASB issued IFRS 12 "Disclosures of Interests in Other Entities" (IFRS 12). IFRS 12 requires entities to disclose information that enables users of the financial statement to evaluate the nature of and any associated risks of its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows. IFRS 12 requires disclosure requirements for subsidiaries, joint arrangements and associates and introduces new requirements for unconsolidated structured entities. IFRS 12 is effective for annual periods beginning on or after 1

January 2013. As IFRS 12 requires disclosures only it will not have a material impact on the CSi group's financial position, results of operation or cash flows.

- IFRS 9 Financial Instruments: In November 2009 the IASB issued IFRS 9 "Financial Instruments" (IFRS 9) covering the classification and measurement of financial assets which introduces new requirements for classifying and measuring financial assets In October 2010, the IASB reissued IFRS 9, which incorporated new requirements on the accounting for financial liabilities. The effective date of IFRS 9 was revised in December 2011, making it applicable for annual periods beginning 1 January 2015. The CSi group is currently evaluating the impact of adopting IFRS 9.

- IFRS 13 Fair Value Measurement: In May 2011, the IASB issued IFRS 13 "Fair Value Measurement" (IFRS 13). IFRS 13 defines fair value, sets out a framework for measuring fair value and requires disclosure requirements about fair value measurements. IFRS 13 applies to IFRSs that require or permit fair value measurements or disclosures about fair value measurements, except in specified circumstances. IFRS 13 is effective for annual periods beginning on or after 1 January 2013. The CSi group is currently evaluating the impact of adopting IFRS 13.

- IFRS 7 Disclosures- Offsetting Financial Assets and Financial Liabilities: In December 2011, the IASB issued amendments to IFRS 7 "Disclosures – Offsetting Financial Assets and Financial Liabilities" (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 are effective for annual periods beginning on or after 1 January 2013. As the amendment requires disclosures only it will not have a material impact on the CSi group's financial position, results of operations or cash flows.

- IAS 32 Offsetting Financial Assets and Financial Liabilities: - In December 2011, the IASB issued amendments to IAS 32 "Offsetting Financial Assets and Financial Liabilities" (IAS 32). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 'Financial Instruments – Presentation'. The amendments are effective for annual periods beginning on or after 1 January 2014. The CSi group is currently evaluating the impact of adopting the IAS 32 amendments.

- Amendments to IAS 1 Presentation of Items of Other Comprehensive Income: In June 2011, the IASB issued Presentation of Items of Other Comprehensive Income (Amendments to IAS 1). The amendments require entities to group together items within Other Comprehensive Income that will and will not subsequently be reclassified to the profit or loss section of the income statement. The amendments also reaffirm existing requirements that items in Other Comprehensive Income and profit or loss should be presented as either a single statement or two consecutive statements. The amendments are effective for annual periods beginning on or after 1 July 2012. As the amendments impact presentation only, they will not have a material impact on the CSi group's financial position, results of operations or cash flows.

- Amendments to IAS 19 Employee Benefits: In June 2011, the IASB issued Amendments to IAS 19 "Employee Benefits" (IAS 19). Among other changes, the amendments eliminate the option that allowed an entity to defer the recognition of changes in net defined benefit liability and amend the disclosure requirements for defined benefit plans and multi-employer plans. The amendments

are effective for annual periods beginning on or after 1 January 2013. The CSi group is currently evaluating the impact of adopting the IAS 19 amendments.

The accounting policies have been applied consistently by CSi group entities.

Certain reclassifications have been made to the prior year Consolidated Financial Statements of the CSi group to conform to the current year's presentation. These reclassifications are not material.

c) Basis of consolidation

The Consolidated Financial Statements include the results and positions of the Bank and its subsidiaries (including special purpose entities). The Consolidated Financial Statements include the Statement of Income, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Equity and the related Notes of the CSi group.

A subsidiary is an entity in which the Bank 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 Bank 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 CSi group reassesses consolidation status at least every quarterly reporting date.

The CSi group also consolidates subsidiaries when the substance of the relationship between the CSi group and the subsidiary indicates that the subsidiary is controlled by the CSi group in accordance with the Standing Interpretations Committee Interpretation (SIC) No. 12, 'Consolidation – Special Purpose Entities' (SIC 12). The acquisition method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed, plus any costs directly related to the acquisition. The excess of the cost of an acquisition over the CSi 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 Consolidated Statement of Income.

d) Equity method investments

An equity method investment is an entity in which the CSi group has significant influence, but not control, over the operating and financial management policy decisions. This is generally demonstrated by the CSi 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 CSi 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 CSi group and the entity. Consideration of those factors might indicate that the CSi group has significant influence over another entity even though the CSi group's investment is for less than 20% of the voting rights.

Equity method investments are initially recorded at cost and increased (or decreased) each year by the CSi 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 CSi 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 CSi group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the entity.

e) Foreign currency

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

Assets and liabilities of CSi 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 CSi 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 Consolidated 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 CSi group holds money on behalf of clients in accordance with the client money rules of the UK's FSA. This money is included within 'Cash and due from banks' on the Statement of Financial Position and the corresponding liability is included in 'Other liabilities'.

g) Securities purchased or sold under resale or repurchase agreements

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

The fair value recorded for derivative instruments does not indicate future gains or losses, but rather the unrealised gains and losses from valuing all derivatives at a particular point in time. The fair value of exchange-traded derivatives is typically derived from observable market prices and/or observable market parameters. Fair values for OTC derivatives are determined on the basis of internally developed proprietary models using various input parameters. Where the input parameters cannot be validated using observable market data, reserves are established for unrealised gains or losses evident at the inception of the contracts so that no gain or loss is recorded at inception. Such reserves are amortised to income over the life of the instrument or released into income when observable market data becomes available. For further information on fair value determination of derivative instruments, refer to Note 36 - Financial Instruments.

Embedded derivatives

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

Hedge accounting

Where hedge accounting is applied, the CSi 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 CSi 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 CSi group otherwise determines that designation of the derivative as a hedging instrument is no longer appropriate.

Fair value hedge accounting

For derivatives that are designated and qualify as fair value hedges, the carrying value of the underlying hedged items is adjusted by the change in the fair value attributable to the risk being hedged. Changes in the fair value of these derivatives are recorded in the same line item of the Consolidated Statement of Income as the change in fair value of the risk being hedged for the hedged assets or liabilities to the extent the hedge is effective. Hedge ineffectiveness is separately recorded in net gains/ (losses) from financial assets/liabilities at fair value through profit or loss.

When the CSi group discontinues fair value hedge accounting the derivative will continue to be carried on the Statement of Financial Positions at its fair value and the hedged asset or liability will no longer be adjusted for changes in fair value attributable to the hedged risk. Fair value adjustments previously recorded on the underlying hedged items, where these hedged items are interest-bearing instruments, will be amortised to the Consolidated Statement of Income over the remaining life of the hedged item according to the effective interest rate method. Any unamortised fair value adjustment of an interest-bearing instrument is to be reclassified to the Consolidated Statement of Income upon sale or extinguishment of the hedged asset or liability, respectively. Fair value hedge adjustments previously made to the carrying value of the underlying hedged item, where the hedged item is not an interest-bearing instrument, are recognised in the Consolidated Statement of Income when the hedged item affects net income, which is usually when the instrument is disposed of.

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

The CSi group classifies certain financial assets and liabilities as either held for trading or designated at fair value through profit or loss. Financial assets and liabilities with either classification are carried at fair value. Fair value is defined as the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction other than an involuntary liquidation or distressed sale. Quoted market prices are used when available to measure fair value. In cases where quoted market prices are not available, fair value is estimated using valuation techniques consistent with those used in the financial markets. Where the input parameters cannot be validated using observable market data, reserves are established for unrealised gains or losses evident at the inception of the

contracts so that no gain or loss is recorded at inception. Such reserves are amortised to income over the life of the instrument or released into income when observable market data becomes available.

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

Reclassification of financial assets

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

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

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

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

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

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

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

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

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

The Fair Value Option has been applied to certain debt instruments, equity securities and loans and the related assets and liabilities are presented as 'Financial assets designated at fair value through profit or

loss' or 'Financial liabilities designated at fair value through profit or loss' 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'.

k) Recognition and Derecognition

Recognition

The CSi group recognises financial instruments on its Consolidated Statement of Financial Position when the CSi 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 CSi group recognises regular-way purchases or sales of financial assets at the settlement date.

Derecognition

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

Securitisation

The CSi 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 CSi 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 profit or loss. The line item in the Consolidated Statement of Income, in which the gain or loss is presented, will depend on the nature of the asset securitised.

l) Other loans and receivables

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

When calculating the effective interest, the CSi 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 CSi group assesses at each 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 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 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 CSi group or economic conditions that correlate with defaults in the CSi group.

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

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

Write-off of loans

When it is considered certain that there is no realistic prospect of recovery and all collateral has been realised or transferred to the CSi 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.

Renegotiated loans

Where possible, the CSi group seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of modified loan conditions. Once the terms have been renegotiated any impairment is measured using the effective interest rate as calculated before the modification of terms and the loan is no longer considered past due. Management continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original effective interest rate.

Loan commitments

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

m) Netting

The CSi 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 CSi group's net position on multiple transactions with the same counterparty is legally protected by Master Netting Agreements. Such agreements ensure that the net position is settled in the event of default of either counterparty and effectively limits credit risk on gross exposures. However, if the transactions themselves are not intended to be settled net, nor will they settle simultaneously, it is not permissible under IAS 32, to offset transactions falling under Master Netting Agreements.

n) Income tax

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

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

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

Deferred tax is provided using the Statement of Financial Position liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax-base. The amount of deferred tax provided is based on the amount at which it is expected to recover or settle the carrying amount of assets and liabilities on the Consolidated Statement of Financial Position, using tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the 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 on the profit and loss for the periods presented is included in Note 12 - Income Tax.

o) Investment property

Investment property is initially measured at cost, and subsequent to initial recognition is measured using either the fair value or cost models.

When the fair value model is chosen, changes in fair value are recognised in Statement of Income. Investment property held under the cost model is subsequently measured at cost less any provision for impairment unless held for sale. If held for sale it will be subsequently measured at the lower of carrying amount and fair value less costs to sell.

On an annual basis an independent external valuer is engaged to assist in the determination of the fair value using recognised valuation techniques. Consideration is given to the specific nature of the properties to reflect their highest and best use including any appropriate business plan.

p) Intangible assets

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

Intangible assets are stated at cost less accumulated depreciation and impairment losses, and are depreciated over an estimated useful life of three years using the straight-line method upon completion or

utilisation. The amortisation of the intangible assets is included in the 'General and administrative expenses' in the Consolidated Statement of Income.

The carrying amounts of the CSi 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 the Consolidated Statement of Income.

q) 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 CSi group and the cost of the item can be reliably measured. All other repairs and maintenance are charged to the Consolidated Statement of Income during the financial period in which they are incurred. Depreciation on assets is calculated using the straight-line method to allocate their cost to their residual values over their maximum useful lives, as follows:

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

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

r) Preference share capital

The CSi group classifies preference shares in accordance with the substance of the contractual arrangement. Liabilities are defined as contractual obligations to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity.

A contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities is in substance part of equity. Therefore, preference share capital issued by the CSi group is classified as equity if it is non-redeemable and all dividends are discretionary, or is redeemable but only at the CSi group's option. Dividends on preference share capital classified as equity are recognised as distributions within equity.

s) Compensation and benefits

Retirement benefit costs

The CSi group has both defined contribution and defined benefit pension plans. The defined benefit plans are CS group schemes, in which the Bank is not the sponsoring entity. Obligations for contributions to defined contribution pension plans are recognised as an expense in the Consolidated Statement of Income as incurred.

In accordance with the provisions of IAS 19, "Employee Benefits" (IAS 19) for defined benefit plans that share risks between various entities under common control, no retirement benefit obligation is recognised in the Statement of Financial Positions of the Bank and defined contribution accounting is applied, as the CSi group has no contractual agreement or stated policy for incurring any charges by the sponsoring employer for the net defined benefit cost. The CSi group's share of the retirement benefit obligation is instead recognised in the Statement of Financial Position of the sponsoring entity, Credit Suisse Securities (Europe) Limited ('CSSEL'), which is external to the CSi group but is a related party due to both entities being owned by CSG.

Other compensation plans

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

t) Deposits

Deposits are funds held from customers (both retail and commercial) and banks, generally for the cash safekeeping and/or liquidity needs of those customers. The amount booked to the balance sheet positions represents the nominal values of the deposits less any unearned discounts or nominal value plus any unamortised premiums. Subsequent measurement is at amortised cost.

u) Long term debt

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

Debt with embedded derivatives

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

v) Contingent liabilities

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

w) 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 statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. The expense recognised when provisions are established is recorded in 'General and administrative expenses' on the Consolidated Statement of Income. Provisions for loan losses are recorded in 'Provision for credit losses' in the Consolidated Statement of Income.

x) Share-based payments

The CSi group measures accounts for share based transactions with its employees as cash-settled share based payment transactions, as the CSi group has the legal obligation to settle the arrangement by delivering an asset that is not an equity instrument of the CSi 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 Consolidated Statement of Income.

y) Interest income and expense

Interest income and expense includes interest income and expense on the CSi 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 CSi group's trading derivatives (except for hedging relationships), trading instruments and financial instruments classified as at fair value through profit or loss. Interest income and expense is accrued, and any related net deferred premiums, discounts, origination fees or costs are amortised as an adjustment to the yield over the life of the related asset or liability.

z) Other liabilities

Financial Guarantees

Financial guarantee contracts require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument. Such financial guarantee contracts are given to banks, financial institutions and other parties on behalf of customers to secure loans, overdrafts and other payables.

Financial guarantee contracts are initially recognised in the Consolidated Financial Statements at fair value on the date the guarantee was given, which is generally the fee received or receivable. Subsequent to initial recognition, the CSi group's liabilities under such guarantees are measured at the higher of the initial fair value, less cumulative amortisation, and the best estimate for the expenditure required settling any financial obligation arising as of the Statement of Financial Position date. These estimates are determined based on experience with similar transactions and history of past losses, and management's determination of the best estimate. Subsequent to initial recognition, the CSi group's liabilities under such guarantees are measured at the higher of the initial fair value, less cumulative amortisation, and the best estimate for the expenditure required to settle any financial obligation arising as of the reporting date, when it is probable that the financial obligation will occur.

Any increase in the liability related to financial guarantee contracts is recorded in the Consolidated Statement of Income under 'Provision for credit losses'.

aa) Commissions and fees

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

a) The amount of revenue can be measured reliably;

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

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

d) The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Performance linked fees or fee components are recognised when the recognition criteria are fulfilled.

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

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

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

bb) Operating leases

The leases entered into by the CSi group are exclusively operating leases. The total payments made under operating leases are charged to the Consolidated Statement of Income on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any

early termination payment required to be made to the lessor is recognised as an expense in the period in which termination takes place.

If the CSi 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.

Subleases

The subleases entered into by the CSi group are exclusively operating leases. Sublease payments received are recognised through the Consolidated Statement of Income.

cc) 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 judgements and estimates, 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

s) Compensation and benefits

v) Contingent liabilities

w) Provisions

x) Share-based payments

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

Fair Value

Trading financial assets and liabilities, derivative instruments and financial assets and liabilities designated at fair value are recorded at fair value in the Consolidated Statement of Financial Position. Related changes in the fair value are recognised in the Consolidated Statement of Income.

The fair value of the majority of the CSi group's financial instruments is based on quoted prices in active markets (Level 1) or valuation techniques using observable inputs (Level 2). These instruments include government and agency securities, certain commercial papers (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 CSi group holds financial instruments for which no prices are available and which have little or no observable inputs (Level 3). For these instruments, the determination of fair value requires subjective assessment and varying degrees of judgment depending on liquidity, pricing assumptions and the risks affecting the specific instrument. In such circumstances, valuation is determined based on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). These instruments include certain high yield debt securities, distressed debt securities, certain OTC derivatives, certain collateralised debt obligations (CDO), certain asset-backed and mortgage-backed securities, non-traded equity securities, private equity and other long-term investments.

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

The impact of changes in a counterparty's credit spreads (known as credit valuation adjustments or CVA) is considered when measuring the fair value of assets and the impact of changes in the CSi 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 CSi 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 CSi 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 CSi group's credit standing is considered when measuring their fair value, based on current funded debt spreads. As of the end of 2011, 83.3% and 83.1% of our total assets and total liabilities, respectively, were measured at fair value (2010[1]: 83.8% and 82.8%, respectively). Our Level 3 assets were USD 20.5 billion as of the end of 2011 (2010: USD 20.0 billion). As of the end of 2011, these assets comprised 2.9% of total assets (2010[1]: 3.6%) and 3.5% of total assets measured at fair value (2010: 4.1%).

For further information on the fair value hierarchy and a description of our valuation techniques, refer to Note 36 - Financial Instruments.

During 2011, the CSi group changed their estimate for the valuation of certain Fixed Income collateralised derivative instruments. In determining the fair value of these derivatives, the OIS yield curve is now used to discount future expected cash flows as opposed to the LIBOR, which was used in prior periods. This change in estimate resulted in a loss of USD 210 million.

The CSi group does not recognise a dealer profit or unrealised gain or loss at the inception of a derivative or non-derivative transaction unless the valuation underlying the unrealised gain or loss 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.

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

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

Special Purpose Entities

As part of normal business, CSi group engages in various transactions that include entities which are considered Special Purpose Entities ('SPEs'). A 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 IAS 27 "Consolidated and separate financial instruments" (IAS 27) and its interpretation, SIC-12 "Consolidation-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, CSi 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 CSi's capacity as the prime broker for entities qualifying as SPEs. CSi also enters into lending arrangements with SPEs for the purpose of financing client projects or the acquisition of assets. Further, CSi 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 CSi acts as structurer, manager, distributor, broker, market maker or liquidity provider.

A SPE is consolidated by CSi when the substance of the relationship between CSi and the SPE indicates that the SPE is controlled by CSi. 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 CSi according to its specific business needs so that CSi obtains benefits from the SPEs operation;

(b) In substance, CSi 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, CSi has delegated these decision-making powers;

Quantitative factors:

(c) In substance, CSi 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, CSi 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 IFRS where CSi does not have the majority of the risks and rewards of ownership of the SPE.

SPEs may be sponsored by CSi, 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 CSi to reassess whether consolidation is required.

Contingencies and loss provisions

Litigation contingencies

According to IAS 37, a provision shall be recognised when (a) an entity has a present obligation (legal or constructive) as a result of a past event; (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation.

A contingency is an existing condition that involves a degree of uncertainty that will ultimately be resolved upon the occurrence of future events. From time to time, the CSi 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, seek damages of unspecified or indeterminate amounts or involve questionable legal claims. In presenting the Consolidated Financial Statements, management makes estimates regarding the outcome of legal, regulatory and arbitration matters and takes a charge to income when losses with respect to such matters are probable and can be reasonably estimated. Charges, other than those taken periodically for costs of defence, are not established for matters when losses cannot be reasonably estimated. Estimates, by their nature, are based on judgement and currently available information and involve a variety of factors, including but not limited to the type and nature of the litigation, claim or proceeding, the progress of the matter, the advice of legal counsel and other advisers, the CSi group's defences and its experience in similar cases or proceedings.

Allowances and Impairment Losses on other loans and receivables

As a normal part of its business, the CSi group is exposed to credit risks through its lending relationships, commitments 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 CSi 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 CSi 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 CSi group performs an in-depth review and analysis of impaired loans, considering factors such as recovery and exit options as well as considering collateral and counterparty risk. In general, all impaired loans are individually assessed. Corporate & institutional loans are reviewed at least annually based on the

borrower's financial statements and any indications of difficulties they may experience. Loans that are not impaired, but which are of special concern due to changes in covenants, downgrades, negative financial news and other adverse developments, are included on a watch list. All loans on the watch list are reviewed at least quarterly to determine whether they should be moved to CSi 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 CSi group credit risk management at least annually or more frequently depending on the risk profile of the borrower or credit relevant events.

Retirement Benefit Costs

The CSi group has both defined contribution and defined benefit pension plans. The defined benefit plans are CS group schemes, CSi being a participant to the scheme and CSSEL, a related party also owned by the CSG, as the sponsor. The CSi group's Share of the Retirement benefit obligation, main estimates and judgements lie with CSSEL which are described below:

The following relates to the assumptions CSSEL, the sponsor of the defined benefit plan, has made in arriving at the valuations of the various components of the defined benefit plan, of which the CSi group is a participant.

The calculation of the expense and liability associated with the defined benefit pension plans requires the extensive use of assumptions, which include the discount rate, expected return on plan assets and rate of future compensation increases as determined by CSSEL. 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 CSSEL 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.

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

The discount rate used in determining the benefit obligation is based upon either high quality corporate bond rates or government bonds. In estimating the discount rate, CSSEL takes into consideration the relationship between the corporate bonds and the timing and amount of the future cash outflows on its benefit payments.

Taxes

Tax contingencies

Significant judgement is required in determining certain tax positions. The CSi 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 liabilities 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 statement of financial position date. The realisation of DTA on temporary differences is dependent upon the generation of taxable income in future accounting periods after those temporary differences become deductible. The realisation of DTA 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 DTA established without impairment.

In evaluating whether DTA 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 Bank (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 DTA that are realisable, or considered realisable, and would require a corresponding adjustment to the level of recognised DTA.

Share-based payments

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

Transfer Pricing

Tax 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 as tax authority negotiated arrangements for current and prior periods. Management continuously assess these factors and make adjustments as required.

4. Segmental Analysis

Following the adoption of IFRS 8, "Operating Segments" the Bank has concluded that there are three reportable segments that are regularly reviewed by the Chief Operating Decision Maker ('CODM') when

assessing the performance and allocation of resources. These segments are based on products and services offered by CSi group:

Fixed Income:	The fixed income division (FID) operates in rates, foreign exchange, credit, structured products trading, emerging markets, and commodities markets. The operations also include ongoing management and wind-down of legacy businesses in CDOs, RMBS origination, CMBS and Commodities. The product suite covers both cash and OTC derivatives including government bonds, corporate bonds, treasury bills, interest rate swaps, credit-default swaps, foreign exchange options, total return swaps, and listed options across product classes.
Equities:	The activities of the equities division include sales, trading, financing, prime brokerage services and market-making in global equity and equity-related securities, options, futures, risk management and hedging products. Activities cover both exchange-traded and over-the counter traded securities, including American Depositary Receipts, restricted stocks, equity repurchases, block trade executions, program trading executions, equity derivatives and convertible securities.
Investment banking:	The investment banking division (IBD) service offering includes mergers and acquisitions, debt, equity and other capital raising activities.

Segment performance is assessed by the Board based on the Monthly Board Summary report, which details revenues by segment. CSi assets and liabilities are not managed by segment. Expenses are managed as part of the wider CS group management processes and therefore, while the CODM does assess the overall expense base for CSi, it does not manage the expenses at a CSi segment level.

Similarly certain revenue items are not directly allocated to the above business segments at a CSi Bank level. These items include transfer pricing, certain credit risk allocations, treasury and corporate centre allocations. These are not included as an operating segment as they are not separate business activities from which CSi may earn revenues.

Transactions between reportable segments are held at an arm's length basis and are included in the segment result.

The following table shows the external revenue of each operating segment during the year:

	2011	2010
Revenues (USD million)		
Fixed Income	1,767	2,319
Equities	744	901
Investment banking	227	231
Total	**2,738**	**3,451**

The following table shows the CSi group's revenue by region which generates the revenue:

	2011	2010
Revenues (USD million)		
EMEA[1]	1,667	2,209
America	611	717
Switzerland	1	3
Asia	459	522
Total	**2,738**	**3,451**

[1] EMEA is defined as Europe, Middle East and Africa excluding Switzerland and Luxembourg.

CSi Group Assets:

Non-current assets, other than financial instruments, deferred tax assets, post-employment benefit assets and rights arising under insurance contracts, consist of Property and Equipment, Investments and Intangible Assets totaling USD 704 million (2010 :USD 607 million), all of which are located in EMEA.

Reconciliation of reportable segment revenues

	2011	2010
IFRS statement of income (USD million)		
Net interest (expense)/income	(82)	84
Other revenues	1,868	2,160
Net revenues	**1,786**	**2,244**
Total revenues for reportable segments – MIS	2,738	3,451
Revenue sharing agreement expense	(459)	(1,052)
Treasury funding	(540)	(436)
Other corporate items	44	(50)
(Provision)/Release of provision for credit losses	(23)	53
CS group to primary reporting reconciliations[1]	26	278
Net Revenues	**1,786**	**2,244**

1 This is the difference between the monthly board summaries which are prepared on a US GAAP basis and the CSi accounts prepared in accordance with IFRS.

The CSi group is not reliant on any single customer for its revenue generation.

5. Net Interest (Expense)/Income

	2011	2010
IFRS statement of income (USD million)		
Loans and receivables	677	671
Securities purchased under resale agreements and securities borrowing transactions	150	101
Cash collateral paid on OTC derivatives transactions	283	180
Interest income on cash, cash equivalents and loans	175	166
Interest income	**1,285**	**1,118**
Deposits	(4)	(1)
Short term borrowings	(314)	(233)
Securities sold under repurchase agreements and securities lending transactions	(56)	(59)
Long term debt	(685)	(557)
Cash collateral received on OTC derivatives transactions	(308)	(184)
Interest expense	**(1,367)**	**(1,034)**
Net interest (expense)/income	**(82)**	**84**

Interest income accrued on impaired financial assets during the year was USD 8 million (2010: USD 12 million).

6. Commissions and Fees

Group	2011	2010
Commission and fee expense (USD million)		
Lending business	184	135
Other customer services	(222)	(172)
Net commission and fee expense	**(38)**	**(37)**
Total commission and fee income	184	147
Total commission and fee expense	(222)	(184)
Net commission and fee expense	**(38)**	**(37)**

7. (Provision)/Release of Provision for Credit Losses

Group	2011	2010
(Provision)/Release of provision for credit losses (USD million)		
Allowance for loan losses	(23)	53
(Provision)/Release of provision for credit losses	**(23)**	**53**

8. Net Gains/(Losses) From Financial Assets/Liabilities At Fair Value Through Profit or Loss

Group	2011	2010
Net gains/(losses) from financial assets/liabilities at fair value through profit or loss (USD million)		
Interest rate	8,901	1,493
Foreign exchange	(6,725)	98
Equity	(659)	919
Commodity	327	244
Credit	428	372
Other	127	52
Total net gains/(losses) from financial assets/liabilities at fair value through profit or loss	**2,399**	**3,178**

The breakdown into the above reported components is not directly comparable with the prior period due to a refinement in the methodology applied in deriving the breakdown in the current period.

Of which:

Net (losses)/gains from financial assets/liabilities designated at fair value through profit or loss (USD million)	2011	2010
Securities purchased under resale agreements and securities borrowing transactions	(24)	21
Loans	(1,887)	84
Other financial assets designated at fair value through profit or loss	(76)	95
Deposits	-	1
Securities sold under repurchase agreements and securities lending transactions	203	177
Short term borrowings	56	(40)
Long term debt	(958)	213
Other financial liabilities designated at fair value through profit or loss	38	215
Total net (losses)/gains from financial assets/liabilities designated at fair value through profit or loss	**(2,648)**	**766**

Included in this total is USD 184 million gain (2010: USD 14 million loss) of fair value changes of financial liabilities due to changes in the CSi group's own creditworthiness (principally in relation to fair value elected Structured Notes). The cumulative effect thereon is a gain of USD 400 million (2010: gain USD 216 million).

9. Revenue Sharing Agreements

Revenue sharing agreements expense of USD 459 million (2010: USD 1,052 million) principally relates to amounts allocated to CSi from other companies in the CS group under transfer pricing policies.

10. Compensation and Benefits

Group	2011	2010
Compensation and benefits (USD million)		
Salaries and variable compensations	402	487
Social security	41	194
Pensions	17	28
Other	5	3
Compensation and benefits	**465**	**712**

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 Bank and CSi group.

11. General and Administrative Expenses

Group		2011	2010
General and administrative expenses (USD million)			
Occupancy expenses		36	20
IT and machinery		18	45
Amortisation expenses	22	117	87
Depreciation expenses	23	76	73
Provisions	26	1	-
Litigation	26	17	3
Brokerage charges and clearing house fees		444	375
Travel and entertainment		9	11
Auditors' remuneration		3	2
Professional services		41	31
Impairment of intangible assets	22	3	3
CSG Trademark		29	22
Net overheads allocated from other CS group entities		638	496
UK bank levy		44	-
Other		38	33
General and administrative expenses		**1,514**	**1,201**

Auditors' remuneration

Auditors' remuneration in relation to the statutory audit amounted to USD 2.8 million (2010: USD 2.2 million). The following fees were payable by the CSi group to the auditor, KPMG Audit Plc.

CSi Auditor's remuneration	2011 USD'000	2010 USD'000 (restated)[1]
Fees payable to the Bank's auditor for the audit of the Bank's annual accounts	1,882	2,037
Fees payable to the CSi group's auditor and its associates for other services:		
Audit-related assurance services	96	89
Other assurance services	818	27
Total	**2,796**	**2,153**

12. Income Tax

	Group		Bank	
	2011	**2010**	**2011**	**2010**
Current and deferred taxes (USD million)				
Current tax				
Current (expense)/benefit on (losses)/profits for the period	(4)	(1)	(4)	(1)
Adjustments in respect of previous periods	11	(14)	11	(14)
Current income tax benefit/(expense)	**7**	**(15)**	**7**	**(15)**
Deferred tax				
Origination and reversal of temporary differences	113	100	113	100
Current year tax losses	(73)	(236)	(73)	(236)
Adjustments in respect of previous periods	(2)	(4)	(2)	(4)
Effect of changes in tax rate or the imposition of new taxes	(130)	(73)	(130)	(73)
Deferred income tax expense	**(92)**	**(213)**	**(92)**	**(213)**
Income tax expense	**(85)**	**(228)**	**(85)**	**(228)**

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

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

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

Further information about deferred income tax is presented in Note 13 - Deferred Taxes. The income tax expense for the year can be reconciled to the (loss)/profit per the statement of income as follows:

Reconciliation of taxes computed at the UK statutory rate

	Group		Bank	
	2011	2010	2011	2010
Reconciliation of taxes computed at the UK statutory rate (USD million)				
(Loss)/Profit before tax	(193)	331	(187)	335
Income tax expense computed at the statutory rate of 26.5% (2010: 28%)	51	(93)	49	(94)
Increase/(decrease) in income taxes resulting from:				
Other permanent differences	(11)	(43)	(9)	(42)
Effect of different tax rates of operations/subsidiaries operating in other jurisdictions	(1)	(11)	(1)	(11)
Adjustments to current tax in respect of previous periods	11	(13)	11	(13)
Adjustments to deferred tax in respect of previous periods	(2)	(4)	(2)	(4)
Effect on deferred tax resulting from changes to tax rates	(133)	(64)	(133)	(64)
Income tax expense	**(85)**	**(228)**	**(85)**	**(228)**

13. Deferred Taxes

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

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

In addition, the Finance Act 2011, which passed into law on 19 July 2011, included a further reduction in the UK corporation tax rate from 26% to 25% with effect from 1 April 2012. The change in the UK corporation tax rate from 27% to 25% has resulted in a reduction of the CSi group's net deferred tax asset as at 31 December 2011 of USD 133 million.

On 21 March 2012, the Government further announced that the corporation tax rate applicable from 1 April 2012 would be 24%. This rate reduction was substantively enacted on 26 March 2012. If this rate reduction had been substantively enacted as at 31 December 2011 it would have had the impact of decreasing the deferred tax asset recorded by USD 68 million.

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

The Bank operates in a number of jurisdictions. Consequently, the overall rate of future taxes is expected to be a blended rate which is reviewed annually.

	Group		Bank	
	2011	2010	2011	2010
Deferred tax (USD million)				
Deferred tax assets	1,843	1,935	1,843	1,935
Net position	**1,843**	**1,935**	**1,843**	**1,935**
Balance at 1 January	1,935	2,148	1,935	2,148
Transfers	1	-	1	-
Credit/(expense) to income for the year	40	(213)	40	(213)
Effect of change in tax rate expensed to income statement	(133)	-	(133)	-
At end of the year	**1,843**	**1,935**	**1,843**	**1,935**

Deferred tax assets

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

	Group		Bank	
	2011	2010	2011	2010
Components of net deferred tax assets (USD million)				
Derivative financial instruments	18	24	18	24
Share-based compensation	25	104	25	104
Decelerated tax depreciation	145	136	145	136
Other provisions	92	13	92	13
Unpaid interest	315	244	315	244
Deferred tax impact on losses carried forward	1,248	1,414	1,248	1,414
At end of the year	**1,843**	**1,935**	**1,843**	**1,935**

Details of the tax effect of temporary differences

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

	Group		Bank	
	2011	2010	2011	2010
Tax effect of temporary differences (USD million)				
Derivative financial instruments	(6)	(6)	(6)	(6)
Share-based compensation	(79)	(4)	(79)	(4)
Decelerated tax depreciation	9	16	9	16
Other provisions	78	(2)	78	(2)
Unpaid interest	70	90	70	90
Deferred tax impact on losses carried forward	(164)	(307)	(164)	(307)
Total deferred tax (expense)/benefit in the statement of income	**(92)**	**(213)**	**(92)**	**(213)**

Deferred tax assets ('DTA') and liabilities 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 Statement of Financial Position date. The realisation of DTA on temporary differences is dependent upon the generation of taxable income in future accounting periods after those temporary differences become deductible. The realisation of DTA on net operating losses is dependent upon the generation of future taxable income. Management regularly evaluates whether DTA can be realised. Only if management considers it probable that a DTA will be realised is a corresponding deferred tax asset established without impairment.

In evaluating whether DTA 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 bank (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 DTA that are realisable, or considered realisable, and would require a corresponding adjustment to the level of recognised DTA.

As a consequence of this evaluation, it was considered that the DTA could be recognised in full. The Bank's assessment is that trading losses carried forward should be utilised within a period of up to 6 years. 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 DTA balance is no longer probable.

14. 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:

	Group		Bank	
	2011	**2010**	**2011**	**2010**
Securities borrowed or purchased under agreement to resale (USD million)				
Securities purchased under resale agreements	24,637	10,407	24,637	10,407
Deposits paid for securities borrowed	4,769	5,725	4,769	5,725
Total	**29,406**	**16,132**	**29,406**	**16,132**

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

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

	Group		Bank	
Securities lent or sold under agreement to repurchase (USD million)	**2011**	**2010**	**2011**	**2010**
Securities sold under repurchase agreements	753	921	753	921
Deposits received for securities lent	6,218	6,964	6,218	6,964
Total	**6,971**	**7,885**	**6,971**	**7,885**
Other liabilities (Refer to Note 19)	272	538	272	538
Total	**7,243**	**8,423**	**7,243**	**8,423**

Repurchase and reverse 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 CSi group monitors the fair value of securities received or delivered. For securities purchased under repurchase agreements, the CSi 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 CSi group receives cash or securities as collateral in an amount generally in excess of the market value of securities lent. The CSi group monitors the market value of securities borrowed and securities on a daily basis and additional collateral is obtained as necessary.

Retained assets relate to securities lending agreements and repurchase agreements. The resulting credit exposures are controlled by daily monitoring and collateralisation of the positions. Other collateralised securities trading includes transactions in which the CSi group has transferred assets but continues to have involvement in the transferred assets, for example through providing a guarantee, writing put options, acquiring call options, or entering into a total return swap or other type of swap linked to the performance of the asset. If control is retained due to these types of associated transactions, the CSi group continues to recognise the transferred asset in its entirety or to the extent of its continuing involvement.

In the event of counterparty default, the repurchase agreement or securities lending agreement provides the CSi group with the right to liquidate the collateral held. In the CSi 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 2011.

Included in 'Other liabilities' above are amounts received in respect of non-fair value elected transferred assets which do not meet the de-recognition criteria in accordance with IAS 39. For transferred but not derecognised financial assets, CSi's only exposure is to the volatility of the SPEs underlying assets for the tranche/portion of the notes/assets which the Bank owns.

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

	Group			Bank		
	2011	**2010 (restated)[1]**	**1 Jan 2010 (restated)[1]**	**2011**	**2010 (restated)[1]**	**1 Jan 2010 (restated)[1]**
Trading financial assets at fair value through profit or loss (USD million)						
Debt securities	28,751	25,632	26,253	28,744	24,021	25,223
Equity securities	14,647	19,699	16,626	13,592	20,772	16,798
Derivative instruments	529,346	406,719	409,898	530,064	407,305	410,761
Other	1,990	7,453	6,526	2,553	8,344	6,561
Trading financial assets at fair value through profit or loss	**574,734**	**459,503**	**459,303**	**574,953**	**460,442**	**459,343**

Trading financial liabilities at fair value through profit or loss (USD million)						
Short positions	10,490	16,073	17,933	10,489	16,073	17,933
Derivative instruments	540,734	418,227	420,099	541,427	418,710	420,432
Trading financial liabilities at fair value through profit or loss	**551,224**	**434,300**	**438,032**	**551,916**	**434,783**	**438,365**

Debt instruments primarily consist of corporate bonds and also include government securities.

Trading financial assets and financial assets designated at fair value through profit or loss include USD 17.8 billion (2010: USD 23.9 billion) which are encumbered. The transactions in relation to the

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

encumbered assets are conducted under terms that are usual and customary for securities lent, repurchase agreements or other collateralised borrowings.

16. Financial Assets and Liabilities Designated at Fair Value Through Profit or Loss

	Group		Bank	
Financial assets designated at fair value through profit or loss (USD million)	**2011**	**2010**	**2011**	**2010**
Debt securities	98	4,518	98	4,518
Loans	11,550	12,205	11,550	12,205
Securities purchased under resale agreements and securities borrowing transactions	6,290	7,200	6,290	8,997
Other	763	556	763	556
Total financial assets designated at fair value through profit or loss	**18,701**	**24,479**	**18,701**	**26,276**

	2011	**2010**	**2011**	**2010**
Financial liabilities designated at fair value through profit or loss (USD million)				
Subordinated debt	433	467	433	467
Structured notes	17,986	18,718	17,961	18,050
Deposits	2,300	3,167	2,300	4,550
Securities sold under repurchase agreements and securities lending transactions	8,573	10,031	8,573	10,031
Other	2,060	1,759	1,031	1,759
Total financial liabilities designated at fair value through profit or loss	**31,352**	**34,142**	**30,298**	**34,857**

Of the financial assets designated at fair value through profit or loss, loans and reverse repurchase agreements were elected to alleviate an accounting mismatch while debt instruments were elected because they are managed on a fair value basis.

For loans designated at fair value through profit or loss, the maximum fair value exposure to credit risk as at 31 December 2011 was USD 11.5 billion (2010: USD 12.2 billion). To mitigate this credit risk, securities are held as collateral, and credit default swaps with a notional value of USD 3.7 billion (2010: USD 3.1 billion) have been transacted to transfer this risk into the capital markets.

The fair value movement attributable to counterparty credit on loans designated at fair value through profit or loss is calculated using credit spreads applicable to specific points in time. All other risk variables are held constant and the credit spreads are moved based on current market conditions. During the year ended 31 December 2011, this fair value movement was a decrease of USD 185 million (2010: increase USD 335 million). The cumulative effect thereon at the year-end was a decrease of USD 1.8 billion (2010: decrease USD 1.6 billion). The corresponding increase in fair value of the swaps and securities in place to mitigate this risk was USD 215 million (2010: increase USD 123 million). The cumulative effect thereon at the year-end was an increase of USD 2.1 billion (2010: increase USD 1.9 billion).

For reverse repurchase agreements, the Bank's credit exposure to the counterparties of these trades is mitigated by posted collateral and through subsequent margin calls. Accordingly, the Bank does not enter into hedges to mitigate credit exposure to its counterparties. Also, given that the credit exposure is virtually eliminated, the mark to market changes attributable to credit risk is insignificant.

The debt instruments measured at fair value through profit or loss are government securities.

The fair value of subordinated debt and structured notes is calculated using a yield curve which reflects the CSi group's credit rating in the market. This is achieved by adjusting the relevant yield curve by the CSi group's credit spread, dependent on the tier of the debt, at each point in the curve to provide an own credit adjusted valuation.

Of the other financial liabilities designated at fair value through profit or loss, subordinated debt, bonds and repurchase agreements were primarily elected to alleviate an accounting mismatch, while structured notes and deposits were mainly elected because they are managed on a fair value basis. The carrying amount is USD 2.7 billion lower than the principal amount that the CSi group would be contractually required to pay to the holder of these financial liabilities at maturity (2010: USD 940 million lower).

17. Other Loans and Receivables

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

	Group		Bank	
	2011	**2010**	**2011**	**2010**
Loans (USD million)				
Real estate	35	154	42	154
Commercial and industrial loans	1,582	1,601	1,582	1,601
Financial institutions	12,800	3,863	12,800	3,863
Government and public institutions	4	-	4	-
Gross Loans	**14,421**	**5,618**	**14,428**	**5,618**
▪ of which domestic	12,138	586	12,138	586
▪ of which foreign	2,283	5,032	2,290	5,032
Net (unearned income)/deferred expenses	(19)	(30)	(19)	(30)
Allowance for loan losses	(59)	(69)	(61)	(69)
Net Loans	**14,343**	**5,519**	**14,348**	**5,519**
Gross impaired loans	**72**	**228**	**72**	**228**
▪ of which loans with an individual allowance	68	220	68	220
▪ of which loans without an individual allowance	4	8	4	8

Other loans and receivables due within one year for the CSi group, amounts to USD 937 million (2010: USD 2.5 billion) and for the Bank amounts to USD 937 million (2010: USD 2.5 billion).

Reconciliation of the allowance for loan losses by class

The following table sets forth the movements in the allowances for impairment losses on other loans and receivables:

Group	Banks	Customers	Total
Allowance for loan losses (USD million)			
Balance at 1 January 2011	(6)	(63)	(69)
▪ Additional allowances for impairment losses	(3)	(44)	(47)
▪ Reversal of allowances for impairment losses	2	22	24
Movement recognised in Consolidated Statement of Income	(1)	(22)	(23)
Net Write backs	-	33	33
Balance at 31 December 2011	**(7)**	**(52)**	**(59)**
Balance at 1 January 2010	(5)	(118)	(123)
▪ Additional allowances for impairment losses	(3)	(6)	(9)
▪ Reversal of allowances for impairment losses	2	60	62
Movement recognised in Consolidated Statement of Income	(1)	54	53
Net Write backs	-	1	1
Balance at 31 December 2010	**(6)**	**(63)**	**(69)**

Bank	Banks	Customers	Total
Allowance for loan losses (USD million)			
Balance at 1 January 2011	(6)	(63)	(69)
▪ Additional allowances for impairment losses	(3)	(44)	(47)
▪ Reversal of allowances for impairment losses	2	22	24
Movement recognised in Consolidated Statement of Income	(1)	(22)	(23)
Net Write backs	-	31	31
Balance at 31 December 2011	**(7)**	**(54)**	**(61)**
Balance at 1 January 2010	(5)	(118)	(123)
▪ Additional allowances for impairment losses	(3)	(6)	(9)
▪ Reversal of allowances for impairment losses	2	60	62
Movement recognised in Consolidated Statement of Income	(1)	54	53
Net Write backs	-	1	1
Balance at 31 December 2010	**(6)**	**(63)**	**(69)**

18. Investment Property

The CSi group consolidates a number of SPEs which hold property even though we have not enforced our security and remain a lender to the SPE rather than the legal owner of the property. The CSi group accounts for these properties which are consolidated in the CSi group accounts in the same manner as those which we now own following enforcement of our security. The fair value of this property is USD 561 million (2010: USD 652 million).

In December 2011 the CSi group changed the sale strategy for the Investment Properties and ceased classifying them as held for sale at this time. They were transferred out of the Held for Sale category at

their recoverable value at this time. Investment properties are currently held at cost less provision for impairment. Due to a fall in fair value a charge of USD 91 million was taken to the Consolidated Statement of Income for the year. The fair value and carrying amount were the same as at 31 December 2011.

19. Other Assets and Other Liabilities

	Group			Bank		
	2011	2010 (restated)[1]	1 Jan 2010 (restated)[1]	2011	2010 (restated)[1]	1 Jan 2010 (restated)[1]
Other assets (USD million)						
Derivative instruments used for hedging (refer to Note 33)	-	-	33	-	-	33
Brokerage receivables (refer to Note 20)	2,407	2,243	2,696	2,407	2,243	2,696
Interest and fees receivable	477	202	125	769	1,726	1,600
Cash collateral on derivative instruments						
■ Banks	24,826	21,972	16,141	24,826	21,972	16,141
■ Customers	27,814	22,018	20,153	27,814	22,018	20,153
Other	220	282	296	250	281	286
Total other assets	**55,744**	**46,717**	**39,444**	**56,066**	**48,240**	**40,909**

Other assets, except derivative instruments used for hedging, are mainly due within one year.

	Group			Bank		
	2011	2010 (restated)[1]	1 Jan 2010 (restated)[1]	2011	2010 (restated)[1]	1 Jan 2010 (restated)[1]
Other liabilities (USD million)						
Derivative instruments used for hedging (refer to Note 33)	-	-	6	-	-	6
Brokerage payables (refer to Note 20)	780	988	2,112	780	989	1,894
Interest and fees payable	1,311	1,148	1,054	1,623	2,474	2,336
Cash collateral on derivative instruments						
■ Banks	29,083	26,823	22,973	29,083	26,823	22,973
■ Customers	10,601	7,285	8,749	10,601	7,285	8,749
Failed sales	272	538	1,268	272	538	1,274
Share-based compensation liability	92	147	230	92	144	230
Other	696	565	799	686	544	772
Total other liabilities	**42,835**	**37,494**	**37,191**	**43,137**	**38,797**	**38,234**

20. Brokerage Receivables and Brokerage Payables

The CSi group recognises receivables and payables from transactions in financial instruments purchased from and sold to customers, banks, brokers and dealers. The CSi 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 CSi 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 generally considered to be reduced. The CSi group requires customers to maintain margin collateral in compliance with applicable regulatory and internal guidelines.

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

	Group			Bank		
	2011	2010 (restated)[1]	1 Jan 2010 (restated)[1]	2011	2010 (restated)[1]	1 Jan 2010 (restated)[1]
Brokerage receivable (USD million)						
Due from customers	304	903	758	304	903	757
Due from banks, brokers and dealers	2,103	1,340	1,938	2,103	1,340	1,939
Total brokerage receivables	**2,407**	**2,243**	**2,696**	**2,407**	**2,243**	**2,696**
Brokerage payable (USD million)						
Due to customers	182	68	48	182	69	49
Due to banks, brokers and dealers	598	920	2,064	598	920	1,845
Total brokerage payables	**780**	**988**	**2,112**	**780**	**989**	**1,894**

During the current reporting period there were no defaults or breaches in respect of third party loan payables.

Included within payables are liabilities identified as client money. The CSi group and Bank held USD 110 million as at 31 December 2011 (2010: USD 207 million). This cash is recorded under 'Cash and due from banks' and the corresponding liability is included in 'Other liabilities'.

21. Significant Subsidiaries and Equity Method Investments

Significant subsidiaries:

Bank	2011	2010
Investments in subsidiary undertakings (USD million)	10	27

The subsidiary undertakings, direct and indirect, of the Bank at 31 December 2011, all of which are consolidated in these financial statements, are as follows:

Bank	Country of Incorporation	% Equity Held
Direct holdings:		
Credit Suisse First Boston International Warrants Limited (in liquidation)	Guernsey	100%
Credit Suisse First Boston International (USA), Inc.	United States	100%
CSFB International Trading, L.L.C.	United States	100%
Credit Suisse First Boston International (Holding) B.V.	Netherlands	100%

Credit Suisse First Boston International Warrants Limited commenced members' voluntary liquidation on 2 November 2005 and remains in liquidation.

The business of all of the subsidiaries is complementary to the business of the Bank.

Significant equity method investments:

During the year 2011 the Bank has sold its interests in Brevan Howard Strategic Opportunities Fund Limited at its carrying value of USD 656 million (2010: USD 647 million). No profit or loss was generated from this redemption.

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

22. Intangible Assets

Group and Bank 2011	Customer list[1]	Internally developed software	Total
Intangible assets (USD million)			
Cost:			
Cost as at 1 January 2011	-	709	709
Additions due to acquisition (refer Note 40)	5	-	5
Additions	-	198	198
Disposals	-	(35)	(35)
Cost as at 31 December 2011	**5**	**872**	**877**
Accumulated amortization:			
Accumulated amortization as at 1 January 2011	-	(384)	(384)
Amortisation for the year	-	(117)	(117)
Impairment	-	(3)	(3)
Disposals	-	34	34
Accumulated depreciation as at 31 December 2011	**-**	**(470)**	**(470)**
Net book value as at 1 January 2011	-	325	325
Net book value as at 31 December 2011	**5**	**402**	**407**

Group and Bank 2010	Customer list	Internally developed software	Total
Internally developed software (USD million)			
Cost:			
Cost as at 1 January	-	556	556
Additions	-	159	159
Disposals	-	(6)	(6)
Cost as at 31 December	**-**	**709**	**709**
Accumulated amortization:			
Accumulated amortization as at 1 January	-	(300)	(300)
Amortisation for the year	-	(87)	(87)
Impairment	-	(3)	(3)
Disposals	-	6	6
Accumulated amortization as at 31 December	**-**	**(384)**	**(384)**
Net book value as at 1 January	-	256	256
Net book value as at 31 December	**-**	**325**	**325**

[1] The customer list acquired in the course of the PFS acquisition of USD 5 million has been accounted for to date as intangible assets with finite useful lives which is amortised on a straight-line basis over a period of thirteen years.

23. Property and Equipment

Group 2011	Leasehold Improvements	Computer Equipment	Office Equipment	Total
Property and equipment (USD million)				
Cost:				
Cost as at 1 January 2011	503	604	111	1,218
Additions due to acquisition (refer Note 40)	9	-	1	10
Additions	13	41	29	83
Disposals	(1)	(595)	(55)	(651)
Cost as at 31 December 2011	**524**	**50**	**86**	**660**
Accumulated depreciation:				
Accumulated depreciation as at 1 January 2011	(315)	(533)	(88)	(936)
Charge for the year	(23)	(43)	(10)	(76)
Disposals	1	593	55	649
Accumulated depreciation as at 31 December 2011	**(337)**	**17**	**(43)**	**(363)**
Net book value as at 1 January 2011	**188**	**71**	**23**	**282**
Net book value as at 31 December 2011	**187**	**67**	**43**	**297**

Bank 2011	Leasehold Improvements	Computer Equipment	Office Equipment	Total
Property and equipment (USD million)				
Cost:				
Cost as at 1 January 2011	503	604	111	1,218
Additions	22	41	14	77
Disposals	(1)	(595)	(55)	(651)
Cost as at 31 December 2011	**524**	**50**	**70**	**644**
Accumulated depreciation:				
Accumulated depreciation as at 1 January 2011	(315)	(533)	(88)	(936)
Charge for the year	(23)	(43)	(10)	(76)
Disposals	1	593	55	649
Accumulated depreciation as at 31 December 2011	**(337)**	**17**	**(43)**	**(363)**
Net book value as at 1 January 2011	**188**	**71**	**23**	**282**
Net book value as at 31 December 2011	**187**	**67**	**27**	**281**

Group and Bank 2010	Leasehold Improvements	Computer Equipment	Office Equipment	Total
Property and equipment (USD million)				
Cost:				
Cost as at 1 January 2010	473	567	98	1,138
Additions	31	37	13	81
Disposals	(1)	-	-	(1)
Cost as at 31 December 2010	**503**	**604**	**111**	**1,218**
Accumulated depreciation:				
Accumulated depreciation as at 1 January 2010	(293)	(489)	(81)	(863)
Charge for the year	(22)	(44)	(7)	(73)
Disposals	-	-	-	-
Accumulated depreciation as at 31 December 2010	**(315)**	**(533)**	**(88)**	**(936)**
Net book value as at 1 January 2010	**180**	**78**	**17**	**275**
Net book value as at 31 December 2010	**188**	**71**	**23**	**282**

In 2010, there were no differences between Group and Bank balances for property and equipment.

Leasehold improvements relate to improvements to land and buildings occupied by the Bank and its fellow subsidiaries for their own activities.

No interest has been capitalised within property and equipment (2010: USD Nil).

24. Deposits

	Group		Bank	
	2011	**2010**	**2011**	**2010**
Deposits (USD million)				
Non-interest bearing demand deposits	1,702	1,310	1,702	1,310
Interest-bearing demand deposits	2,021	1,414	2,021	1,412
Time deposits	728	9	728	9
Total deposits	**4,451**	**2,733**	**4,451**	**2,731**
■ Of which due to banks	2,465	2,498	2,465	2,496
■ Of which due to customers	1,986	235	1,986	235

25. Short Term Borrowings

	Group		Bank	
	2011	**2010**	**2011**	**2010**
Short-term borrowings (USD million)				
Short term borrowings:				
■ from banks	23,713	18,996	23,713	18,996
■ from customers	9,029	28	9,053	266
Total short term borrowings	**32,742**	**19,024**	**32,766**	**19,262**

26. Provisions

Group and Bank	Property	Litigation	Total
2011			
Provisions (USD million)			
Balance at 1 January 2011	3	15	18
Charges during the year	1	17	18
Utilised during the year	-	(10)	(10)
Balance at the end of the year	**4**	**22**	**26**

Property provision

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

Building	Provision	Utilisation period
17 Columbus Courtyard, London	USD 1 million	31 December 2024
5 Canada Square, London	USD 2 million	31 December 2027
Pall Mall, London	USD 1 million	31 March 2018

Litigation provision

The CSi 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. General Counsel in consultation with the business reviews CS group's judicial, regulatory and arbitration proceedings each quarter to determine the adequacy of its litigation provisions and may increase or release provisions based on management's judgment and the advice of counsel. The anticipated utilisation of these litigation provisions typically ranges from six to eighteen month period, however certain litigation provisions are anticipated to extend beyond this period. Further provisions or releases of litigation provisions may be necessary in the future as developments in such litigation, claims or proceedings warrant.

27. Long Term Debt

	Group		Bank	
	2011	**2010**	**2011**	**2010**
Long term debt (USD million)				
Senior debt	20,471	19,569	20,443	19,550
Subordinated debt	11,202	10,860	11,202	10,860
Total long term debt	**31,673**	**30,429**	**31,645**	**30,410**

During 2010, in response to the UK liquidity requirements required by the FSA as set out in its policy statement, new term profiles were put in place from Credit Suisse AG London Branch. Accordingly, term issuances of USD 8.5 billion were raised on 11 February 2010 (two issuances of USD 4.25 billion each with interest of 3 months LIBOR plus 97/111 basis points per annum), Euro 5.3 billion raised on 25 June 2010 (two issuances of EUR 2.65 billion each with interest of 3 months EURIBOR plus 125/141 basis points per annum) and USD 1.5 billion were raised on 17 September 2010 (two issuances of USD 750 million each with interest of 3 months LIBOR plus 110/148 basis points per annum). All these issuances have a maturity period varying between 3 to 5 years. USD 2.37 billion was provided by Donaldson, Lufkin & Jenrette ('DLJ Group').

Subordinated loan capital is repayable at par on maturity, but some is repayable prior to maturity at the option of the borrower, generally subject to prior notification to the FSA, and in certain cases at a premium over par. Interest rates on the floating rate loan capital are related to interbank offered rates. On the remaining subordinated loan capital, interest is payable at fixed rates up to 8.25%.

28. Share Capital and Share Premium

Group and Bank	2011	2010
Authorised (USD)		
Ordinary voting shares of USD 1 each	125	125
Participating non-voting shares of USD 1 each	7,224,999,375	7,224,999,375
Class A Participating non-voting shares of USD 1 each	500	500
Preference Shares of USD25,000,000 each	275,000,000	275,000,000
Class A Preference Shares of USD 1 each	250,000,000	250,000,000
Class B Preference Shares of USD 1 each	600,000,000	600,000,000
Class C Preference Shares of USD 1 each	800,000,000	800,000,000
Class D Preference Shares of USD 1 each	600,000,000	600,000,000
Class E Preference Shares of USD 1 each	700,000,000	700,000,000
Class F Preference Shares of USD 1 each	750,000,000	750,000,000
Class G Preference Shares of USD 1 each	800,000,000	800,000,000
Class H Preference Shares of USD 1 each	700,000,000	700,000,000
Class I Preference Shares of USD 1 each	1,500,000,000	1,500,000,000
Class J Preference Shares of USD 1 each	1,400,000,000	1,400,000,000
Class K Preference Shares of USD 1 each	200,000,000	200,000,000
Total authorised capital	**15,800,000,000**	**15,800,000,000**

Group and Bank	2011	2010
Allotted, called-up and fully paid (USD)		
Ordinary voting shares of USD1 each	125	125
Participating non-voting shares of USD1 each	4,389,568,088	4,389,568,088
Class A Participating non-voting shares of USD1 each	200	200
Class A Preference Shares of USD1 each	250,000,000	250,000,000
Class B Preference Shares of USD1 each	-	-
Class C Preference Shares of USD1 each	350,000,000	350,000,000
Class D Preference Shares of USD1 each	300,000,000	300,000,000
Class E Preference Shares of USD1 each	535,000,000	535,000,000
Class H Preference Shares of USD1 each	700,000,000	700,000,000
Class I Preference Shares of USD1 each	1,500,000,000	1,500,000,000
Class J Preference Shares of USD1 each	1,400,000,000	1,400,000,000
Class K Preference Shares of USD1 each	200,000,000	200,000,000
Total allotted, called-up and fully paid capital	**9,624,568,413**	**9,624,568,413**

Share Premium

Group and Bank	2011	2010
Share premium (USD)		
Balance at 1 January	1,016,106,287	4,868,106,287
Capital restructuring	-	(3,852,000,000)
Balance at the end of the year	**1,016,106,287**	**1,016,106,287**

As part of a restructuring of CSi's capital structure, the following transactions occurred during the year 2010:

- On 29 October 2010, participating non-voting issued share capital was further increased from USD 3,889,568,088 to USD 4,389,568,088 by issue of 500,000,000 shares of USD 1 allotted and issued in cash at par as follows:

	Allottee	No of Shares
-	Credit Suisse Group AG	32,292,000
-	Credit Suisse AG	401,836,164
-	Credit Suisse Investments (UK)	65,871,836

- On 16 December 2010, the Bank passed a special resolution to undergo a capital restructuring in accordance with the Companies Act 2006. The purpose of the capital restructuring was to simplify the capital structure by reducing and cancelling USD 3.852 billion standing to the credit of the share premium account of the Bank.

The Ordinary Shares carry voting rights but do not carry the right to receive dividends.

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

The Class A Participating Shares are cumulative shares. The holders of Class A Participating Shares have the right to receive notice of and to attend all general meetings of the Bank, but have voting rights only in respect of resolutions, modifying, varying or abrogating the rights or privileges of the holders of the Class A Participating Shares. Holders of the shares are entitled to dividends as recommended by the Directors, but are not entitled to any right of participation on a return of capital in excess of the par value of the issue price of the shares plus any unpaid dividends.

The Bank has the right to redeem the issued Class A Participating Shares in whole but not part, by giving the holders of the shares not less than 28 days prior notice in writing of the redemption date. The amount payable on redemption shall be the nominal amount paid up on each such Class A Participating Share together with all arrears of the Class A participating dividend, calculated down to and including the redemption date.

The holders of Preference Shares have the right to receive notice of and to attend all general meetings of the Bank, but only have voting rights in respect of resolutions modifying, varying or abrogating the rights or privileges of the holders of the Preference Shares.

The Bank has the right to redeem the issued Preference Shares in whole but not part, by giving the holders of the shares not less than 28 days prior notice in writing of the redemption date. The amount payable on redemption shall be the nominal amount paid up on each Preference Share, together with all arrears and accruals of the preferential dividend thereon, calculated down to and including the date of redemption, irrespective of whether such dividend has been declared or not.

The Class A Preference Shares are non-cumulative, non-redeemable shares. The holders of the shares have the right to receive notice of and to attend all general meetings of the Bank, but have voting rights only in respect of resolutions modifying, varying or abrogating the rights or privileges of the holders of the Class A Preference Shares. Holders of the shares are entitled only to dividends as recommended by the Directors and are not entitled to any right of participation on a return of capital in excess of the issue price of the shares. The Class A Preference shares have priority over all other classes of share, other than the Preference Shares, which retain absolute priority as to the right of participation on a return of capital.

The Class B, C, D, E, H, I J and K Preference Shares are non–cumulative shares. The holders of each of these classes of shares have the right to receive notice of and to attend all general meetings of the Bank, but have voting rights only in respect of resolutions modifying, varying or abrogating the rights or privileges of the holders of shares of that particular class. Holders of the shares receive a fixed preferential dividend, which may be nil at the Directors' discretion, at the following annual rates:

Class B Preference shares 6.43%

Class C Preference shares 6.299%

Class D Preference shares 7%

Class E Preference shares 6.8195%

Class H Preference shares 7.625%

Class I Preference shares 7.85%

Class J Preference shares 7.53%

Class K Preference shares 14.918%

Dividends are paid annually on 30 April ('the fixed dividend date'). Holders of the shares are not entitled to any right of participation on a return of capital in excess of the issue price of the shares. These shares have priority over all other classes of shares (except for equal priority with each other, and other than the Preference Shares and Class A Preference Shares, which retain absolute priority), as to the right of participation on a return of capital.

The Bank has the right, subject to the Companies Act 2006, to redeem these issued shares in whole or any part, on any fixed dividend date as from the following dates:

Class B Preference shares 27 February 2009

Class C Preference shares 8 November 2009

Class D Preference shares 17 November 2010

Class E Preference shares 15 March 2011

Class H Preference shares 10 August 2012

Class I Preference shares 16 November 2012

Class J Preference shares 29 April 2013

Class K Preference shares 21 January 2014

The Bank has to give the holders of the shares not less than 28 days prior notice in writing of the redemption date. The amount payable on redemption shall be the amount paid up thereon together with a sum equal to all arrears and accruals (if any) of the preferential dividends, to be calculated up to and including the redemption date.

29. Retirement Benefit Obligations

The following disclosures contain the balances for the entire defined benefit plan sponsored by CSSEL, of which the Bank is one of many participants, who are all related parties under common control. The Bank accounts for its share of the plan using defined contribution accounting. During 2011 the Bank expensed USD 1.4 million (2010: USD 14 million) in respect of its contributions to the UK defined benefit scheme.

The following table shows the changes in the defined benefit obligation and the fair value of plan assets during 2011 and 2010 of the Credit Suisse UK Defined Benefit pension plan, and the amounts are

included in the Consolidated Financial Statements of CSSEL retirement benefit obligations as at 31 December 2011 and 2010 respectively:

Group and Bank	2011	2010
Defined benefit pension plans (USD million)		
Defined benefit obligation – 1 January	1,297	1,180
Current service cost	6	5
Interest cost	75	69
Actuarial losses – assumptions	44	75
Actuarial losses/(gains) – experience	6	25
Benefit payments	(19)	(12)
Exchange rate (gains)/losses	(10)	(45)
Defined benefit obligation – 31 December	**1,399**	**1,297**
Fair value of plan assets – 1 January	1,404	1,186
Actual return on plan assets	489	124
Contributions	10	152
Benefit payments	(19)	(12)
Exchange rate losses	(26)	(46)
Fair value of plan assets – 31 December	**1,858**	**1,404**

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 95.2 million.

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

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

The following special lump sum contributions to the UK defined benefit scheme were paid by the Bank to improve the funding situation: GBP 82 million in 2009 and GBP 93 million in 2010.

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

GBP 53 million by 31 January 2012, GBP 54 million by 31 January 2013, GBP 3 milion payable by 31 January each year from 2014 to 2018 and GBP 3 million by 31 December 2018.

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

Assumptions

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

Group and Bank	2011	2010
Benefit obligations (%)		
Discount rate	4.90	5.60
Retail Price Inflation	3.20	3.45
Consumer Price Inflation	2.20	2.75
Pension increases [1]	3.08	3.30
Salary increases	4.45	4.70
Net periodic pension cost (%)		
Discount rate	5.60	6.00
Salary increases	4.70	4.70
Expected long term rate of return on plan assets	7.50	7.55

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

Mortality Assumptions

The assumptions for life expectancy for the 2011 benefit obligation pursuant to IAS 19 are based on the "00 Series" base table with improvements in mortality from 2000 in line with 80%/60% of the Long Cohort improvements for males/females, and a scaling factor of 90%. Underpins to future mortality improvement have also been incorporated, the minimum year on year improvements being 1.25% p.a. The 2010 assumptions for life expectancy are similar to those used for 2011.

The post-retirement mortality assumptions are as follows:

	2011	2010
Life expectancy at age 60 for current pensioners aged 60 (years)		
■ Males	29	29
■ Females	31	31
Life expectancy at age 60 for future pensioners currently aged 40 (years)		
■ Males	32	32
■ Females	34	34

Sensitivity Analysis

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

	Increase USDM	Increase %	Decrease USDM	Decrease %
Benefit obligation				
One-percentage point change				
- 1%/ +1% Discount rate	406	29	(302)	(22)
+1% / -1% Inflation rate	239	17	(194)	(14)
+1% / -1% Salary increases rate	17	1	(16)	(1)
+1 / -1 year to life expectancy at 60	24	2	(26)	(2)
Total periodic pension cost				
One-percentage point change				
- 1% / +1% Expected return on assets	15	259	(15)	(259)

Plan assets and investment strategy

The Bank'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 Bank, the cost of benefits. Risk tolerance is established through careful consideration of plan liabilities, plan funded status and corporate financial condition. Furthermore, equity investments are diversified across UK and non-UK stocks as well as between growth, value and small and large capitalisation stocks. Other assets such as hedge funds are used to enhance long term returns while improving portfolio diversification. The Fund has a medium term target of hedging a large proportion of interest rate and inflation risk arising from liabilities. Investment risk is measured and monitored on an ongoing basis through annual liability measurements, periodic asset/liability studies and quarterly investment portfolio reviews. To limit investment risk, the Bank's pension plans follow defined strategic asset allocation guidelines. Depending on the market conditions, these guidelines are even more limited on a short-term basis.

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

	Fair value 2011	% of total fair value of scheme assets 2011	Fair value 2010	% of total fair value of scheme assets 2010
Fair value of plan assets (USD million)				
Equity securities[1]	657	35.4	824	58.7
Debt securities	770	41.4	533	38.0
Alternative Investments (primarily Swaps)	378	20.3	(101)	(7.2)
Cash	53	2.9	148	10.5
Fair value of plan assets	**1,858**	**100.0**	**1,404**	**100.0**

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

Defined Contribution Pension Plans

The Bank also contributes to various defined contribution pensions primarily in the United Kingdom. The contributions in these plans during 2011 and 2010 were USD 16 million and USD 14 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, share-based compensation and the other compensation benefits are paid solely at the discretion of the Bank and CSG.

Compensation and benefits for a given year include salaries, benefits and variable compensation. Variable compensation reflects the performance-based and retention compensation for the current year, the expense from share-based and other deferred compensation from prior-year awards and mark-to-market adjustments. The portion of the variable compensation for the current year deferred through share-based

and other awards is expensed in future periods and subject to restrictive features such as continued employment with the CSi group, vesting, forfeiture and blocking rules.

Total compensation expense for cash-settled share-based compensation plans recognised during 2011 and 2010 was USD 56 million and USD 91 million respectively. The total stock award liability recorded as at 31 December 2011 was USD 92 million (2010: USD 147 million). The fair value used to calculate the stock award liability was the closing CSG share price as at 31 December 2011 CHF 22.07 (2010: CHF 37.67). The average weighted fair value of awards granted in 2011 was CHF 40.75 (2010: CHF 49.19). The intrinsic value of vested share based awards outstanding as at year end was USD 12 million (2010: USD 19 million).

Performance Share awards

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

Phantom Share awards

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

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

Movements in the number of units outstanding were as follows:

Group and Bank	2011	2010
Number of units (millions)		
As at 1 January	1.13	1.38
Granted	2.44	0.32
Share transferred out	(0.12)	(0.04)
Delivered	(0.70)	(0.36)
Forfeited	(0.17)	(0.17)
As at 31 December	**2.58**	**1.13**

Incentive Share Unit ('ISU')

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

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

Movements in the number of ISUs outstanding were as follows:

Group and Bank	**2011**		**2010**	
	Base	**Leverage**	**Base**	**Leverage**
ISU Awards (millions)				
As at 1 January	2.00	3.68	1.99	4.48
Granted	-	-	0.59	0.59
Share transferred out	(0.02)	(0.03)	(0.07)	(0.08)
Delivered	(1.33)	(2.12)	(0.39)	(0.97)
Forfeited	(0.07)	(0.31)	(0.12)	(0.34)
As at 31 December	**0.58**	**1.22**	**2.00**	**3.68**

Scaled Incentive Share Unit ('SISU')

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

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

Movements in the number of SISUs outstanding were as follows:

	2011		2010	
	Base	**Leverage**	**Base**	**Leverage**
SISU Awards (USD million)				
As at 1 January	1.35	1.33	-	-
Granted	-	-	1.47	1.47
Share transferred in/out	(0.05)	(0.04)	(0.06)	(0.06)
Delivered	(0.34)	-	-	-
Forfeited	(0.04)	(0.22)	(0.06)	(0.08)
As at 31 December	**0.92**	**1.07**	**1.35**	**1.33**

Performance Incentive Plan units ('PIPs')

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

The PIP I units granted in 2005 were settled in April 2010 in accordance with the terms and conditions of the plan and each outstanding PIP I unit settled for approximately 4.8 CSG shares. The PIP II units granted in 2006 are settled in May 2011. For PIP II, the performance condition was finalised as of 31 December 2010 and will result in the conversion of each outstanding initial PIP unit into 0.93 final PIP II units upon settlement. Based on the current estimate of the outcome of the CSG share price target for PIP II, it is probable that the minimum share price target of CHF 47 will not be met and thus each final PIP II unit will settle for zero CSG shares.

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

Group and Bank	2011	2010
PIP Units (millions)		
As at 1 January	0.20	0.69
Delivered	(0.20)	(0.49)
As at 31 December	**-**	**0.20**

2011 Partner Asset Facility ('PAF2')

As part of the 2011 annual compensation process, the Credit Suisse Group ("CSG") awarded a portion of their deferred variable compensation for senior employees in the form of 2011 Partner Asset Facility ("PAF2") units. PAF 2 units are essentially fixed income structured notes that are exposed to a portion of the credit risk that arises in CSG's derivative activities, including both current and possible future swaps

and other derivative transactions. The value of the award (for both the interest accrual and the final redemption) will be reduced if the amount of realized credit losses from a specific reference portfolio exceeds a predefined threshold. CSG will bear the first USD 500 million of such losses and the PAF2 holders will bear any losses in excess of USD 500 million, up to the full amount of the deferred compensation awarded. As a result, the PAF2 plan is a transfer of risk from CSG to employees.

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

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

Partner Asset Facility ('PAF')

As part of the 2008 annual compensation process, CSG awarded employees with a corporate title of managing director or director the majority of the deferred portion of their variable compensation in the form of 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 CSG Investment Banking division. The notional value of the Asset Pool was based on the fair market value of the assets within the Asset Pool on 31 December 2008, and those assets will remain static throughout the contractual term of the award or until liquidated. The PAF holders will participate in the potential gains on the Asset Pool if the assets within the pool are liquidated at prices above the initial fair market value. If the assets within the Asset Pool are liquidated at prices below the initial fair market value, the PAF holders will bear the first loss on the Asset Pool.

The contractual term of the PAF award is eight years. 66.7% of the PAF awards were fully vested upon grant and attributed to services performed in 2008 and 33.3% of the PAF awards vested over the first three months of 2009. All PAF awards remain subject to non-compete/non-solicit provisions that expire in respect of one-third of the awards on each of the three anniversaries of the grant date. Each PAF holder will receive a semi-annual cash interest payment of LIBOR plus 250 basis points applied to the notional value of the PAF award granted throughout the contractual term of the award. Beginning in the fifth year after the date of grant, the PAF holders will receive an annual cash payment equal to 20% of the notional value of the PAF awards if the fair market value of the Asset Pool in that year has not declined below the initial fair market value of the Asset Pool. In the final year of the contractual term, the PAF holders will receive a final settlement in cash equal to the notional value, less all previous cash payments made to the PAF holder, plus any related gains or less any related losses on the liquidation of the Asset Pool. Total compensation expense for PAF recognised during 2011 was USD 1 million (2010: USD 7 million).

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

Adjustable Performance Plan Awards ('APPAS')

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

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

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

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

The 2010 APP awards are similar to the 2009 APP awards, except the pro-rata vesting will occur over a four-year period and the outstanding 2010 APP awards will be subject to annual adjustments, increasing or decreasing the outstanding balances by a percentage equal to the CSG ROE, unless the division that granted the awards incurs a pre-tax loss. In this case, outstanding awards in that division will be subject to a negative adjustment of 10% for every CHF 1 billion of loss, unless a negative Group ROE applies for that year and is greater than the divisional adjustment.

Total compensation expense for APPA recognised during 2010 was USD 70 million (2010: USD 67 million).

Restricted Cash Awards ('RCA')

The cash component of variable compensation is generally free from conditions. However, certain employees received the cash component of variable compensation in the form of a restricted cash award with ratable vesting over a two-year period and other restrictive covenants and provisions. These cash awards were paid in the first quarter of 2011 and must be repaid by the employee, either in part or in full, if a claw-back event such as voluntary termination of employment or termination for cause occurs during the vesting period. Total compensation expense for RCA recognised during 2011 was USD 24 million (2010: USD 11 million).

31. Related Parties

The CSi group is controlled by CSG, its ultimate parent, which is incorporated in Switzerland. The CSi group's parent company, which holds a majority of the voting rights in the undertaking, is Credit Suisse, which is incorporated in Switzerland.

The CSi group has significant related party balances with subsidiaries and affiliates of CSG. These transactions largely comprise derivative trades, as the Bank is the principal risk taker for derivatives within the CS group, as well as funding trades via use of loans or deposits, repurchase or repurchase agreements. In addition, the ordinary, preference and participating shares are issued to CSG and subsidiaries of CSG, as outlined in Note 28 - Share Capital and Share Premium. The Bank is also charged for operating costs that mainly relate to employee-related services and other business expenses. Further, these transactions also include transfer pricing income/charges with CS group entities that provide services in respect of the global derivatives business which is centrally booked in the Bank.

The Bank generally enters into the above transactions in the ordinary course of business on market terms that could be obtained from unrelated parties.

a) Related party assets and liabilities

Group	31 December 2011			31 December 2010		
	Parent	Fellow group companies	Total	Parent	Fellow group companies	Total
Assets (USD million)						
Cash and due from banks	55	13,233	13,288	291	18,390	18,681
Interest-bearing deposits with banks	-	1,496	1,496	-	20	20
Securities purchased under resale agreements and securities borrowing transactions	2	29,311	29,313	4,302	10,638	14,940
Trading assets	5,280	45,060	50,340	3,100	41,982	45,082
Other financial assets designated at fair value through profit or loss	266	5,872	6,138	274	6,289	6,563
Other loans and receivables	-	12,029	12,029	-	2,359	2,359
Other assets	38	9,640	9,678	1	9,070	9,071
Current tax asset	-	36	36	-	29	29
Intangible assets	-	3	3	-	-	-
Total assets	**5,641**	**116,680**	**122,321**	**7,968**	**88,777**	**96,745**
Liabilities (USD million)						
Deposits	31	1,681	1,712	11	1,220	1,231
Securities sold under repurchase agreements and securities lending transactions	-	6,950	6,950	684	7,200	7,884
Trading liabilities	2,820	48,336	51,156	1,820	46,190	48,010
Other financial liabilities designated at fair value through profit or loss	23	9,839	9,862	33	9,087	9,120
Short term borrowings	-	32,742	32,742	-	18,981	18,981
Long term debt	-	31,545	31,545	-	30,314	30,314
Other liabilities	25	2,529	2,554	4	4,078	4,082
Share capital	998	8,627	9,625	998	8,627	9,625
Share premium	108	908	1,016	108	908	1,016
Total liabilities	**4,005**	**143,157**	**147,162**	**3,658**	**126,605**	**130,263**

Bank	31 December 2011				31 December 2010			
	Parent	Fellow group companies	Subsidiaries and SPEs	Total	Parent	Fellow group companies	Subsidiaries and SPEs	Total
Assets (USD million)								
Cash and due from banks	55	13,233	-	13,288	291	18,388	-	18,679
Intangible fixed assets	-	3	-	3	-	-	-	-
Interest-bearing deposits with banks	-	1,496	-	1,496	-	3	-	3
Securities purchased under resale agreements and securities borrowing transactions	2	29,311	-	29,313	4,302	10,638	-	14,940
Trading assets	5,280	45,060	1,293	51,633	3,100	42,015	1,817	46,932
Other financial assets designated at fair value through profit or loss	266	5,872	-	6,138	274	8,086	-	8,360
Other loans and receivables	-	12,029	-	12,029	-	2,359	-	2,359
Other assets	38	9,635	301	9,974	1	9,083	1,510	10,594
Investments in subsidiary undertakings	-	-	10	10	-	-	27	27
Current Tax Assets	-	36	-	36	-	29	-	29
Total assets	**5,641**	**116,675**	**1,604**	**123,920**	**7,968**	**90,601**	**3,354**	**101,923**
Liabilities (USD million)								
Deposits	31	1,681	-	1,712	11	1,220	-	1,231
Securities sold under repurchase agreements and securities lending transactions	-	6,950	-	6,950	684	7,200	-	7,884
Trading liabilities	2,820	48,336	578	51,734	1,820	46,139	563	48,522
Other financial liabilities designated at fair value through profit or loss	23	9,839	-	9,862	33	10,884	47	10,964
Short term borrowings	-	32,742	24	32,766	-	18,982	265	19,247
Long term debt	-	31,542	-	31,542	-	30,314	-	30,314
Other liabilities	25	2,529	315	2,869	4	4,076	1,330	5,410
Share Capital	998	8,627	-	9,625	998	8,627	-	9,625
Share Premium	108	908	-	1,016	108	908	-	1,016
Total liabilities	**4,005**	**143,154**	**917**	**148,076**	**3,658**	**128,350**	**2,205**	**134,213**

b) Related party revenues and expenses

Group (USD million)	31 December 2011			31 December 2010		
	Parent	Fellow group companies	Total	Parent	Fellow group companies	Total
Interest income	23	373	396	11	275	286
Interest expense	-	(1,051)	(1,051)	-	(830)	(830)
Net interest expense	**23**	**(678)**	**(655)**	**11**	**(555)**	**(544)**
Commissions and fees	-	(217)	(217)	-	(185)	(185)
Revenue sharing agreements expense	(17)	(433)	(450)	(14)	(1,040)	(1,054)
Total non-interest revenues	**(17)**	**(650)**	**(667)**	**(14)**	**(1,225)**	**(1,239)**
Net operating income	**6**	**(1,328)**	**(1,322)**	**(3)**	**(1,780)**	**(1,783)**
Total operating expenses	**(1)**	**(800)**	**(801)**	**-**	**(723)**	**(723)**

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c) Remuneration

Disclosure required by the Companies Act 2006

Remuneration of Directors

	2011 USD'000	2010 USD'000 (restated)[1]
Emoluments	3,681	3,223
Long term incentive schemes:		
▪ Amounts paid under Deferred Cash Awards	2,462	500
▪ Amounts delivered under Shared Based Awards	5,703	15,096
Total	**11,846**	**18,819**
Bank's contributions to defined contribution plan	140	106
Total	**11,986**	**18,925**

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

The aggregate of emoluments and deferred cash awards paid to or receivable by the highest paid director was USD 2,671,000 (2010: USD 2,179,000). The director was also a member of a defined contribution pension plan and the contribution paid during the year into the plan was USD 7,000 (2010: USD 10,000). During the year the highest paid director also received an entitlement to shares under a long term incentive scheme.

The amounts included in the Companies Act disclosures are on a different basis than the recognition requirements of IFRS 2 and IAS 37 and the disclosure requirements of IAS 24. The aggregate amount of remuneration accrued in the Company's accounts for directors in accordance with IFRS requirements for 2011 was USD 11,729,000 (2010: USD 12,507,000).

d) Number of Directors and Benefits (Restated)

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

e) Remuneration of Key Management Personnel

	2011	2010 (restated)[1]
Remuneration of Key Management Personnel (USD' 000)		
Emoluments	10,314	11,534
Long term incentive schemes	17,991	21,142
Total	**28,305**	**32,676**
Bank's contributions to defined contribution plan	572	499
Total	**28,877**	**33,175**

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

CSG Shares awarded to Key Management Personnel

	2011	2010 (restated)[1]
Number of other shares	575,673	566,992

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 CSi group, directly or indirectly, including any director of the CSi group.

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

f) 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 CSi group at 31 December 2011 (2010: USD Nil).

32. Employees

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

Group and Bank	2011	2010
Front office	417	352
Back office	504	568
Total	**921**	**920**

The CSi group receives a range of services from related companies, in particular from fellow subsidiary Credit Suisse Securities (Europe) Limited which is the primary Credit Suisse employing entity in the UK. The headcount related to these services cannot be accurately ascertained and is not therefore included in the above numbers. Staff costs and staff numbers do not differ between Bank and CSi group.

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

33. Derivatives and Hedging Activities

Derivatives are generally either privately negotiated OTC contracts or standard contracts transacted through regulated exchanges. The Bank'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 Bank 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 Bank 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 Bank 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 Bank's derivatives held as at 31 December 2011 were used for trading activities.

Economic Hedges

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

Fair Value Hedges

The Bank maintains an overall interest rate risk management strategy that incorporates the use of derivative instruments to minimise fluctuations in earnings that are caused by interest rate volatility.

The Bank also uses cross currency swaps to convert foreign currency denominated fixed rate assets or liabilities to floating rate functional currency assets or liabilities. The following table sets forth details of fair value hedges:

Group and Bank	2011	2010
Fair value hedges (USD million)		
Gains on the hedging instruments	-	31
Losses on the hedge item attributable to the hedged risk	-	(30)

No Fair Value hedges were entered into during 2011. There were no Fair Value hedges in place as at the end of 2010 and the Gains and Losses are generated from the hedges that were in existence during the first half of the year.

Hedge effectiveness assessment

The Bank 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 Bank 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 Bank to determine whether or not the hedging relationship has actually been effective. If the Bank 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:

Group 2011	**Trading**		**Hedging**	
	Positive replacement value	**Negative replacement value**	**Positive replacement value**	**Negative replacement value**
Trading and hedging derivatives instruments (USD million)				
Forwards and forward rate agreements	2,666	2,371	-	-
Swaps	716,621	707,041	-	-
Options bought and sold (OTC)	70,179	70,751	-	-
Options bought and sold (traded)	274	160	-	-
Interest rate products	**789,740**	**780,323**	-	-
Forwards and forward rate agreements	6,628	7,033	-	-
Swaps	37,708	55,902	-	-
Options bought and sold (OTC)	10,502	10,739	-	-
Foreign exchange products	**54,838**	**73,674**	-	-
Forwards and forward rate agreements	1,338	1,393	-	-
Options bought and sold (OTC)	900	879	-	-
Precious metals products	**2,238**	**2,272**	-	-
Forwards and forward rate agreements	22	1	-	-
Swaps	5,322	4,913	-	-
Options bought and sold (OTC)	14,700	15,323	-	-
Options bought and sold (traded)	17,400	19,826	-	-
Equity/indexed-related products	**37,444**	**40,063**	-	-
Swaps	72,707	71,194	-	-
Options bought and sold (OTC)	74	42	-	-
Credit products	**72,781**	**71,236**	-	-
Forwards and forward rate agreements	561	526	-	-
Swaps	4,816	4,898	-	-
Options bought and sold (OTC)	1,191	932	-	-
Options bought and sold (traded)	1,225	1,495	-	-
Other products	**7,793**	**7,851**	-	-
Total derivative instruments	**964,834**	**975,419**	-	-

Group 2010	Trading		Hedging	
	Positive replacement value (restated) [1]	Negative replacement value (restated)[1]	Positive replacement value	Negative replacement value
Trading and hedging derivatives instruments (USD million)				
Forwards and forward rate agreements	3,420	3,047	-	-
Swaps	470,179	463,621	-	-
Options bought and sold (OTC)	47,874	49,171	-	-
Options bought and sold (traded)	333	149	-	-
Interest rate products	**521,806**	**515,988**	**-**	**-**
Forwards and forward rate agreements	5,873	6,556	-	-
Swaps	38,386	50,267	-	-
Options bought and sold (OTC)	11,663	11,887	-	-
Foreign exchange products	**55,922**	**68,710**	**-**	**-**
Forwards and forward rate agreements	1,780	1,477	-	-
Options bought and sold (OTC)	618	769	-	-
Precious metals products	**2,398**	**2,246**	**-**	**-**
Forwards and forward rate agreements	-	1	-	-
Swaps	4,319	6,403	-	-
Options bought and sold (OTC)	14,912	16,557	-	-
Options bought and sold (traded)	16,806	17,471	-	-
Equity/indexed-related products	**36,037**	**40,432**	**-**	**-**
Swaps	60,762	59,116	-	-
Options bought and sold (OTC)	107	2	-	-
Credit products	**60,869**	**59,118**	**-**	**-**
Forwards and forward rate agreements	1,386	1,330	-	-
Swaps	4,842	6,858	-	-
Options bought and sold (OTC)	1,254	1,232	-	-
Options bought and sold (traded)	2,254	2,316	-	-
Other products	**9,736**	**11,736**	**-**	**-**
Total derivative instruments	**686,768**	**698,230**	**-**	**-**

Group	2011		2010	
	Positive replacement value	Negative replacement value	Positive replacement value (restated)[1]	Negative replacement value (restated)[1]
Replacement values (USD million)				
Replacement values (trading and hedging) before netting	964,834	975,419	686,768	698,230
Replacement values (trading and hedging) after netting	529,346	540,734	406,719	418,227

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

Group 1 January 2010	Trading		Hedging	
	Positive replacement value (restated) [1]	Negative replacement value (restated)[1]	Positive replacement value	Negative replacement value
Trading and hedging derivatives instruments (USD million)				
Forwards and forward rate agreements	3,515	3,456	-	-
Swaps	467,727	459,289	-	6
Options bought and sold (OTC)	42,363	44,796	-	-
Interest rate products	**513,605**	**507,541**	**-**	**6**
Forwards and forward rate agreements	4,915	6,081	-	-
Swaps	30,289	34,090	-	-
Options bought and sold (OTC)	9,789	10,420	-	-
Foreign exchange products	**44,993**	**50,591**	**-**	**-**
Forwards and forward rate agreements	1,377	977	-	-
Options bought and sold (OTC)	404	927	-	-
Precious metals products	**1,781**	**1,904**	**-**	**-**
Forwards and forward rate agreements	12	1	-	-
Swaps	4,871	6,073	-	-
Options bought and sold (OTC)	16,776	20,662	-	-
Equity/indexed-related products	**21,659**	**26,736**	**-**	**-**
Swaps	82,361	80,226	33	-
Options bought and sold (OTC)	7	6	-	-
Credit products	**82,368**	**80,232**	**33**	**-**
Forwards and forward rate agreements	396	764	-	-
Swaps	4,855	5,932	-	-
Options bought and sold (OTC)	1,093	1,130	-	-
Other products	**6,344**	**7,826**	**-**	**-**
Total derivative instruments	**670,750**	**674,830**	**33**	**6**

Group	1 January 2010	
	Positive replacement value (restated)[1]	Negative replacement value (restated)[1]
Replacement values (USD million)		
Replacement values (trading and hedging) before netting	670,750	674,830
Replacement values (trading and hedging) after netting	409,898	420,099

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

Bank 2011	Trading		Hedging	
	Positive replacement value	Negative replacement value	Positive replacement value	Negative replacement value
Trading and hedging derivatives instruments (USD million)				
Forwards and forward rate agreements	2,666	2,371	-	-
Swaps	716,760	707,055	-	-
Options bought and sold (OTC)	70,178	70,751	-	-
Options bought and sold (traded)	274	160	-	-
Interest rate products	**789,878**	**780,337**	-	-
Forwards and forward rate agreements	6,628	7,033	-	-
Swaps	38,153	56,211	-	-
Options bought and sold (OTC)	10,501	10,739	-	-
Foreign exchange products	**55,282**	**73,983**	-	-
Forwards and forward rate agreements	1,338	1,393	-	-
Options bought and sold (OTC)	900	879	-	-
Precious metals products	**2,238**	**2,272**	-	-
Forwards and forward rate agreements	22	1	-	-
Swaps	5,322	5,113	-	-
Options bought and sold (OTC)	14,700	15,328	-	-
Options bought and sold (traded)	17,400	19,824	-	-
Equity/indexed-related products	**37,444**	**40,266**	-	-
Swaps	72,707	71,194	-	-
Options bought and sold (OTC)	74	42	-	-
Credit products	**72,781**	**71,236**	-	-
Forwards and forward rate agreements	694	526	-	-
Swaps	4,817	4,924	-	-
Options bought and sold (OTC)	1,191	1,073	-	-
Options bought and sold (traded)	1,225	1,495	-	-
Other products	**7,927**	**8,018**	-	-
Total derivative instruments	**965,550**	**976,112**	-	-

Bank 2010	Trading		Hedging	
	Positive replacement value (restated) [1]	Negative replacement value (restated) [1]	Positive replacement value	Negative replacement value
Trading and hedging derivatives instruments (USD million)				
Forwards and forward rate agreements	3,420	3,047	-	-
Swaps	470,310	463,719	-	-
Options bought and sold (OTC)	47,874	49,171	-	-
Options bought and sold (traded)	333	149	-	-
Interest rate products	**521,937**	**516,086**	-	-
Forwards and forward rate agreements	5,873	6,556	-	-
Swaps	38,850	50,579	-	-
Options bought and sold (OTC)	11,663	11,932	-	-
Foreign exchange products	**56,386**	**69,067**	-	-
Forwards and forward rate agreements	1,780	1,477	-	-
Options bought and sold (OTC)	618	769	-	-
Precious metals products	**2,398**	**2,246**	-	-
Forwards and forward rate agreements	-	1	-	-
Swaps	4,319	6,403	-	-
Options bought and sold (OTC)	14,912	16,587	-	-
Options bought and sold (traded)	16,806	17,471	-	-
Equity/indexed-related products	**36,037**	**40,462**	-	-
Swaps	60,764	59,116	-	-
Options bought and sold (OTC)	107	2	-	-
Credit products	**60,871**	**59,118**	-	-
Forwards and forward rate agreements	1,376	1,330	-	-
Swaps	4,842	6,858	-	-
Options bought and sold (OTC)	1,254	1,230	-	-
Options bought and sold (traded)	2,254	2,316	-	-
Other products	**9,726**	**11,734**	-	-
Total derivative instruments	**687,355**	**698,713**	-	-

Bank	2011		2010	
	Positive replacement value	Negative replacement value	Positive replacement value (restated)[1]	Negative replacement value (restated)[1]
Replacement values (USD million)				
Replacement values (trading and hedging) before netting	965,550	976,112	687,355	698,713
Replacement values (trading and hedging) after netting	530,064	541,427	407,305	418,710

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

Bank 1 January 2010	Trading		Hedging	
	Positive replacement value (restated) [1]	Negative replacement value (restated) [1]	Positive replacement value	Negative replacement value
Trading and hedging derivatives instruments (USD million)				
Forwards and forward rate agreements	3,515	3,456	-	-
Swaps	467,742	459,928	-	-
Options bought and sold (OTC)	42,467	44,804	-	-
Interest rate products	**513,724**	**508,188**	-	-
Forwards and forward rate agreements	4,915	6,081	-	-
Swaps	30,854	34,409	-	-
Options bought and sold (OTC)	9,789	10,420	-	-
Foreign exchange products	**45,558**	**50,910**	-	-
Forwards and forward rate agreements	1,377	977	-	-
Options bought and sold (OTC)	404	927	-	-
Precious metals products	**1,781**	**1,904**	-	-
Forwards and forward rate agreements	12	1	-	-
Swaps	4,871	6,073	-	-
Options bought and sold (OTC)	16,776	20,662	-	-
Equity/indexed-related products	**21,659**	**26,736**	-	-
Swaps	82,539	80,223	-	-
Options bought and sold (OTC)	7	6	-	-
Credit products	**82,546**	**80,229**	-	-
Forwards and forward rate agreements	396	764	-	-
Swaps	4,855	5,931	-	-
Options bought and sold (OTC)	1,093	1,130	-	-
Other products	**6,344**	**7,825**	-	-
Total derivative instruments	**671,612**	**675,792**	-	-

Bank	1 January 2010	
	Positive replacement value (restated)[1]	Negative replacement value (restated)[1]
Replacement values (USD million)		
Replacement values (trading and hedging) before netting	671,612	675,792
Replacement values (trading and hedging) after netting	410,761	420,432

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

34. Guarantees and Commitments

The following tables set forth details of contingent liabilities associated with guarantees and other commitments:

Group and Bank	Maturity				Total gross	Collateral	Net of
31 December 2011	**<1 year**	**1-3 years**	**3-5 years**	**>5 years**	**amount**	**received**	**collateral**
Guarantees (USD million)							
Credit guarantees and similar instruments	107	1,274	300	-	1,681	175	1,506
Performance guarantees and similar instruments	31	1,261	-	-	1,292	-	1,292
Total guarantees	**138**	**2,535**	**300**	**-**	**2,973**	**175**	**2,798**

Group and Bank	Maturity				Total gross	Collateral	Net of
31 December 2011	**<1 year**	**1-3 years**	**3-5 years**	**>5 years**	**amount**	**received**	**collateral**
Other commitments (USD million)							
Irrevocable commitments under documentary credit	10	63	29	-	102	-	102
Loan commitments	3,801	4,316	1,579	281	9,977	307	9,670
Total other commitments	**3,811**	**4,379**	**1,608**	**281**	**10,079**	**307**	**9,772**

Group and Bank	Maturity				Total gross	Collateral	Net of
31 December 2010	**<1 year**	**1-3 years**	**3-5 years**	**>5 years**	**amount**	**received**	**collateral**
Guarantees (USD million)							
Credit guarantees and similar instruments	93	512	776	-	1,381	1,220	161
Performance guarantees and similar instruments	-	11	300	-	311	311	-
Total guarantees	**93**	**523**	**1,076**	**-**	**1,692**	**1,531**	**161**

Group and Bank	Maturity				Total gross	Collateral	Net of
31 December 2010	**<1 year**	**1-3 years**	**3-5 years**	**>5 years**	**amount**	**received**	**collateral**
Other commitments (USD million)							
Irrevocable commitments under documentary credit	10	212	39	-	261	32	229
Loan commitments	4,096	4,303	1,192	303	9,894	3,696	6,198
Total other commitments	**4,106**	**4,515**	**1,231**	**303**	**10,155**	**3,728**	**6,427**

Credit guarantees are contracts that require the CSi 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 CSi group provides guarantees to counterparties in the form of standby letters of credit, which represent obligations to make payments to third parties if the counterparty fails to fulfill its obligation under a borrowing arrangement or other contractual obligation.

Performance guarantees and similar instruments are arrangements that require contingent payments to be made when certain performance-related targets or covenants are not met. Such covenants may include a

customer's obligation to deliver certain products and services or to perform under a construction contract. Performance-related guarantees are frequently executed as part of project finance transactions.

Loan commitments include unused credit facilities that cannot be revoked at any time without prior notice.

Lease Commitments

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

Group and Bank	2011	2010
Operating lease commitments (USD million)		
No later than 1 year	68	68
Later than 1 year and no later than 5 years	270	273
Later than 5 years	600	695
Future operating lease commitments	**938**	**1,036**
Less minimum non-cancellable sublease rentals	(173)	(61)
Total net future minimum operating lease commitments	**765**	**975**

The future operating lease commitments include service charges of USD 13.6 million (2010: USD 15.5 million).

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

Group and Bank	2011	2010
Net rental expense (USD million)		
Minimum rentals	67	64
Sublease rental income	(53)	(57)
Total net rental expenses	**14**	**7**

Contingent Liabilities and Other Commitments

The CSi group and Bank have contingent liabilities and commitments, entered into in the ordinary course of business, in respect of forward rate agreements, OTC futures, interest rate and currency swaps, options, spot and forward foreign exchange contracts and other OTC off-balance sheet instruments.

The Bank registered a charge to Bank of Tokyo-Mitsubishi UFJ, Limited under a Securities and Cash Pledge Agreement dated 11 April 2011 for all monies due or to become due on any account whatsoever under the terms of the instrument.

The Bank registered five charges to Citicorp Trustee Company Limited as trustee for the Noteholders and as a security trustee for the Secured Parties under a Trust Deed dated 05 May 2011 for all monies due or to become due on any account whatsoever under the terms of the instrument.

The Bank registered a Deed of Amendment to Inteligo Bank Limited dated 27 July 2011 for all monies due or to become due on any account whatsoever under the terms of the instrument.

The Bank registered a charge to HSBC Bank Brasil S.A. – Banco Multiplo under a Private Instrument of Pledge of Government Bonds and Receivables dated 31 December 2010 for all monies due or to become due on any account whatsoever under the terms of the instrument.

The Bank registered a charge to Itau Unibanco S.A. under a Private Instrument of Pledge of Government Bonds and Receivables dated 29 December 2010 for all monies due or to become due on any account whatsoever under the terms of the instrument.

The Bank registered a charge to ING Bank N.V., Sao Paulo Branch under a Private Instrument of Pledge of Government Bonds and Receivables dated 29 December 2010 for all monies due or to become due on any account whatsoever under the terms of the instrument.

The Bank registered a charge to HSBC Bank Brasil S.A. – Banco Multiplo under a Private Instrument of Pledge of Government Bonds and Receivables dated 29 December 2010 for all monies due or to become due on any account whatsoever under the terms of the instrument.

The Bank registered a charge to Citicorp Trustee Company Limited as trustee for the Noteholders and as a security trustee for the Secured Parties under a Trust Deed dated 22 December 2010 for all monies due or to become due on any account whatsoever under the terms of the instrument.

The Bank registered a charge to Citibank N. A. and other Clearing Agent under a Master Clearing Agreement (Amended) dated 7 December 2010 for all monies due or to become due on any account whatsoever under the terms of the instrument.

The Bank registered a charge to Alpha Multistrategy Fund IIC IICIL under a Pledge Agreement dated 12 October 2010 for all monies due or to become due on any account whatsoever under the terms of the instrument.

The Bank registered a charge to Dexion Capital (Guernsey) Limited under a Security Deed dated 9 September 2010 for all monies due or to become due on any account whatsoever under the terms of the instrument.

The Bank registered a charge to AXA Life Insurance Company Limited under a Securities and Cash Pledge Agreement dated 03 September 2010 for all monies due or to become due on any account whatsoever under the terms of the instrument.

The Bank registered a charge to BNY Fund Management (Cayman) Limited in relation to a Credit Support Deed dated 23 June 2010 for all monies due or to become due on any account whatsoever under the terms of the instrument.

The Bank registered a charge to Aberdeen Asset Management Gestion S.N.C. in relation to a Deed of Assignment dated 26 May 2010 for all monies due or to become due on any account whatsoever under the terms of the instrument with full title guarantee all present and future obligation and interest in and to the assigned assets including all monies payable to the assignor and any claims awards and judgements in favour of the assignor under or in connection with the assigned assets.

The Bank registered a charge to Inteligo Bank Limited in relation to a security assignment dated 19 May 2010 for all monies due or to become due on any account whatsoever under the terms of the instrument.

The Bank registered a charge to The Bank of New York Mellon under a Debenture agreement dated 6 May 2010 for all monies due or to become due on any account whatsoever under the terms of the instrument.

The Bank registered a charge to Dekabank Deutsche Girozentrale under a Securities and Cash Pledge Agreement dated 4 May 2010 for all monies due or to become due on any account whatsoever under the terms of the instrument.

The Bank registered a charge to AXA Life Insurance Company Limited under a Securities and Cash Pledge Agreement dated 10 April 2010 for all monies due or to become due on any account whatsoever under the terms of the instrument.

The Bank registered a charge to AXA Belgium S.A. under a Securities and Cash Pledge Agreement dated 24 March 2010 for all monies due from Credit Suisse Securities (Europe) Limited on any account whatsoever under the terms of the instrument.

The Bank registered a charge to Citicorp Trustee Company Limited as trustee for the Noteholders and as a security trustee for the Secured Parties under a Trust Deed dated 9 March 2010.

The Bank registered a charge to AXA Life Insurance Company Limited under a Securities and Cash Pledge Agreement dated 09 February 2010 for all monies due from Credit Suisse Securities (Europe) Limited on any account whatsoever under the terms of the instrument.

The Bank registered a charge to Citicorp Trustee Company Limited under a Security Deed dated 7 January 2010 for all monies due or to become due on any account whatsoever under the terms of the instrument.

The Bank registered a charge to Ever Grace Group Limited under a Security Deed and Share Charge dated 03 April 2009. Amounts secured by the charge are all present and future obligations and liabilities, in any capacity whatsoever.

The Bank registered a charge to AXA Belgium S.A. under a Securities and Cash Pledge Agreement dated 01 September 2009. Amounts secured by the charge are all present and future obligations and liabilities, in any capacity whatsoever under the terms of the instrument.

The Bank registered a charge to AXA Insurance Limited under a Securities and Cash Pledge Agreement dated 03 September 2009 for all monies due or to become due on any account whatsoever under the terms of the instrument.

The Bank registered a charge to AXA Seguros Generales, S.A. De Seguros Y Reaseguros under a Securities and Cash Pledge Agreement dated 03 September 2009 for all monies due from Credit Suisse Securities (Europe) Limited on any account whatsoever under the terms of the instrument.

The Bank registered a charge to DBV Deutsche Beamtenversicherung Lebensversicherung A.G under a Securities and Cash Pledge Agreement dated 04 September 2009 for all monies due from Credit Suisse Securities (Europe) Limited on any account whatsoever under the terms of the instrument.

The Bank registered a charge to AXA Life Insurance Co Ltd under a Securities and Cash Pledge Agreement dated 11 September 2009 for all monies due from Credit Suisse Securities (Europe) Limited on any account whatsoever under the terms of the instrument.

The Bank registered a charge to BNY Corporate Trustee Services Limited as trustee for the Noteholders and as a security trustee for the Secured Parties under a Trust Deed dated 22 September 2009 for all monies due or to become due on any account whatsoever under the terms of the instrument.

The Bank registered a charge to AXA Krankenversicherung AG under a Securities and Cash Pledge Agreement dated 27 October 2009 for all monies due or to become due on any account whatsoever under the terms of the instrument.

The Bank registered a charge to AXA Insurance Ltd under a Securities and Cash Pledge Agreement dated 27 October 2009 for all monies due or to become due on any account whatsoever under the terms of the instrument.

The Bank registered a charge to AXA Seguros Generals, S.A. De seguros Y Reaseguros under a Securities and Cash Pledge Agreement dated 27 October 2009 for all monies due or to become due on any account whatsoever under the terms of the instrument.

The Bank registered a charge to Citicorp Trustee Company Limited under a Trust Deed dated 16 November 2009 for all obligations and liabilities due or to become due on any account whatsoever under the terms of the instrument.

The Bank registered a charge to BNY Corporate Trustee Services Limited under a Trust Deed dated 18 November 2009 for all obligations and liabilities due or to become due on any account whatsoever under the terms of the instrument.

The Bank registered a charge to BNY Corporate Trustee Services Limited as Trustee for the Noteholders and as Security Trustee for the Secured Parties under a Trust Deed dated 18 November 2009 for all obligations and liabilities due or to become due to the Noteholders, the Chargee and the Agents on any account whatsoever under the terms of the instrument.

The Bank registered a charge to Citicorp Trustee Company Limited as Security Trustee for the holder and Security Trustee for the Secured Parties under a Security Deed dated 23 December 2009 for all obligations and liabilities due or to become due on any account whatsoever under the terms of the instrument.

The Bank registered a charge to Dekabank Deutsche Girozentrale under a Securities and Cash Pledge Agreement dated 19 December 2008. Amounts secured by the charge are all present and future obligations and liabilities, in any capacity whatsoever, under or in connection with any of the Repurchase Transactions under the Repurchase Agreement.

The Bank registered a charge to Dekabank Deutsche Girozentrale under a Securities and Cash Pledge Agreement dated 12 December 2008. Amounts secured by the charge are all present and future obligations and liabilities under or in connection with any of the Repurchase Transactions under the Repurchase Agreement.

The Bank registered a charge to Fondazione Enasarco under a Euroclear Pledge Agreement entered into between Fondazione Enasarco and Credit Suisse London Branch, acting as the Pledgee’s representative for all present and future liabilities and obligations (whether actual or contingent) pursuant to the Investment Certificate due 2023 linked to the Anthracite Rated Investments (Cayman) Limited Series 26 Principal Protected Notes due 2023.

The Bank registered a charge to Polychord S.A. under a security arrangement agreement date 28 November 2008. Amounts secured by the charge are all present and future monies, debts and liabilities due, owing or incurred by CSi to Polychord S.A. as the principal under the €35,000,000 Delta 1 Notes due 2028, issued by CSi.

The Bank registered a charge in relation to the 1992 ISDA Master Agreement (Multicurrency-Cross Border), the schedule and the 1994 Credit Support Annex dated as of 22 September 2008 between Credit Suisse and Highbridge Leveraged Loan Partners Master Fund, L.P. governed by the laws of the State of New York and as amended by an Amendment Agreement dated as of 25 September 2008. The amounts secured by the mortgage or charge are all present and future obligations of CSi under the agreement.

The Bank registered a charge to CTF Holdings Limited for obligations under a deed of charge in respect of Shares dated 29 July.

The Bank registered a Charge to Caledonian Trust (Cayman) Ltd acting solely in its capacity as trustee of Magnitude International, a sub trust of The Magnitude Master Series Trust for obligations under the Letter Agreement dated 31 July 2007 as continuing security for payment of secured obligations.

The Bank registered a fixed charge to Naganoken Shinyo Nogyo Kyodo Kumiai Rengokai for obligations arising under the Finance Documents and all direct legal and other costs associated with the amount secured by the mortgage.

The Bank registered a fixed charge to Etera Mutual Pension Insurance Company for obligations under the Deed of Fixed Charge associated with the 82,000 Class B Participating Certificates of Solon Capital Limited.

The Bank registered a charge to Credit Suisse Solutions (Lux) for obligations under the Credit Support Deed and the 1992 ISDA Master Agreement dated as of 18 March 2008 for a USD13 million Swap due in 2023 linked to the performance of the Credit Suisse Tremont All Hedge Index.

The Bank registered a charge to Credit Suisse Solutions (Lux) under a Euroclear Pledge Agreement entered into between Credit Suisse Solutions (Lux) and CSS (Europe) Ltd, acting as the Pledgee's representative for all present and future monies, debts, obligations and liabilities due, owing or incurred in connection with the Swap Arrangements.

The Bank registered a Deed of Amendment to Credit Suisse Fund Management S.A. for obligations under the charge registered on 3 October 2007 in terms of the Credit Support Deed and the 2002 ISDA Master Agreement for EUR400m funded swap due in 2022 that is linked to the performance of the MACS Total Return portfolio.

The Bank registered a charge to Credit Suisse Fund Management S.A. for obligations under the Credit Support Deed and the 2002 ISDA Master Agreement for a EUR 400 million funded swap due in 2022 that is linked to the performance of the MACS Total Return Portfolio.

The Bank registered a charge to Credit Suisse Fund Management S.A. under a Euroclear Pledge Agreement entered into between Credit Suisse Fund Management S.A. and CSS (Europe) Ltd, acting as the Pledgee's representative for all present and future debts, obligations, monies and liabilities under transaction documents and under the Pledge Agreement.

The Bank registered a charge to Panama Street Finance over collateral, as continuing security for payment of secured obligations.

The Bank has granted a first priority pledge to Intesa Sanpaolo S.p.A. over the Sale Back price and any other payment in accordance with the terms of the Buy and Sell Back Agreement.

The Bank registered a charge to the Bank of New York over all principal, interest and other amounts that may be payable under the obligations of the trust deed associated with USD 400 million loan participation notes.

The Bank registered a further charge to BNY Corporate Trustee Services Limited over all principal, interest and other amounts payable by the Bank under the obligations of the supplemental trust deed between the Bank and BNY Corporate Trustee Services Limited associated with USD 30 million loan participation notes.

The Bank registered a charge to Deutsche Trustee Company Limited over all principal, interest and other amounts that may be payable under the obligations of the trust deed associated with the USD 125 million loan participation notes.

The Bank registered a charge to Caledonian Trust (Cayman) Limited for principal, interest and other amounts associated with its purchase of the Magnitude Master Fund linked Investments Notes of Sterling £20 million.

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

The Bank has granted to the Bank of New York a charge over certain cash and securities against a failure of the Bank to meet certain obligations.

The Bank has granted a further charge to the Bank of New York over all principal, interest and other amounts payable by the Bank under the obligations of the trust deed between the Bank and the Bank of New York. The charge is secured to a limit of USD 250 million.

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

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

The Bank has granted to the International Bank for Reconstruction and Development, International Finance Corporation and Ace Capital Re Overseas Limited charges over certain cash and securities due as collateral to the charges under the terms of the credit support annexes to their respective ISDA Master Agreements.

The Bank has granted to Credit Suisse a charge over certain shares, dividends, interest and related share rights against a failure of the Bank to meet certain intra-group obligations.

The Bank has granted various fixed charges to J.P. Morgan Corporate Trustee Services Limited over all principal, interest and other amounts payable by the Bank to J.P. Morgan Corporate Trustee Services Limited under the obligations of the trust deed between the Bank and J.P. Morgan Corporate Trustee Services Limited. The charge is secured to a limit of USD 1,115 million.

The Bank has granted a charge to Deutsche Trustee Company Limited over certain interests and benefits on notes. This is a first fixed charge on interest and any other amounts payable by the Bank under the loan agreement. The charge is limited to USD 500 million.

The Bank has granted charges to the Apothekerversorgung Niedersachsen Einrichtung der Apothekerkammer Niedersachsen Korperschaft des Offentlichen Rechts over certain property. This is a first fixed charge over the property and a floating charge over derivatives of the asset. The charges are secured to a limit of EUR 35 million.

The Bank has granted charges to the Arzteversorgung Niedersachsen Einrichtung der Arztekammer Niedersachsen Korperschaft des Offentlichen Rechts over certain property. This is a first fixed charge over the property and a floating charge over derivatives of the asset. The charges are secured to a limit of EUR 65 million.

The Bank has granted a charge and assignment of shares to OM-IP Eclipse Trading Limited over a charge account with RMF Investment Strategies SPC.

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

35. Securitisations, Special Purpose Entities and Other Structured Transactions

The CSi 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 CSi group consolidates SPEs when the substance of the relationship between the CSi group and the SPE indicates that the SPE is controlled by the CSi group. Consideration is given to the CSi group's ability to control the activities of the SPE and the CSi group's exposure to the risks and benefits of the SPE.

Non-consolidated SPEs:

The non-consolidated SPEs table provide the carrying amounts and classification of the assets and liabilities recorded in the CSi group's Consolidated Statement of Financial Position, maximum exposure to loss and total assets of the non-consolidated SPEs.

Maximum exposure to loss represents non-consolidated SPEs that are recorded by the CSi group (for example, direct holdings in vehicles, loans and other receivables), as well as notional amounts of guarantees and off-balance sheet commitments which are variable interests that have been extended to non-consolidated SPEs. Such amounts, particularly notional amounts of derivatives and guarantees, do not represent the anticipated losses in connection with these transactions as they do not take into consideration the effect of collateral, recoveries or the probability of loss. In addition, they exclude the effect of offsetting financial instruments that are held to mitigate these risks and have not been reduced by unrealised losses previously recorded by the CSi group in connection with guarantees or derivatives.

Non-consolidated SPE assets are related to the non-consolidated SPEs with whom the CSi group has interests. These amounts represent the assets of the exposures the CSi group has with the entity and thus are not amounts that are considered for risk management purposes.

Certain SPEs have not been included in the following table including SPEs structured by third parties in which the CSi group's interest is in the form of securities held in the CSi group's inventory, certain single-asset financing vehicles not sponsored by the CSi group to which the CSi group provides financing but has very little risk of loss due to over-collateralisation and guarantees, failed sales where the CSi group, does not have any other holdings and other entities out of scope.

The non-consolidated SPE's are where CSi has a continuing involvement with the SPE, including both CSi and third party sponsored and does not have the majority of the risks and rewards of ownership.

The Bank will consider all possible trigger events which would impact upon the control of an SPE as set out in Note 3 – Critical Accounting Estimates and Judgements in Applying Accounting Policies, including those we do not currently consolidate, and reflect this in our current determination as to whether or not the Bank should consolidate.

SPE exposures as at the end of 2011 are as follows:

Group and Bank	2011	2010
SPE exposures (USD milion)		
Non-consolidated SPEs		
CDO	6,799	8,347
Financial intermediation	29,783	30,623
Total assets of non-consolidated SPEs	**36,582**	**38,970**
Total maximum exposure to loss of non-consolidated SPEs		
CDO	29	786
Financial intermediation	4,120	6,743

Consolidated SPEs:

Group and Bank	2011	2010
SPE exposures (USD million)		
Consolidated SPEs		
CDO	-	741
Financial intermediation	1,826	2,346
Total assets of consolidated SPEs (excluding those held with bank)	**1,826**	**3,087**

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

Group and Bank	2011	2010
Assets (USD million)		
Cash and due from banks	44	170
Other financial assets designated at fair value through profit or loss	-	92
Trading assets	2,232	2,338
Investment property	561	666
Current tax assets	-	83
Other assets	-	1
Property and equipment	15	-
Total assets	**2,852**	**3,350**
Liabilities (USD million)		
Deposits	120	192
Trading liabilities	602	754
Short term borrowings	-	27
Other financial liabilities designated at fair value through profit or loss	2,121	2,283
Share capital	7	88
Other liabilities	2	6
Total liabilities	**2,852**	**3,350**

36. Financial Instruments

Fair value of financial instruments carried at fair value

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The fair value of the majority of the CSi 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 yield debt securities, exchange-traded and certain OTC derivative instruments and most listed equity securities.

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

The fair value of financial assets and liabilities is impacted by factors such as benchmark interest rates, prices of financial instruments issued by third parties, commodity prices, foreign exchange rates and index prices or rates. In addition, valuation adjustments are an integral part of the valuation process when market prices are not indicative of the credit quality of a counterparty, and are applied to both OTC derivatives and debt instruments. The impact of changes in a counterparty's credit spreads (known as credit valuation adjustments) is considered when measuring the fair value of assets and the impact of changes in the CSi 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 CSi group's and the counterparty's credit standing is considered when measuring their fair value, based on current Collateralised Debt Security (CDS) prices. The adjustments also take into account contractual factors designed to reduce the CSi 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 CSi group's credit standing is considered when measuring their fair value, based on current funded debt spreads.

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

Fair value hierarchy

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

- Level 1: Quoted market prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3: Inputs for the asset or liability that is not based on observable market data (unobservable inputs).

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

Qualitative disclosures of valuation techniques

Money market instruments

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

Debt securities

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

Corporate bonds

Corporate bonds are priced to reflect current market levels either through recent market transactions or to broker or dealer quotes.

Where a market price for the particular security is not directly available, valuations are obtained based on yields reflected by other instruments in the specific or similar entity's capital structure and adjusting for differences in seniority and maturity, benchmarking to a comparable security where market data is available (taking into consideration differences in credit, liquidity and maturity) or through the application of cash flow modelling techniques utilising observable inputs, such as current interest rate curves and observable CDS spreads. The majority of Corporate Bonds are categorised as Level 2.

CMBS, RMBS and ABS/CDO structures

Values of Residential Mortgage Backed Securities (RMBS), Commercial Mortgage Backed Securities (CMBS) and other Assets Backed Securities (ABS) 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. Values of RMBS, CMBS and other ABS for which there are no significant observable inputs are valued using benchmarks to similar transactions or indices and other valuation models.

For most structured debt securities, determination of fair value requires subjective assessment depending on liquidity, ownership concentration, and the current economic and competitive environment. Valuation is determined based on management's own assumptions about how market participants would price the asset.

Collateralised bond and loan obligations are split into various structured tranches and each tranche is valued based upon its individual rating and the underlying collateral supporting the structure. Valuation

models are used to value both cash and synthetic CDOs. The majority of CMBS/RMBS/ABS/CDO structures are categorised as Level 3.

Equity securities

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

Fund-linked products

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

Convertible bonds

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

Derivatives

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

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

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

Where observable inputs (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, benchmark interest rate curves and volatility inputs for commonly traded option products). For inputs that cannot be derived from other sources, estimates from historical data may be made.

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

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, basis swap spreads, constant maturity convexity adjustments, constant maturity treasury spreads, inflation index correlations, inflation seasonality, single and quanto interest rate correlations, cross asset correlations, mean reversion, serial correlation and conditional prepayment rate assumptions.

Foreign exchange derivatives

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

Equity derivatives

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

Credit derivatives

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

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

Commodity derivatives

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

Other financial assets designated at fair value through profit or loss

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

Other alternative capital investments

Other long-term investments include direct investments and investments in partnerships that make investments in various portfolio companies and funds.

Internally managed funds include partnerships and related direct investments for which the CSi group acts as the fund advisor and makes investment decisions. Internally managed funds principally invest in private securities and, to a lesser extent, publicly traded securities and fund of funds partnerships. The fair value of investments in internally managed fund of funds partnerships is based on the valuation received from the underlying fund manager and is reviewed by the CSi group. The fair value of investments in other internally managed funds is based on the CSi group's valuation. Funds managed by third parties include investments in funds managed by an external fund manager. The fair value of these funds is based on the valuation received from the general partner of the fund and is reviewed by the CSi group. Alternative investments are classified as Level 3.

Loans

The CSi group's loan portfolio measured at fair value includes commercial loans, residential loans, corporate loans, leveraged financed loans and emerging market loans. Fair value is based on recent transactions and quoted prices, where available. Where recent transactions and quoted prices are not available, fair value may be determined by relative value benchmarking (which includes pricing based upon another position in the same capital structure, other comparable loan issues, generic industry credit spreads, implied credit spreads derived from CDS for the specific borrower, and enterprise valuations) or calculated based on the exit price of the collateral, based on current market conditions. Both the funded and unfunded portion of revolving credit lines, on the corporate lending portfolio, are valued using a CDS pricing model, which requires estimates of significant inputs including credit spreads, recovery rates, credit conversion factors, and weighted average life of the loan. The CSi group's other assets and liabilities include mortgage loans held in conjunction with securitisation activities and assets and liabilities of SPEs and mortgage securitisations that do not meet the criteria for sale treatment under IFRS. The fair value of mortgage loans held in conjunction with securitisation activities is determined on a whole-loan basis. Whole loan valuations are calculated based on the exit price reflecting the current market conditions. The fair value of assets and liabilities of SPEs and mortgage securitisations that do not meet the criteria for sale treatment under IFRS is determined based on the quoted prices for securitised bonds, where available, or on cash flow analyses for securitised bonds, when quoted prices are not available. All loans are classified as Level 2 and 3.

Short-term borrowings and long-term debt

The CSi group's short-term borrowings and long-term debt include structured notes (hybrid financial instruments that are both bifurcatable and non-bifurcatable) and vanilla debt. The fair value of structured notes is based on quoted prices, where available. When quoted prices are not available, fair value is determined by using a discounted cash flow model incorporating the CSi group's credit spreads, the value of derivatives embedded in the debt and the residual term of the issuance based on call options. Derivatives structured into the issued debt are valued consistently with the firms' stand-alone derivatives as discussed above. The fair value of structured debt is heavily influenced by the combined call options and performance of the underlying derivative returns. Vanilla debt is fair valued to the new issue market using risk-free yield curves for similar maturities and the CSi group's own credit spread. The majority of short term borrowings are categorised as Level 2. The majority of long-term debt is categorised as Levels 2 and 3.

Financial assets and liabilities by categories

The following table details the fair value of financial instruments for which it is practicable to estimate that value, whether or not this is reported in the CSi group's financial statements. All non-financial instruments such as lease transactions, intangible assets, investment property, and investment in subsidiaries are excluded.

Group 2011		Carrying value			
	Fair Value	Held for trading	Designated at fair value	Other loans and receivables	Total
Financial Assets (USD million)					
Cash and due from banks	14,795	-	-	14,795	14,795
Interest-bearing deposits with banks	1,496	-	-	1,496	1,496
Securities purchased under resale agreements and securities borrowing transactions	29,406	-	-	29,406	29,406
Trading financial assets at fair value through profit or loss	574,734	574,734	-	-	574,734
Financial assets designated at fair value through profit or loss	18,701	-	18,701	-	18,701
Loans and receivables	14,344	-	-	14,343	14,343
Other investments	31	-	-	31	31
Other assets	55,744	-	-	55,744	55,744
Total financial assets	**709,251**	**574,734**	**18,701**	**115,815**	**709,250**
Financial Liabilities (USD million)					
Deposits	4,451	-	-	4,451	4,451
Securities sold under repurchase agreements and securities lending transactions	6,971	-	-	6,971	6,971
Trading financial liabilities at fair value through profit or loss	551,224	551,224	-	-	551,224
Financial liabilities designated at fair value through profit or loss	31,352	-	31,352	-	31,352
Short term borrowings	32,742	-	-	32,742	32,742
Long term debt	34,607		-	31,673	31,673
Other liabilities	42,835	-	-	42,835	42,835
Total financial liabilities	**704,182**	**551,224**	**31,352**	**118,672**	**701,248**

Group 2010		Carrying value (restated) [1]			
	Fair Value (restated)[1]	Held for trading	Designated at fair value	Other loans and receivables	Total
Financial Assets (USD million)					
Cash and due from banks	20,863	-	-	20,863	20,863
Interest-bearing deposits with banks	127	-	-	127	127
Securities purchased under resale agreements and securities borrowing transactions	16,132	-	-	16,132	16,132
Trading financial assets at fair value through profit or loss	459,503	459,503	-	-	459,503
Financial assets designated at fair value through profit or loss	24,479	-	24,479	-	24,479
Loans and receivables	5,683	-	-	5,519	5,519
Other investments	36	-	-	36	36
Other assets	46,717	-	-	46,717	46,717
Total financial assets	**573,540**	**459,503**	**24,479**	**89,394**	**573,376**
Financial Liabilities (USD million)					
Deposits	2,733	-	-	2,733	2,733
Securities sold under repurchase agreements and securities lending transactions	7,885	-	-	7,885	7,885
Trading financial liabilities at fair value through profit or loss	434,300	434,300	-	-	434,300
Financial liabilities designated at fair value through profit or loss	34,142	-	34,142	-	34,142
Short term borrowings	19,024	_	-	19,024	19,024
Long term debt	29,006	-	-	30,429	30,429
Other liabilities	37,494	-	-	37,494	37,494
Total financial liabilities	**564,584**	**434,300**	**34,142**	**97,565**	**566,007**

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

Group 1 January 2010		Carrying value (restated) [1]			
	Fair Value (restated)[1]	Held for trading	Designated at fair value	Other loans and receivables	Total
Financial Assets (USD million)					
Cash and due from banks	19,130	-	-	19,130	19,130
Interest-bearing deposits with banks	255	-	-	255	255
Securities purchased under resale agreements and securities borrowing transactions	19,337	-	-	19,337	19,337
Trading financial assets at fair value through profit or loss	459,303	459,303	-	-	459,303
Financial assets designated at fair value through profit or loss	29,681	-	29,681	-	29,681
Loans and receivables	6,188	-	-	6,234	6,234
Other investments	-	-	-	-	-
Other assets	39,444	-	-	39,444	39,444
Total financial assets	**573,338**	**459,303**	**29,681**	**84,400**	**573,384**
Financial Liabilities (USD million)					
Deposits	2,231	-	-	2,231	2,231
Securities sold under repurchase agreements and securities lending transactions	4,120	-	-	4,120	4,120
Trading financial liabilities at fair value through profit or loss	438,032	438,032	-	-	438,032
Financial liabilities designated at fair value through profit or loss	43,071	-	43,071	-	43,071
Short term borrowings	28,036	-	-	28,038	28,038
Long term debt	11,258	-	-	12,788	12,788
Other liabilities	37,191	-	-	37,191	37,191
Total financial liabilities	**563,939**	**438,032**	**43,071**	**84,368**	**565,471**

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

Bank 2011		Carrying value			
	Fair Value	Held for trading	Designated at fair value	Other loans and receivables	Total
Financial Assets (USD million)					
Cash and due from banks	14,750	-	-	14,750	14,750
Interest-bearing deposits with banks	1,496	-	-	1,496	1,496
Securities purchased under resale agreements and securities borrowing transactions	29,406	-	-	29,406	29,406
Trading financial assets at fair value through profit or loss	574,953	574,953	-	-	574,953
Financial assets designated at fair value through profit or loss	18,701	-	18,701	-	18,701
Loans and receivables	14,349	-	-	14,348	14,348
Other assets	56,066	-	-	56,066	56,066
Total financial assets	**709,721**	**574,953**	**18,701**	**116,066**	**709,720**
Financial Liabilities (USD million)					
Deposits	4,451	-	-	4,451	4,451
Securities sold under repurchase agreements and securities lending transactions	6,971	-	-	6,971	6,971
Trading financial liabilities at fair value through profit or loss	551,916	551,916	-	-	551,916
Financial liabilities designated at fair value through profit or loss	30,298	-	30,298	-	30,298
Short term borrowings	32,766			32,766	32,766
Long term debt	34,607			31,645	31,645
Other liabilities	43,137			43,137	43,137
Total financial liabilities	**704,146**	**551,916**	**30,298**	**118,970**	**701,184**

Bank 2010		Carrying value (restated) [1]			
	Fair Value (restated) [1]	Held for trading	Designated at fair value	Other loans and receivables	Total
Financial Assets (USD million)					
Cash and due from banks	20,691	-	-	20,691	20,691
Interest-bearing deposits with banks	110	-	-	110	110
Securities purchased under resale agreements and securities borrowing transactions	16,132	-	-	16,132	16,132
Trading financial assets at fair value through profit or loss	460,442	460,442	-	-	460,442
Financial assets designated at fair value through profit or loss	26,276	-	26,276	-	26,276
Loans and receivables	5,683	-	-	5,519	5,519
Other assets	48,240	-	-	48,240	48,240
Total financial assets	**577,574**	**460,442**	**26,276**	**90,692**	**577,410**
Financial Liabilities (USD million)					
Deposits	2,731	-	-	2,731	2,731
Securities sold under repurchase agreements and securities lending transactions	7,885	-	-	7,885	7,885
Trading financial liabilities at fair value through profit or loss	434,783	434,783	-	-	434,783
Financial liabilities designated at fair value through profit or loss	34,857	-	34,857		34,857
Short term borrowings	19,262	-	-	19,262	19,262
Long term debt	28,986	-	-	30,410	30,410
Other liabilities	38,797	-	-	38,797	38,797
Total financial liabilities	**567,301**	**434,783**	**34,857**	**99,085**	**568,725**

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

Bank 1 January 2010		Carrying value (restated) [1]			
	Fair Value (restated) [1]	Held for trading	Designated at fair value	Other loans and receivables	Total
Financial Assets (USD million)					
Cash and due from banks	18,641	-	-	18,641	18,641
Interest-bearing deposits with banks	238	-	-	238	238
Securities purchased under resale agreements and securities borrowing transactions	19,337	-	-	19,337	19,337
Trading financial assets at fair value through profit or loss	459,343	459,343	-	-	459,343
Financial assets designated at fair value through profit or loss	29,924	-	29,924	-	29,924
Loans and receivables	6,188	-	-	6,234	6,234
Other assets	40,909	-	-	40,909	40,909
Total financial assets	**574,580**	**459,343**	**29,924**	**85,359**	**574,626**
Financial Liabilities (USD million)					
Deposits	2,195	-	-	2,195	2,195
Securities sold under repurchase agreements and securities lending transactions	4,120	-	-	4,120	4,120
Trading financial liabilities at fair value through profit or loss	438,365	438,365	-	-	438,365
Financial liabilities designated at fair value through profit or loss	42,727	-	42,727		42,727
Short term borrowings	28,299	-	-	28,300	28,300
Long term debt	11,258	-	-	12,788	12,788
Other liabilities	38,234	-	-	38,234	38,234
Total financial liabilities	**565,198**	**438,365**	**42,727**	**85,637**	**566,729**

Fair value of certain instruments recognised in the financial statements is determined in part using valuation techniques based on entity specific assumption that are not supported by prices from current market transactions or observable market data.

Fair value hierarchy

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

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

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

As at 31 December 2011 Group	Quoted Prices in active markets for the same instruments (Level1)	Valuation techniques observable inputs (Level 2)	Valuation techniques unobservable inputs (Level 3)	Impact of netting[1]	Total at fair value
Assets at fair value (USD million)					
Trading financial assets at fair value through profit or loss	21,260	973,608	15,353	(435,487)	574,734
Other financial assets designated at fair value through profit or loss	-	13,571	5,130	-	18,701
Total assets at fair value	**21,260**	**987,179**	**20,483**	**(435,487)**	**593,435**
Liabilities at fair value (USD million)					
Trading financial liabilities at fair value through profit or loss	12,620	964,653	8,636	(434,685)	551,224
Other financial liabilities designated at fair value through profit or loss	-	24,473	6,879	-	31,352
Total liabilities at fair value	**12,620**	**989,126**	**15,515**	**(434,685)**	**582,576**

As at 31 December 2010 Group	Quoted Prices in active markets for the same instruments (Level1)	Valuation techniques observable inputs (Level 2)	Valuation techniques unobservable inputs (Level 3)	Impact of netting[1]	Total at fair value (restated)[2]
Assets at fair value (USD million)					
Trading financial assets at fair value through profit or loss	22,974	702,153	14,424	(280,048)	459,503
Other financial assets designated at fair value through profit or loss	3,741	15,151	5,587	-	24,479
Total assets at fair value	**26,715**	**717,304**	**20,011**	**(280,048)**	**483,982**
Liabilities at fair value (USD million)					
Trading financial liabilities at fair value through profit or loss	15,793	687,448	11,062	(280,003)	434,300
Other financial liabilities designated at fair value through profit or loss	-	25,102	9,040	-	34,142
Total liabilities at fair value	**15,793**	**712,550**	**20,102**	**(280,003)**	**468,442**

[1] Derivative contracts are reported on a gross basis by level. The impact of netting represents an adjustment related to counterparty netting.
[2] On 1 January 2011, the CSi group voluntarily adopted settlement date accounting for regular-way trading securities replacing trade date accounting. Comparative information has been restated accordingly (See Note 2(b)).

As at 1 January 2010 Group	Quoted Prices in active markets for the same instruments (Level1)	Valuation techniques observable inputs (Level 2)	Valuation techniques unobservable inputs (Level 3)	Impact of netting[1]	Total at fair value (restated)[2]
Assets at fair value (USD million)					
Trading financial assets at fair value through profit or loss	16,420	687,159	16,576	(260,852)	459,303
Other financial assets designated at fair value through profit or loss	2,765	20,192	6,724	-	29,681
Total assets at fair value	**19,185**	**707,351**	**23,300**	**(260,852)**	**488,984**
Liabilities at fair value (USD million)					
Trading financial liabilities at fair value through profit or loss	14,954	665,882	11,927	(254,731)	438,032
Other financial liabilities designated at fair value through profit or loss	-	30,042	13,029	-	43,071
Total liabilities at fair value	**14,954**	**695,924**	**24,956**	**(254,731)**	**481,103**

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

As at 31 December 2011 Bank	Quoted Prices in active markets for the same instruments (Level1)	Valuation techniques observable inputs (Level 2)	Valuation techniques unobservable inputs (Level 3)	Impact of netting[1]	Total at fair value
Assets at fair value (USD million)					
Trading financial assets at fair value through profit or loss	21,261	973,272	15,907	(435,487)	574,953
Other financial assets designated at fair value through profit or loss	-	13,571	5,130	-	18,701
Total assets at fair value	**21,261**	**986,843**	**21,037**	**(435,487)**	**593,654**
Liabilities at fair value (USD million)					
Trading financial liabilities at fair value through profit or loss	12,619	965,346	8,636	(434,685)	551,916
Other financial liabilities designated at fair value through profit or loss	-	23,432	6,866	-	30,298
Total liabilities at fair value	**12,619**	**988,778**	**15,502**	**(434,685)**	**582,214**

[1] Derivative contracts are reported on a gross basis by level. The impact of netting represents an adjustment related to counterparty netting.
[2] On 1 January 2011, the CSi group voluntarily adopted settlement date accounting for regular-way trading securities replacing trade date accounting. Comparative information has been restated accordingly (See Note 2(b)).

As at 31 December 2010 Bank	Quoted Prices in active markets for the same instruments (Level1)	Valuation techniques observable inputs (Level 2)	Valuation techniques unobservable inputs (Level 3)	Impact of netting[1]	Total at fair value (restated)[2]
Assets at fair value (USD million)					
Trading financial assets at fair value through profit or loss	22,977	702,717	14,797	(280,049)	460,442
Other financial assets designated at fair value through profit or loss	3,741	16,944	5,591	-	26,276
Total assets at fair value	**26,718**	**719,661**	**20,388**	**(280,049)**	**486,718**
Liabilities at fair value (USD million)					
Trading financial liabilities at fair value through profit or loss	15,793	687,931	11,062	(280,003)	434,783
Other financial liabilities designated at fair value through profit or loss	-	25,917	8,940	-	34,857
Total liabilities at fair value	**15,793**	**713,848**	**20,002**	**(280,003)**	**469,640**

As at 1 January 2010 Bank	Quoted Prices in active markets for the same instruments (Level1)	Valuation techniques observable inputs (Level 2)	Valuation techniques unobservable inputs (Level 3)	Impact of netting[1]	Total at fair value (restated) [2]
Assets at fair value (USD million)					
Trading financial assets at fair value through profit or loss	16,349	686,838	17,008	(260,852)	459,343
Other financial assets designated at fair value through profit or loss	2,765	20,896	6,263	-	29,924
Total assets at fair value	**19,114**	**707,734**	**23,271**	**(260,852)**	**489,267**
Liabilities at fair value (USD million)					
Trading financial liabilities at fair value through profit or loss	14,955	666,215	11,926	(254,731)	438,365
Other financial liabilities designated at fair value through profit or loss	-	30,419	12,308	-	42,727
Total liabilities at fair value	**14,955**	**696,634**	**24,234**	**(254,731)**	**481,092**

[1] Derivative contracts are reported on a gross basis by level. The impact of netting represents an adjustment related to counterparty netting.
[2] On 1 January 2011, the CSi group voluntarily adopted settlement date accounting for regular-way trading securities replacing trade date accounting. Comparative information has been restated accordingly (See Note 2(b)).

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

As at 31 December 2011	Trading revenues	Other revenues	Total revenues
Group (USD million)			
Net realised/unrealised gains/(losses) included in net revenues	494	-	494
Whereof:			
Changes in unrealised gains or losses relating to assets and liabilities still held as of the reporting date	(186)	-	(186)

As at 31 December 2010	Trading revenues	Other revenues	Total revenues
Group (USD million)			
Net realised/unrealised gains/(losses) included in net revenues	(365)	-	(365)
Whereof:			
Changes in unrealised gains or losses relating to assets and liabilities still held as of the reporting date	(2,211)	-	(2,211)

As at 31 December 2011	Trading revenues	Other revenues	Total revenues
Bank (USD million)			
Net realised/unrealised gains/(losses) included in net revenues	1,014	-	1,014
Whereof:			
Changes in unrealised gains or losses relating to assets and liabilities still held as of the reporting date	(186)	-	(186)

As at 31 December 2010	Trading revenues	Other revenues	Total revenues
Bank (USD million)			
Net realised/unrealised gains/(losses) included in net revenues	(377)	-	(377)
Whereof:			
Changes in unrealised gains or losses relating to assets and liabilities still held as of the reporting date	(2,216)	-	(2,216)

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

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

As at December 2011								Trading revenues		Other revenues		
Group Assets	Balance at beginning of period	Transfers in	Transfers out	Purchases	Sales	Issuances	Settlement	On transfers in[1]/out	On all others	On transfers in / out	On all others	Balance at end of period
Assets at fair value (USD million)												
Trading financial assets at fair value through profit or loss	14,424	3,534	(2,956)	6,587	(5,375)	503	(3,178)	112	1,702	-	-	15,353
Other financial assets designated at fair value through profit or loss	5,587	1,005	(950)	1,825	(1,703)	1,905	(2,049)	18	(508)	-	-	5,130
Total assets at fair value	**20,011**	**4,539**	**(3,906)**	**8,412**	**(7,078)**	**2,408**	**(5,227)**	**130**	**1,194**	**-**	**-**	**20,483**
Liabilities at fair value (USD million)												
Trading financial liabilities at fair value through profit or loss	11,062	1,589	(2,586)	40	118	64	(2,267)	205	411	-	-	8,636
Other financial liabilities designated at fair value through profit or loss	9,040	645	(1,139)	329	(1,092)	3,195	(4,313)	5	209	-	-	6,879
Total liabilities at fair value	**20,102**	**2,234**	**(3,725)**	**369**	**(974)**	**3,259**	**(6,580)**	**210**	**620**	**-**	**-**	**15,515**
Net assets/liabilities at fair value	**(91)**	**2,305**	**(181)**	**8,043**	**(6,104)**	**(851)**	**1,353**	**(80)**	**574**	**-**	**-**	**4,968**

[1] For all transfers to Level 3 or out of Level 3, the CSi 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 2010								Trading revenues		Other revenues		
Group Assets	Balance at beginning of period	Transfers in	Transfers out	Purchases	Sales	Issuances	Settlement	On transfers in[1]/out	On all others	On transfers in / out	On all others	Balance at end of period (restated)[2]
Assets at fair value (USD million)												
Trading financial assets at fair value through profit or loss	16,576	3,497	(2,111)	2,502	(4,857)	31	(2,081)	202	665	-	-	14,424
Financial assets designated at fair value through profit or loss	6,724	1,093	(263)	111	(975)	219	(1,257)	(2)	(63)	-	-	5,587
Total assets at fair value	**23,300**	**4,590**	**(2,374)**	**2,613**	**(5,832)**	**250**	**(3,338)**	**200**	**602**	**-**	**-**	**20,011**
Liabilities at fair value (USD million)												
Trading financial liabilities at fair value through profit or loss	11,927	2,183	(2,131)	(460)	27	387	(1,883)	226	786	-	-	11,062
Other financial liabilities designated at fair value through profit or loss	13,029	1,060	(1,942)	(1,866)	389	413	(2,198)	(50)	205	-	-	9,040
Total liabilities at fair value	**24,956**	**3,243**	**(4,073)**	**(2,326)**	**416**	**800**	**(4,081)**	**176**	**991**	**-**	**-**	**20,102**
Net assets/liabilities at fair value	**(1,656)**	**1,347**	**1,699**	**4,939**	**(6,248)**	**(550)**	**743**	**24**	**(389)**	**-**	**-**	**(91)**

[1] For all transfers to Level 3 or out of Level 3, the CSi group determines and discloses as Level 3 events only gains or losses through the last day of the reporting period.
[2] On 1 January 2011, the CSi group voluntarily adopted settlement date accounting for regular-way trading securities replacing trade date accounting. Comparative information has been restated accordingly (See Note 2(b)).

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

As at 1 January 2010								Trading revenues		Other revenues		
Group Assets	Balance at beginning of period	Transfers in	Transfers out	Purchases	Sales	Issuances	Settlement	On transfers in[1]/out	On all others	On transfers in / out	On all others	Balance at end of period (restated)[2]
Assets at fair value (USD million)												
Trading financial assets at fair value through profit or loss	43,427	5,392	(14,336)	2,795	(12,188)	1,588	(11,174)	(901)	1,973	-	-	16,576
Financial assets designated at fair value through profit or loss	9,498	144	(1,024)	2,122	(3,094)	6,404	(8,349)	124	899	-	-	6,724
Total assets at fair value	**52,925**	**5,536**	**(15,360)**	**4,917**	**(15,282)**	**7,992**	**(19,523)**	**(777)**	**2,872**	**-**	**-**	**23,300**
Liabilities at fair value (USD million)												
Trading financial liabilities at fair value through profit or loss	26,804	3,859	(10,056)	(1,093)	606	2,593	(11,290)	(621)	1,054	-	71	11,927
Other financial liabilities designated at fair value through profit or loss	21,073	585	(2,882)	(5,875)	4,957	7,094	(12,468)	800	(255)	-	-	13,029
Total liabilities at fair value	**47,877**	**4,444**	**(12,938)**	**(6,968)**	**5,563**	**9,687**	**(23,758)**	**179**	**799**	**-**	**71**	**24,956**
Net assets/liabilities at fair value	**5,048**	**1,092**	**(2,422)**	**11,885**	**(20,845)**	**(1,695)**	**4,235**	**(956)**	**2,073**	**-**	**(71)**	**(1,656)**

[1] For all transfers to Level 3 or out of Level 3, the CSi group determines and discloses as Level 3 events only gains or losses through the last day of the reporting period.
[2] On 1 January 2011, the CSi group voluntarily adopted settlement date accounting for regular-way trading securities replacing trade date accounting. Comparative information has been restated accordingly (See Note 2(b)).

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

As at December 2011								Trading revenues		Other revenues		
Bank	Balance at beginning of period	Transfers in	Transfers out	Purchases	Sales	Issuances	Settlement	On transfers in[1]/out	On all others	On transfers in / out	On all others	Balance at end of period (restated)[2]
Assets at fair value (USD million)												
Trading financial assets at fair value through profit or loss	14,797	3,535	(2,956)	6,587	(5,748)	503	(3,178)	112	2,255	-	-	15,907
Other financial assets designated at fair value through profit or loss	5,591	1,005	(950)	1,770	(1,355)	1,608	(2,049)	18	(508)	-	-	5,130
Total assets at fair value	**20,388**	**4,540**	**(3,906)**	**8,357**	**(7,103)**	**2,111**	**(5,227)**	**130**	**1,747**	**-**	**-**	**21,037**
Liabilities at fair value (USD million)												
Trading financial liabilities at fair value through profit or loss	11,062	1,589	(2,586)	40	117	65	(2,267)	205	411	-	-	8,636
Other financial liabilities designated at fair value through profit or loss	8,940	645	(1,139)	429	(1,091)	3,166	(4,331)	5	242	-	-	6,866
Total liabilities at fair value	**20,002**	**2,234**	**(3,725)**	**469**	**(974)**	**3,231**	**(6,598)**	**210**	**653**	**-**	**-**	**15,502**
Net assets/liabilities at fair value	**386**	**2,306**	**(181)**	**7,888**	**(6,129)**	**(1,120)**	**1,371**	**(80)**	**1,094**	**-**	**-**	**5,535**

[1] For all transfers to Level 3 or out of Level 3, the CSi group determines and discloses as Level 3 events only gains or losses through the last day of the reporting period.

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

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

As at December 2010								Trading revenues		Other revenues		
Bank Assets	Balance at beginning of period	Transfers in	Transfers out	Purchases	Sales	Issuances	Settlement	On transfers in[1]/out	On all others	On transfers in / out	On all others	Balance at end of period (restated)[2]
Assets at fair value (USD million)												
Trading financial assets at fair value through profit or loss	17,008	3,497	(2,111)	2,769	(5,182)	30	(2,081)	202	665	-	-	14,797
Other financial assets designated at fair value through profit or loss	6,263	1,093	(263)	115	(514)	219	(1,257)	(2)	(63)	-	-	5,591
Total assets at fair value	**23,271**	**4,590**	**(2,374)**	**2,884**	**(5,696)**	**249**	**(3,338)**	**200**	**602**	**-**	**-**	**20,388**
Liabilities at fair value (USD million)												
Trading financial liabilities at fair value through profit or loss	11,926	2,183	(2,131)	(460)	28	387	(1,883)	226	786	-	-	11,062
Other financial liabilities designated at fair value through profit or loss	12,308	1,060	(1,942)	(803)	(41)	389	(2,198)	(50)	217	-	-	8,940
Total liabilities at fair value	**24,234**	**3,243**	**(4,073)**	**(1,263)**	**(13)**	**776**	**(4,081)**	**176**	**1,003**	**-**	**-**	**20,002**
Net assets/liabilities at fair value	**(963)**	**1,347**	**1,699**	**4,147**	**(5,683)**	**(527)**	**743**	**24**	**(401)**	**-**	**-**	**386**

[1] Transfers in are effected at the end of the period, and no revenues are recognised in the above table for the period prior to the transfer. This has been implemented at the start of 2010.
[2] On 1 January 2011, the CSi group voluntarily adopted settlement date accounting for regular-way trading securities replacing trade date accounting. Comparative information has been restated accordingly (See Note 2(b)).

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

As at 1 January 2010								Trading revenues		Other revenues		
Bank Assets	Balance at beginning of period	Transfers in	Transfers out	Purchases	Sales	Issuances	Settlement	On transfers in/out	On all others	On transfers in / out	On all others	Balance at end of period (restated)[1]
Assets at fair value (USD million)												
Trading financial assets at fair value through profit or loss	43,427	5,392	(14,336)	3,194	(11,763)	1,588	(11,174)	(920)	1,600	-	-	17,008
Other financial assets designated at fair value through profit or loss	9,498	144	(1,024)	1,661	(3,094)	6,404	(8,349)	124	899	-	-	6,263
Total assets at fair value	**52,925**	**5,536**	**(15,360)**	**4,855**	**(14,857)**	**7,992**	**(19,523)**	**(796)**	**2,499**	**-**	**-**	**23,271**
Liabilities at fair value (USD million)												
Trading financial liabilities at fair value through profit or loss	26,804	3,859	(10,056)	(1,071)	584	2,593	(11,291)	(621)	1,054	-	71	11,926
Other financial liabilities designated at fair value through profit or loss	21,073	585	(2,882)	(7,198)	5,055	5,430	(10,287)	800	(268)	-	-	12,308
Total liabilities at fair value	**47,877**	**4,444**	**(12,938)**	**(8,269)**	**5,639**	**8,023**	**(21,578)**	**179**	**786**	**-**	**71**	**24,234**
Net assets/liabilities at fair value	**5,048**	**1,092**	**(2,422)**	**13,124**	**(20,496)**	**(31)**	**2,055**	**(975)**	**1,713**	**-**	**(71)**	**(963)**

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

Transfers in and out of Level 3

Transfers into level 3 assets during 2011 were USD 4,540 million primarily from derivatives and loans held-for-sale. The transfers were related to trading and SPE consolidated positions within the Emerging Markets, Securitised Products and Rates businesses primarily due to limited observability and availability of pricing data.

Transfers out of level 3 assets during 2011 were USD 3,906 million primarily from trading securities, derivatives and loans held-for-sale. The transfers were related to trading and SPE consolidated positions in the Emerging Markets, Securitised Products and Equity Derivatives businesses primarily due to improved observability and availability of pricing data.

Sensitivity of fair values to reasonably possible alternative assumptions

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

Group	As at 31 December 2011		As at 31 December 2010	
	Favourable changes	Unfavourable changes	Favourable changes	Unfavourable changes
Impact on net income/(loss) (USD million)				
Derivative assets and liabilities	386	(463)	303	(295)
Asset backed securities, loans and derivatives	233	(84)	173	(122)
Debt and equity securities	135	(103)	171	(116)
Loans	88	(91)	106	(87)
Life insurance products	-	-	1	(1)
Total	**842**	**(741)**	**754**	**(621)**

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.

Derivative assets and liabilities include primarily equity, credit and interest rate derivatives. The primary parameters subjected to sensitivity analysis included correlations, volatilities and credit spreads. Correlation sensitivities for equity and interest rate positions were subjected to equal movements up and down, capped at 100% and floored at 0%. The movements varied by product and existing levels of correlation based upon management judgment. Volatility sensitivities are predominantly equity volatilities that are subjected to a 5% movement up and down. Credit spread sensitivities were subjected to generally equal movements up and down based upon management judgment and underlying market conditions.

Asset backed securities, loans and derivatives include CMBS, RMBS, ABS CDO and balance guaranteed swap positions. CMBS sensitivities are calculated by subjecting the prices of the positions to a 5% movement up and down. ABS CDO positions were subjected to sensitivities to underlying asset prices, as well as recovery rates on the underlying assets. The underlying asset prices were subjected to a range of downward movements ranging from 10% to 30% with no movement up. Recovery rates are held at what management believes to be conservative levels and were increased by 10% resulting in favourable uncertainty. RMBS positions were subjected to sensitivities on prepayment speeds which were estimated

as one standard deviation of historical prepayments movement up and down. Balance guaranteed swap positions were subjected to sensitivities on prepayment speeds which were estimated based on management's assessment of fast/slow notional bands for movements up, with no movement down.

Debt and equity securities include equity fund linked products, variable funding notes and corporate and emerging market bonds. The primary parameters subjected to sensitivity analysis for equity fund linked products and variable funding notes include gap risk and secondary market reserves. Gap risk sensitivity is estimated by using limited pricing service information and valuing to the conservative side of the range of values. The secondary market reserve parameter is generally subject to a 20% movement up and down. The parameter subjected to sensitivity for emerging market and corporate debt is credit spreads. Emerging market positions are subjected to a 100 basis point movement up and down, while corporate debt positions are subjected to movements up and down ranging from 3% to 15% of the current credit spread.

Loans include emerging market loans and corporate loans. For emerging market loans the parameter subjected to sensitivity analysis is credit spreads which is subjected to a 15% movement up and down. For corporate loans the parameter subjected to sensitivity analysis is the loan price which is subjected to an equal movement up and down which ranges from 4 to 10 points depending upon the position.

Recognition of trade date profit

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

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

Group and Bank	**2011**	**2010**
Deferred trade date profit (USD million)		
Balance at the beginning of period	475	505
Increase due to new trades	265	276
Reduction due to passage of time	(34)	(32)
Reduction due to redemption, sales, transfers or improved observability	(273)	(274)
Total	**433**	**475**

The fair value includes valuation adjustments such as bid offer spread reserves, day 1 reserves, model imperfections and market credit risk provisions. Valuation adjustments are an integral part of the valuation process when market prices are not indicative of the credit quality of counterparty, and are applied to both OTC derivatives and debt instruments. The impact of changes in counterparty's credit spreads is considered when measuring the fair value of assets and the impact of changes in the CSi group's own credit spreads is considered when measuring the fair value of its liabilities. For OTC derivatives, the impact of changes in both the CSi group's and the counterparty's credit standing is considered when measuring their fair value, based on current credit default swap prices.

Transfers between Level 1 and Level 2

The table below shows the transfers from Level 1 to Level 2 of the fair value hierarchy.

Group and Bank	2011	2010
Assets (USD million)		
Trading financial assets at fair value through profit or loss	399	114
Total transfers in assets at fair value	**399**	**114**
Liabilities (USD million)		
Trading financial liabilities at fair value through profit or loss	-	7
Total transfers in liabilities at fair value		**7**

Trading financial assets at fair value through profit or loss:

The reason for the transfers from Level 1 to Level 2 in 2011 was as follows:

The transfers from Level 1 to Level 2 are mainly driven by trading securities where the stocks had decreased liquidity and subsequently lacked pricing transparency.

The table below shows the transfers from Level 2 to Level 1 of the fair value hierarchy.

	Group	
	2011	2010
Assets (USD million)		
Trading financial assets at fair value through profit or loss	6,898	1,307
Total transfers in assets at fair value	**6,898**	**1,307**
Liabilities (USD million)		
Trading financial liabilities at fair value through profit or loss	5,773	1,445
Total transfers in liabilities at fair value	**5,773**	**1,445**

Trading financial assets at fair value through profit or loss:

The reason for the transfers from Level 2 to Level 1 in 2011 was as follows:

The transfers from Level 2 to Level 1 are mainly driven by transfer of exchange traded options that have less than six months of remaining maturity (improved liquidity).

37. Assets Pledged or Assigned

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

Group and Bank	Group	
	2011	2010
Assets pledged or assigned (USD million)		
Trading financial assets at fair value through profit or loss	16,929	19,338
Collateral received (USD million)		
Fair value of collateral received with the right to resell or repledge	49,230	29,860
■ Of which sold or repledged	33,860	21,195

Assets pledged or assigned represents the balance sheet position of trading assets at fair value through profit or loss which have been pledged as collateral under securities sold under repurchase agreements and securities lending transactions. Refer to Note 15 – 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 2011 and 2010, collateral was received in connection with repurchase agreements, securities borrowings and loans, derivative transactions and margined broker loans. As at these dates, a substantial portion of the collateral received by the CSi group had been sold or repledged in connection with repurchase agreements, securities sold not yet purchased, securities borrowed and lent, pledges to clearing organisations, segregation requirements under securities laws and regulations, derivative transactions and bank loans.

These transactions were generally conducted under terms that are usual and customary for standard securitised lending activities and the other transactions described. The CSi group, as the secured party has the right to sell or repledge such collateral, subject to the CSi group returning equivalent securities upon completion of the transaction.

Additional charges are included in Note 34 - Guarantees and Commitments.

38. Derecognition

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

Group and Bank	**2011**	**2010**
Carrying amount of transferred assets (USD million)		
Financial assets not derecognised due to the following transactions:		
Repurchase agreements	9,839	11,436
Securities lending agreements	7,090	7,902
Total return swaps	2,542	1,739
Other	1,621	2,727
Total carrying amount of transferred assets not derecognised	**21,092**	**23,804**
Total carrying amount of associated liabilities	**21,106**	**23,952**

The assets not derecognised and corresponding liabilities are included in Note 14-Securities Borrowed, Lent and subject to Resale or Repurchase Agreements, Note 15- Trading financial assets at fair value through profit or loss, Note 16-Financial Assets and Liabilities Designated at Fair Value Through Profit or Loss and Note 19-Other Assets and Liabilities.

Of the above, other financial assets not derecognised includes failed sales items including fair value elected which are shown under 'Financial assets designated at fair value through profit or loss' in Consolidated Statement of Financial 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. CS group defines its market risk as potential changes in the fair values of financial instruments in response to market movements. A typical transaction may be exposed to a number of different market risks.

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

Value-at-Risk

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

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

CS group uses a historical simulation model for the majority of risk types and businesses within its trading portfolios. Where insufficient data is available for such an approach, an 'extreme-move' methodology is used. The model is based on the profit or loss distribution resulting from historical changes in market rates, prices and volatility applied to evaluate the portfolio. This methodology also avoids any explicit assumptions on correlation between risk factors. CS group uses a three-year historical dataset to compute VaR. To ensure that VaR responds appropriately in times of market stress, CS 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. During 2010 this scaled VaR methodology was revised for regulatory VaR.

The Bank has approval from the FSA to use its regulatory VaR model in the calculation of trading book market risk capital requirements, and the model is subject to regular reviews by the regulator.

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

- VaR relies on historical data to estimate future changes in market conditions, which may not capture all potential future outcomes, particularly where there are significant changes in market conditions, such as increases in volatilities.
- Although VaR captures the interrelationships between risk factors, these interrelationships may break down during stressed market conditions.
- VaR provides an estimate of losses at a 99% confidence level, which means that it does 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 CS group’s exposure to unlikely but plausible events, which can be expressed through a range of significant moves across multiple financial markets. The majority of scenario analysis calculations performed are specifically tailored toward the risk profile within particular businesses, and limits are established if they are considered the most appropriate control. In addition, to identify areas of risk concentration and potential vulnerability to stress events at Group level, we use a set of scenarios which are consistently applied across all businesses and assess the impact of significant, simultaneous movements across a broad range of markets and asset classes.

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

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

Trading portfolios

Risk measurement and management

We assume market risk in our trading portfolios primarily through the trading activities of the Investment Banking business lines.

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 Bank's regulatory capital purposes. This classification of assets as trading is done for the purpose of analysing the Bank's market risk exposure, not for financial statement purposes.

We are active in most of the principal trading markets of the world, using the majority of common trading and hedging products, including derivatives such as swaps, futures, options and structured products (some of which are customised transactions using combinations of derivatives and executed to meet specific client or proprietary needs). As a result of our broad participation in products and markets, our trading strategies are correspondingly diverse and exposures are generally spread across a range of risk factors and locations.

Development of trading portfolio risks

The table below shows the trading related market risk exposure for the Bank, as measured by 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 Bank and the CSi group.

Ten-day, 99% VaR – trading portfolios

End of period	Interest rate and credit spread	Foreign exchange	Commodity	Equity	Diversification benefit[1]	Total
2011 USD million						
Average	232	52	38	59	-194	187
Minimum	135	17	9	16	[2]	102
Maximum	348	466	102	262	[2]	364
End of period	138	70	10	46	-115	149
2010 USD million						
Average	198	58	62	76	-231	163
Minimum	131	19	31	24	[2]	118
Maximum	271	149	129	234	[2]	262
End of period	252	60	50	93	-266	189

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 Bank's ten-day, 99% regulatory VaR as of 31 December 2011 decreased by 21% to USD 149 million, compared to 31 December 2010 (USD 189 million). The 2010 comparatives and 2011 Average VaR have not been restated for the model methodology changes that were made in the period.

Banking portfolios

Risk measurement and management

The market risks associated with the non-trading portfolios are measured, monitored and limited using several tools, including EC, scenario analysis, sensitivity analysis and VaR. For the purpose of this disclosure, the aggregated market risks associated with the Bank'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 expenses and net assets is centrally and systematically managed with a focus on risk reduction and diversification. Risk is monitored and managed at the CSi group level through the levelling of accrued profit or losses which are incurred in a currency other than the CSi group's presentation currency. Any non-presentation currency denominated profit or loss of the CSi group is systematically leveled against the CSi group's presentation currency during or immediately after the month so that foreign exchange risks on accrued profit or loss are fully eliminated at month-end. The CSi group has approval to manage its own trading profit or loss related foreign exchange risk through a formal trading mandate and operates within defined risk limits.

Interest rate risk on banking book 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 be USD 3 million as of 31 December 2011 compared to USD 2 million as of 31 December 2010. Non-trading interest rate risk is assessed using other measures including the potential value change resulting from a significant change in yield curves. As of 31 December 2011, the fair value impacts of 200-basis-point move in yield curves (flooring at zero where appropriate) was:

+200bps increase of USD 443 million (2010: USD 390 million)

-200bps decrease of USD 335 million (2010: USD 240 million)

The fair value impact of a statistical one-year adverse interest rate move (to 99% confidence level) was a decrease of USD 333 million. 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.

Equity risk on non-trading positions is measured using sensitivity analysis that estimates the potential change in value resulting from a 10% decline in the equity markets of developed nations and a 20% decline in the equity markets of emerging market nations. The estimated impact of this scenario would have been a decrease of approximately USD 12 million in the value of the non-trading portfolio as of 31 December 2011 and USD 22 million as of 31 December 2010.

Commodity risk on non-trading positions is measured using sensitivity analysis that estimates the potential change in value resulting from a 20% weakening in commodity prices. The estimated impact of this scenario would have been a decrease of approximately USD 4 million in the value of the non-trading portfolio as of 31 December 2011 compared to USD 11 million as of 31 December 2010.

ii) Liquidity Risk

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

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

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

CS group-wide Management of Liquidity Risk

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

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 any stress situation. The liquidity and funding profile is regularly reported to CARMC and the Board of Directors, who define CS' risk tolerance and the balance sheet usage of the businesses.

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

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

To address short term liquidity needs a portfolio of highly liquid securities and cash is maintained. Both unsecured long-term debt and liquid assets were increased in 2010 in amounts greater than required for funding the business in order to adequately manage liquidity risk. The funding and liquidity costs have increased as a result which is allocated to the business reflecting the true economic cost and is consistent with the liquidity policy.

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

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

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

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

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

- Stage I - Market disruption or Group / Bank event.
- Stage II - Unsecured markets partially inaccessible.
- Stage III - Unsecured funding totally inaccessible.

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

In December 2010, the BCBS issued the Basel III international framework for liquidity risk measurement, standards and monitoring. The framework includes a liquidity coverage ratio (LCR) and a net stable funding ratio (NSFR). The LCR, which is expected to be introduced January 1, 2015 following an observation period beginning in 2011, addresses liquidity risk over a 30-day period. The NSFR, which is expected to be introduced January 1, 2018 following an observation period beginning in 2012, 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 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 should be greater than 100%.

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

Legal Entity Management of Liquidity Risk

The liquidity risk of CSi is managed as an integral part of the overall CS global liquidity risk management framework. CSi aims to 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 CSi is aligned to those used globally for the CS barometer. The CS centralised funding model, which forms part the global liquidity management framework at CS, described above seeks to ensure that CSi is self-sufficient from a liquidity perspective by down streaming term funding to mitigate risks in the entity.

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

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

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

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

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

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

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

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

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

Group 31 December 2011	On Demand	Due within 3 months	Due between 3 and 12 months	Due between 1 and 5 years	Due after 5 years	Total
Financial liabilities (USD million)						
Deposits	2,440	891	118	11	991	4,451
Securities sold under repurchase agreements and securities lending transactions	-	432	6,539		-	6,971
Trading liabilities	551,224	-	-	-	-	551,224
Other financial liabilities designated at fair value through profit or loss	734	7,019	3,875	11,877	7,847	31,352
Short term borrowings	-	151	32,591	-	-	32,742
Long term debt	-	5,089	579	20,545	6,754	32,967
Perpetual debt	-	-	-	-	1,525	1,525
Other liabilities	42,572	67	3	167	26	42,835
Total	**596,970**	**13,649**	**43,705**	**32,600**	**17,143**	**704,067**

Group 31 December 2010	On Demand	Due within 3 months	Due between 3 and 12 months	Due between 1 and 5 years	Due after 5 years	Total (restated)[1]
Financial liabilities (USD million)						
Deposits	2,723	-	10	-	-	2,733
Securities sold under repurchase agreements and securities lending transactions	-	7,021	863	-	1	7,885
Trading liabilities	434,300	-	-	-	-	434,300
Other financial liabilities designated at fair value through profit or loss	496	7,826	3,763	13,298	8,759	34,142
Short term borrowings	1	22	19,001	-	-	19,024
Long term debt	-	175	451	20,229	11,236	32,091
Perpetual debt	-	-	-	-	1,525	1,525
Other liabilities	36,980	-	86	341	87	37,494
Total	**474,500**	**15,044**	**24,174**	**33,868**	**21,608**	**569,194**

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

Liabilities in trading portfolios have not been analysed by contractual maturity because these liabilities are used to risk manage positions held across CS group and can be closed out at very short notice. Trading liabilities have been classified as being 'on demand' at their fair value.

For instruments with perpetual features, 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 CSi to put or call the positions at short notice.

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

iii) Wrong-way Risk

Wrong-way exposures

Correlation risk arises when we enter into a financial transaction where market rates are correlated to the financial health of the counterparty. In a wrong-way trading situation, our exposure to the counterparty increases while the counterparty's financial health and its ability to pay on the transaction diminishes. Capturing wrong-way risk requires the establishment of basic assumptions regarding correlations within a given trading product. We have multiple processes that allow us to capture and estimate wrong-way risk.

Credit approval and reviews

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

Exposure adjusted risk calculation

Material trades that feature high correlation risk have higher risk weighting built into the exposure calculation process compared to 'rightway' trades.

Purchased credit default swaps – Correlation exists where the counterparty and the underlying reference asset belong to the same group. In these cases, exposure is calculated assuming default and applying the recovery value of the underlying reference asset.

Equity finance – If there is a high correlation between the counterparty and the underlying equity, exposure is calculated as full notional (i.e., zero equity recovery).

Reverse repurchase agreements – Correlation exists where the underlying issuer and the counterparty are affiliated. In these cases, collateral used as an offset in the exposure calculation process is lowered to its recovery value.

Wrong-way risk monitoring

Regular reporting of wrong-way risk at both the individual trade and portfolio level allows wrong-way risk to be monitored and corrective action taken by CRM in the case of heightened concern.

Country exposure reporting – Exposure is reported against country limits established for emerging market countries. As part of the exposure reporting process, exposures that exhibit wrong-way characteristics are given a higher riskweighting versus non-correlated transactions. This weighting results in a greater amount of country limit usage for wrong-way transactions.

Counterparty exposure reporting – Transactions that contain wrong-way risk (e.g., repurchase agreements, equity finance) are risk weighted as part of the daily exposure calculation process. Correlated transactions utilise more of the credit limit.

Correlated repurchase and foreign exchange reports – Monthly reports produced by CRM capture correlated finance and foreign exchange positions for information and review by credit officers.

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

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

iv) Currency Risk

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

The Bank has approval to manage its own Trading P&L related FX risk through a formal trading mandate and operates within defined risk limits using the Value at Risk (VaR) methodology. Its currency exposure within the non-trading portfolios is managed through the CS group's leveling process as set out in the Corporate FX Policy. Both these methodologies are discussed in more detail in section i) of this note.

v) Credit Risk

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

Definition of Counterparty Risk

Credit risk is the possibility of a loss being incurred by us as the result of a borrower or counterparty failing to meet its financial obligations or as a result of deterioration in the credit quality of the borrower or counterparty. In the event of a customer default, a bank 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 counterparty has an impact on the valuation of assets eligible for fair value measurement, with valuation changes recorded in the Consolidated Statement of Income.

Credit Risk Management Approach

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

Our credit risk management framework is regularly refined and covers all banking business areas that are exposed to credit risk. The framework is designed to cover virtually all of the credit exposures in the banking business and comprises seven core components:

- Individual counterparty rating systems;
- Transaction rating systems;
- A counterparty credit limit system;
- Country concentration limits;
- Risk-based pricing methodologies;
- Active credit portfolio management; and
- A credit risk provisioning methodology.

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

Counterparty and transaction rating

The CSi group employs a set of credit ratings for the purpose of internally rating counterparties to whom we are exposed to credit risk as the contractual party. Credit ratings are intended to reflect the risk of default of each counterparty. Ratings are assigned based on internally developed rating models and processes, which are subject to governance and internally independent validation procedures.

The CSi 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, with the PD is determined by the internal credit rating. Internal ratings are 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 emphasises 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 judgment 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.

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

Credit Risk Overview

All transactions that are exposed to potential losses due to failure of meeting an obligation by counterparty are subject to credit risk exposure measurement and management.

Collateral held as security

CSi 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 our 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 standardised and centralised to ensure complete coverage of traded products.

Primary types of collateral

Collateral securing foreign exchange transactions and OTC trading activities includes:

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

Collateral securing loan transactions includes:

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

For further information on collateral, refer to Note 37 - Assets Pledged or Assigned.

Maximum exposure to credit risk

The following table presents the maximum exposure to credit risk of balance sheet and off-balance sheet financial instruments, 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 balance sheet, the exposure to credit risk equals their carrying amount as at 31 December 2011. For financial guarantees granted and other credit-related contingencies, the maximum exposure to credit risk is the maximum amount that Credit Suisse would have to pay if the guarantees and contingencies are called upon. For loan commitments and other credit-related commitments that are irrevocable over the life of the respective facilities, the maximum exposure to credit risk is the full amount of the committed facilities.

Maximum exposure to credit risk

2011	Group			Bank		
	Gross	Collateral	Net	Gross	Collateral	Net
Maximum exposure to credit risk (USD million)						
Cash and due from banks	14,795	-	14,795	14,750	-	14,750
Interest bearing deposits with banks	1,496	-	1,496	1,496	-	1,496
Securities purchased under resale agreements and securities borrowing transactions	29,406	29,406	-	29,406	29,406	-
Trading financial assets at fair value through profit or loss						
■ Debt securities	28,751	-	28,751	28,744	-	28,744
■ Derivative trading positions	529,346	346,384	182,962	530,064	346,384	183,680
■ Other	1,990	58	1,932	2,552	58	2,494
Financial assets designated at fair value through profit or loss						
■ Debt securities	98	-	98	98	-	98
■ Loans	11,550	2,262	9,288	11,550	2,262	9,288
■ Reverse resale agreements	6,290	6,290	-	6,290	6,191	99
■ Other	763	-	763	763	-	763
Other loans and receivables	14,402	12,827	1,575	14,409	12,827	1,582
Other assets	55,698	1,045	54,653	56,020	1,045	54,975
Maximum exposure to credit risk – total assets	**694,585**	**398,272**	**296,313**	**696,142**	**398,173**	**297,969**
Off-balance sheet items						
■ financial guarantees	2,973	175	2,798	2,973	175	2,798
■ loan commitments and other credit related commitments	10,079	307	9,772	10,079	307	9,772
Maximum exposure to credit risk – total off-balance sheet	**13,052**	**482**	**12,570**	**13,052**	**482**	**12,570**
Maximum exposure to credit risk	**707,637**	**398,754**	**308,883**	**709,194**	**398,655**	**310,539**

2010	Group			Bank		
	Gross	Collateral	Net	Gross	Collateral	Net
Maximum exposure to credit risk (USD million)						
Cash and due from banks	20,863	-	20,863	20,691	-	20,691
Interest bearing deposits with banks	127	-	127	110	-	110
Securities purchased under resale agreements and Securities borrowing transactions	16,132	15,234	898	16,132	15,234	898
Trading financial assets at fair value through profit or loss						
■ Debt securities	25,975	-	25,975	24,364	-	24,364
■ Derivative trading positions	406,713	373,220	33,493	407,229	373,220	34,009
■ Other	7,453	1,697	5,756	8,344	1,697	6,647
Financial assets designated at fair value through profit or loss						
■ Debt securities	4,518	-	4,518	4,518	-	4,518
■ Loans	12,205	2,859	9,346	12,205	2,859	9,346
■ Reverse repurchase agreements	7,200	7,200	-	8,997	8,997	-
■ Other	556	-	556	556	-	556
Other loans and receivables	5,588	1,705	3,883	5,588	1,705	3,883
Other assets	47,776	810	46,966	49,299	810	48,489
Maximum exposure to credit risk – total assets	**555,106**	**402,725**	**152,381**	**558,033**	**404,522**	**153,511**
Off-balance sheet items						
■ financial guarantees	1,692	1,531	161	1,692	1,531	161
■ loan commitments and other credit related commitments	10,155	3,728	6,427	10,155	3,728	6,427
Maximum exposure to credit risk – total off-balance sheet	**11,847**	**5,259**	**6,588**	**11,847**	**5,259**	**6,588**
Maximum exposure to credit risk	**566,953**	**407,984**	**158,969**	**569,880**	**409,781**	**160,099**

The CSi 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 CSi group typically enters into master netting arrangements (MNA's) with over the counter (OTC) derivative counterparties. The MNA's allow the CSi group to offset derivative liabilities against the derivative assets wth the same counterparty in the event the counterparty defaults. Collateral on these derivative contracts is usually posted on a net counterparty basis and comprises either cash or marketable securities or a combination thereof. To the extent an exchange or clearing house acts as a counterparty to a derivative transaction, credit risk is generally considered to be limited as the CSi group is required to maintain a margin. Included in the table above as collateral and other credit enhancements are the derivative liability amounts which would be offset against the derivative asset position upon default of the counterparty as well as any cash or marketable securities collateral held. Amounts disclosed as collateral and credit enhancements are where a counterparty has an offsetting derivative exposure with the CSi group, a MNA exists, and the credit risk exposure is managed on a net basis or the position is specifically collateralised, typically in the form of cash.

Also included in the table within both loans and receivables and financial assets designated at fair value through profit and loss is collateral which the CSi group holds against loans in the form of guarantees, cash and marketable securities. The CSi group also mitigates its credit exposures on certain loans primarily with credit default swaps, which economically hedge the position and as such the notional on the relevant credit default swap has been included. For further information on the collateral and credit enhancements held against loans designated at fair value, refer to Note 16 - Financial Assets and Liabilities Designated at Fair Value through Profit and Loss.

Reverse repurchase agreements and securities borrowings are typically fully collateralised instruments and in the event of default, the agreement provides the CSi group the right to liquidate the collateral held. Reverse repos are included either within securities or financial assets designated at fair value through profit and loss, based on the accounting methodology. These instruments are collateralised principally by government securities, money market instruments, corporate bonds and cash. The CSi 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 14 – Securities Borrowed, Lent and Subject to Resale or Repurchase Agreements.

Included within other assets are failed purchases that arise when a transaction to purchase an asset has not met the conditions for sale accounting. The CSi group typically holds collateral in the form of insurance or securities against the failed purchases.

Collateral held against financial guarantees and loan commitments typically includes securities and letters of credit. For further information about the collateral and credit enhancements held against financial guarantees and loan commitments, refer to Note 34 - Guarantees and Commitments.

For further information on collateral held as security that the CSi 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 exposure to credit risk.

Risk Mitigation

CSi 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. CSi also actively enters into collateral arrangements for OTC derivatives and other traded products which allow it to limit the counterparty exposure risk associated with these products. Collateral taken generally represents cash or government securities although other securities may be accepted. The value of collateral reflected as a risk mitigant is net of an appropriate haircut.

Counterparty Exposure before Collateral by Rating

Bank	31 December 2011		31 December 2010	
	USD million	%	USD million	%
AAA	7,048	8	6,165	7
AA+ to AA-	19,665	21	18,266	22
A+ to A-	32,920	36	29,427	35
BBB+ to BBB-	16,536	18	13,894	17
BB+ to BB-	8,518	9	6,472	8
B+ and below	7,684	8	9,133	11
	92,371	**100**	**83,357**	**100**

Unsecured Exposure by Rating (including provisions)

Bank	31 December 2011		31 December 2010	
	USD million	%	USD million	%
AAA	6,521	19	5,688	17
AA+ to AA-	8,203	23	5,886	18
A+ to A-	9,641	27	10,732	32
BBB+ to BBB-	5,139	15	5,468	16
BB+ to BB-	1,733	5	1,992	6
B+ and below	3,788	11	3,643	11
	35,025	**100**	**33,409**	**100**

The above tables include all loans, commitments, derivatives, securities purchased and sold under repurchase and resale agreements, and short term cash trades on a net counterparty exposure basis for the Bank as most of the trading portfolio mainly resides in the Bank.

The first table represents mark to market exposures before offsetting any eligible collateral held; the second table represents mark to market exposures after offsetting collateral.

vi) Country Risk

Country risk is the risk of a substantial, systemic loss of value in the financial assets of a country or group of countries, which may be caused by dislocations in the credit, equity, and/or currency markets. CS group's major operating divisions all assume country risk in a variety of ways. The setting of limits for this risk is the responsibility of CARMC, based on the recommendations of CRM, SRM and CS group's economists.

Country limits for emerging markets are approved annually by the Board of Directors of CSG, following recommendations from CARMC. The measurement of exposures against country limits is undertaken by RAR with bi-monthly reports to senior management and monthly reports to CARMC. For trading positions,

country risk is a function of the mark-to-market exposure and currency of the position, while for loans and related facilities country risk is a function of the amount and currency that CS group has lent or committed to lend. The day-to-day management of country exposure is assigned to each of the core businesses in accordance with its business authorisations and limit allocations. RAR and CRM provide independent oversight to ensure that the core businesses operate within their limits. CRM is responsible for periodically adjusting these limits to reflect changing credit fundamentals and business volumes.

vii) Settlement Risk

Settlement risk arises whenever the settlement of a transaction results in timing differences between the disbursement of cash or securities and the receipt of countervalue from the counterparty. This risk arises whenever transactions settle on a 'free of payment' basis and is especially relevant when operating across time zones.

In those instances where market convention and/or products preclude a value-for-value exchange, the CSi group manages its risk through confirmation and affirmation of transaction details with counterparties. In order to reduce gross settlement risk the CSi group leverages Clearing Houses, Central Counterparties and Central Settlement services and will also net gross cashflows with a given counterpart where possible. It proactively seeks to manage the timing of settlement instructions to its agents and the reconciliation of incoming payments in order to reduce the window of exposure. In addition, CRM establishes and monitors limits to control the amount of settlement risk incurred to each counterparty.

viii) Legal Risk

The CS group faces significant legal risks in its businesses. Legal risks include, among other things, disputes over the terms of trades and other transactions in which the CS group acts as principal; the unenforceability or inadequacy of the documentation used to give effect to transactions in which the CS group participates; investment suitability concerns; compliance with the laws and regulations (including change in laws or regulations) of the many countries in which the CS group does business; and disputes with its employees. Some of these transactions or disputes result in potential or actual litigation that the CS group must incur legal expenses to defend.

The CS group is subject to extensive regulation in the conduct of its investment business. A failure to comply with applicable regulations could result in regulatory investigations, fines and restrictions on some of the CS group's business activities or other sanctions. The CS group seeks to minimise legal risk through the adoption of compliance and other policies and procedures, continuing to refine controls over business practices and behaviour, employee training sessions, the use of appropriate legal documentation, and the involvement of the Legal and Compliance department and outside legal counsel. In addition, the CS group is an active participant in ISDA and other professional derivative market forums, with specific focus on improving levels of derivative market and product standardisation, legal definition and protocol.

ix) Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. CS group's primary aim is the early identification, recording, assessment, monitoring, prevention and mitigation of operational risks, as well as timely and meaningful management reporting. Where appropriate, CS group transfers operational risks to third-party insurance companies.

Operational risk is inherent in most aspects of CS group's activities and comprises a large number of disparate risks. While market and credit risk are often chosen for the prospect of gain, operational risk is normally accepted as a necessary consequence of doing business. In comparison to market or credit risk, the sources of operational risk are difficult to identify comprehensively and the amount of risk is also

inherently difficult to measure. CS group, therefore, manages operational risk differently from market and credit risk. CS group believes that effective management of operational risks requires a common group-wide framework with ownership residing with the management responsible for the relevant business process.

Within CS group, each individual business and management level takes responsibility for its own operational risks and provides adequate resources and procedures for the management of those risks. Operational risk is thus controlled through a network of controls, procedures, reports and responsibilities. In addition to the quarterly firm-level CARMC meetings covering operational risk, operational risk exposures are discussed at divisional risk management committees, which have senior staff representatives from all the relevant functions. CS group utilises a number of group-wide tools for the management, measurement, monitoring and reporting of operational risk. These include: self-assessments; scenario analysis; the collection, reporting and analysis of internal and external loss data; and key risk indicator reporting.

Business divisions and Shared Services specialist operational risk teams are responsible for the implementation of the operational risk management framework, tools, reporting and methodologies within their areas as well as working with management on any operational risk issues that arise. Additionally, CS group has established a central Bank Operational Risk Oversight team within the Chief Risk Officer function that focuses on the coordination of consistent policy, tools and practices throughout CS group for the management, measurement, monitoring and reporting of relevant operational risks. This team is also responsible for the overall operational risk framework, measurement methodology and capital calculations. Knowledge and experience are shared throughout CS group to maintain a coordinated approach.

CS group has employed the same methodology to calculate EC for operational risk since 2000, and has approval from the Swiss Financial Market Supervisory Authority to use a similar methodology for the Advanced Measurement Approach ('AMA') under the Basel II Accord. The economic capital/AMA methodology is based upon the identification of a number of key risk scenarios that describe all of the major operational risks that CS group faces.

Groups of senior staff review each scenario and discuss the likelihood of occurrence and the potential severity of loss. Internal and external loss data, along with certain business environment and internal control factors (for example, self-assessment results and key risk indicators) are considered as part of this process. Based on the output from these meetings, CS group enter the scenario probabilities and severities into an event model that generates a loss distribution. Insurance mitigation is included in the capital assessment where appropriate, by considering the level of insurance coverage for each scenario, incorporating haircuts as appropriate. Based on the loss distribution, the level of capital required to cover operational risk can then be calculated.

x) Reputational Risk

CS group's policy is to avoid any action or transaction or relationship to Politically Exposed Persons ('PEPs') which poses an unacceptable level of risk to the Bank's reputation. Reputational risk may arise from a variety of sources, including the nature or purpose of a proposed transaction, the identity or nature of a potential client, the regulatory or political climate in which the business will be transacted or significant public attention surrounding the transaction itself. Where the presence of these or other factors gives rise to potential reputational risk for CS group, the relevant business proposal is required to be submitted to CS group's Reputational Risk Review Process. This involves a vetting of the proposal by senior business management, and its subsequent referral to one of CS group's Reputational Risk Approvers, each of whom is independent of the business divisions and has authority to approve, reject, or impose conditions on CS group's participation.

40. Business Combination

On 30 April 2011, CSG completed the acquisition of the Prime Fund Solutions ('PFS') business carried on by ABN AMRO Bank N.V. ('ABN'), as successor to Fortis Bank (Nederland) N.V. ('Fortis'). As part of that acquisition, CSi Dublin Branch acquired certain assets and assumed certain liabilities of ABN AMRO Bank (Ireland) Ltd and ABN AMRO Administration Services (Ireland) Ltd in an asset purchase transaction. CSi Dublin Branch also acquired 100% of the shares of Prime Nominees (Ireland) Ltd and Prime Nominees (Asia) Ltd in a stock purchase transaction.

	2011
Consideration (USD million)	
Cash	**14**
Recognised amounts of identifiable assets acquired and liabilities assumed (USD million)	
■ Cash and due from banks	2,574
■ Trading financial assets at fair value through profit and loss	156
■ Other loans and advances	394
■ Other assets	3
■ Intangible assets (including customer list)	7
■ Property and equipment	10
■ Deposits	(2,970)
■ Trading financial liabilities at fair value through profit or loss	(154)
■ Other liabilities	(2)
Net assets acquired and liabilities assumed	**18**
Gain arising on acquisition	**4**

The acquisition enhances Credit Suisse's offering to the alternative investment community through PFS's leading services, which include independent administrative services, investor services, net asset value calculation, banking, custody and financing solutions. PFS is a strong fit with Credit Suisse's client-focused, capital-efficient strategy and further strengthens Credit Suisse's Equities franchise by creating a more complete solution for hedge fund clients.

An intangible asset has arisen on acquisition relating to the customer list obtained through the transaction. This asset of USD 5 million has been recorded by CSi Dublin Branch and will be amortised over a 13 year period on a straight-line basis.

The transaction includes provision for certain contingent consideration however, in the event that this should become payable, it is not material to CSi group.

Revenues and profit since acquisition date are not material to CSi group.

41. Capital Adequacy

CSi's capital adequacy and capital resources are managed and monitored based on practices developed by the Basel Committee on Banking Supervision (the 'Basel Committee') and governed by European Union directives. These directives are implemented in the UK by the FSA, the UK regulator, and incorporated within its prudential sourcebooks for banks and investment firms.

Capital Resources

Regulatory capital resources comprise a number of 'tiers'. Tier 1 capital principally comprises shareholders' equity. This is supplemented by Tier 2 and Tier 3 capital, which consist mainly of subordinated debt instruments. Total capital equals the sum of these, less deductions for such items as investments in non-consolidated subsidiaries and holdings of capital instruments issued by other credit institutions and financial institutions in excess of trading book concessions.

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

CSi received a capital injection during the course of 2010 in order to support the business. There were no capital injections in 2011. Other movements in capital resources were as follows:

	2011	**2010**
Regulatory capital less deductions (USD million)		
Total regulatory capital less deductions at 1 January	**19,334**	**19,142**
Net capital injections during the year:		
Core Tier 1	-	500
Total capital injections	**-**	**500**
Other movements		
Profit and loss and movements in other comprehensive income	(294)	83
Net movement on Tier 2 capital (amortisation and currency translation)	(21)	(78)
Net movement in regulatory deductions and prudential filters	1,452	(313)
Total regulatory capital less deductions at 31 December	**20,471**	**19,334**

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

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

The following table sets out details of CSi's regulatory capital resources at 31 December 2011 and 2010.

	2011	2010
Regulatory capital less deductions (USD millions)		
Total shareholders' equity-Bank	**11,102**	**11,374**
Reconciliation to Tier 1 capital:		
■ Regulatory deductions	(407)	(334)
■ Prudential filters	(157)	(36)
■ Reserves of solo-consolidated entities	(3)	19
Tier 1 capital less deductions	**10,535**	**11,023**
Tier 2 capital:		
■ Upper Tier 2- Perpetual Subordinated Debt	4,188	4,186
■ Lower Tier 2 – Term Subordinated Debt	5,962	5,985
Excess Tier 2 capital	(694)	(474)
Tier 2 capital	**9,456**	**9,697**
Tier 1 plus Tier 2 capital	**19,991**	**20,720**
Deductions		
■ Securitisation positions	(24)	-
■ Expected loss amounts	-	(1,705)
■ Other investments deducted from capital	(190)	(155)
Tier 1 plus Tier 2 capital, less deductions	**19,777**	**18,860**
Excess Tier 2 capital	694	474
Deductions from total capital	-	-
Total regulatory capital less deductions	**20,471**	**19,334**

42. FSA Pillar 3 disclosures

Under a waiver agreed with the FSA, certain of the Pillar 3 disclosures required by the UK implementation of Basel II need not be made by CSi as a stand-alone entity on the basis that they are included in the comparable disclosures provided on a consolidated basis by CS group. Those Pillar 3 disclosures required under FSA rules that are not covered by the CS group disclosures can be found separately at www.credit-suisse.com.

43. Subsequent Events

Capital restructuring

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

In anticipation of the implementation of Basel III, the capital in CSi was restructured in February 2012. All classes of preference shares (held by CS Group AG ('CSG'), Credit Suisse Investments (UK) ('CSI (UK)'), and Credit Suisse PSL GmbH ('PSL')) amounting to USD 5.235 billion and all callable subordinated loans (issued by PSL & Credit Suisse First Boston Finance B.V. (Fin BV')) amounting to approximately USD 2.964 billion have been redeemed and replaced by new participating shares, i.e. ordinary shares with no voting rights.

In addition, on 29 February 2012, USD 500 million of capital was issued in the form of new participating shares which will contribute to core Tier 1 equity.

Tax rate

In the budget announcement of 21 March 2012, the UK government announced its intention to further reduce the corporation tax rate by 1% with effect from 1 April 2012. This rate reduction was substantively enacted on 26 March 2012. If this rate reduction had been substantively enacted as at 31 December 2011 it would have had the impact of decreasing the deferred tax asset recorded by USD 68 million.

CREDIT SUISSE INTERNATIONAL
One Cabot Square
London E14 4QJ

credit-suisse.com

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