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U.S. SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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3/5/12

ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART IIB

FACING PAGE  
Information Required of Brokers and Dealers  
Pursuant to Section 17 of the Securities Exchange Act of 1934  
and Rule 17a-5 Thereunder

SEC FILE NO.  
52352

REPORT FOR THE PERIOD BEGINNING 01/01/11 AND ENDING 12/31/11  
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

Credit Suisse Capital LLC

Official Use Only

FIRM ID. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS:

(Do not use P.O. Box No.)

11 Madison Avenue

(No. and Street)

New York

New York

10010-3629

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Paul O'Keefe

(212) 538-3501

(Area Code -- Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

(Name -- if individual, state last, first, middle name)

KPMG LLP

345 Park Avenue

New York

New York

10154

(ADDRESS) Number and Street

City

State

Zip Code

CHECK ONE:

- Certified Public Accountant
- Public Accountant
- Accountant not resident in United States or any of its possessions.

FOR OFFICIAL USE ONLY

\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-12(n).

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**KPMG LLP**  
345 Park Avenue  
New York, NY 10154-0102

## **Report of Independent Registered Public Accounting Firm**

Member of  
Credit Suisse Capital LLC:

We have audited the accompanying statement of financial condition of Credit Suisse Capital LLC (the Company), as of December 31, 2011, that is filed pursuant to Rule 17a-12 under the Securities Exchange Act of 1934. This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit of a statement of financial condition also includes examining, on a test basis, evidence supporting the amounts and disclosures in that statement of financial condition, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement of financial condition presentation. We believe that our audit of the statement of financial condition provides a reasonable basis for our opinion.

In our opinion, the statement of financial condition referred to above presents fairly, in all material respects, the financial position of Credit Suisse Capital LLC as of December 31, 2011, in conformity with U.S. generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the financial statement taken as a whole. The supplementary information contained in Schedule 1 required by Rule 17a-12 under the Securities Exchange Act of 1934 is presented for purposes of additional analysis and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statement taken as a whole.

**KPMG LLP**

February 28, 2012

**CREDIT SUISSE CAPITAL LLC**  
**Statement of Financial Condition**  
**December 31, 2011**  
(In thousands)

**ASSETS**

Cash and cash equivalents.....	\$	11,124
Securities borrowed from affiliates.....		3,608,271
Receivables:		
Affiliates .....		11,428
Brokers, dealers and other.....		467,416
Financial instruments owned (of which \$7,668,782 was encumbered):		
Equities.....		11,464,561
Derivatives contracts.....		1,134,155
Loans .....		1,981,993
Deferred tax asset.....		33
		33
Total assets .....	\$	18,678,981

**LIABILITIES AND MEMBER'S EQUITY**

Short-term borrowings from affiliates.....	\$	3,847,277
Securities loaned to affiliates .....		7,948,399
Payables:		
Affiliates and parent.....		196,793
Brokers, dealers and other.....		1,289,819
Financial instruments sold not yet purchased:		
Equities.....		3,957,192
Derivatives contracts.....		329,566
Other liabilities.....		16,053
Subordinated borrowings.....		115,000
		115,000
Total liabilities .....		17,700,099
Member's Equity:		
Member's contributions .....		737,600
Accumulated earnings.....		241,282
		241,282
Total member's equity .....		978,882
Total liabilities and member's equity .....	\$	18,678,981

See accompanying notes to statement of financial condition.

**CREDIT SUISSE CAPITAL LLC**  
**Notes to Statement of Financial Condition**  
**December 31, 2011**

**1. Organization and Description of Business**

Credit Suisse Capital LLC ("the Company"), is a wholly owned subsidiary of Credit Suisse Capital Holdings, Inc. (the "Parent"), which is a wholly owned subsidiary of Credit Suisse (USA), Inc. ("CS USA"), and an indirect wholly owned subsidiary of Credit Suisse Holdings (USA), Inc. ("CS Holdings"), whose ultimate parent is Credit Suisse Group AG ("CSG").

The accompanying statement of financial condition has been prepared from the separate records maintained by the Company and may not necessarily be indicative of the financial condition that would have existed if the Company had been operated as an unaffiliated entity.

The Company is a broker-dealer registered with the Securities and Exchange Commission ("SEC") as an over-the-counter ("OTC") Derivatives Dealer, which is a special category of broker-dealer engaged in an OTC derivatives business. As an OTC Derivatives Dealer, the Company calculates its regulatory capital charges pursuant to Appendix F of SEC Rule 15c3-1 under the Securities Exchange Act of 1934 (the "Exchange Act") using the Company's internal value at risk model. The Company transacts OTC derivative contracts with corporate clients, high-net worth individuals and affiliates.

As part of its OTC derivatives business the Company enters into option transactions including collars, forward transactions including variable prepaid forwards ("VPFs") and swap transactions including interest rate swaps, credit default swaps and total return swaps.

**Options**

The Company writes option contracts to meet customer needs and for economic hedging purposes. These written options do not expose the Company to credit risk because the Company, not its counterparty, is obligated to perform. At the beginning of the contract period, the Company receives a cash premium. During the contract period, the Company bears the risk of unfavorable changes in the value of the financial instruments underlying the options. To manage this market risk, the Company purchases or sells cash or derivative financial instruments. Such purchases and sales may include equity or fixed income securities, forward and futures contracts and options.

The Company purchases options to meet customer needs and for economic hedging purposes. With purchased options, the Company gets the right, for a fee, to buy or sell the underlying instrument, at a fixed price on or before a specified date. The counterparties to OTC option contracts are reviewed to determine whether they are creditworthy and, if necessary, collateral is obtained. The Company economically hedges its exposure from purchased options by buying or selling the underlying positions.

The Company enters into collars, whereby a customer buys a put option on a stock and finances it with the sale of a call option at the same or higher strike price. To mitigate the credit risk the Company receives collateral. The Company economically hedges the exposure from collar transactions by shorting equities. Collars, written options and purchased options are carried at fair value and are included in derivatives contracts on the statement of financial condition.

**CREDIT SUISSE CAPITAL LLC**  
**Notes to Statement of Financial Condition (Continued)**  
**December 31, 2011**

**1. Organization and Description of Business (Continued)**

**Forwards**

VPFs are a form of OTC hybrid transaction pursuant to which the Company purchases a variable number of shares of common stock from a customer on a forward basis. At inception, the Company pays the customer a dollar amount based on the underlying value of the common stock. At the maturity of the transaction, the Company receives a variable number of shares (or an amount in cash equal to the value of such variable number of shares, with a maximum share cap) from the customer based on the market price of the shares at maturity. VPFs allow customers to monetize their stock position and provide market risk protection through an equity collar that, among other things, protects the customer against decreases in the value of the underlying common stock. The customer pledges the underlying shares to the Company as collateral for the VPF. VPF transactions expose the Company to market risk to the extent the underlying stock price decreases below a pre-determined price. In order to economically hedge this risk, the Company employs strategies which include selling the underlying stocks short.

The VPFs are generally long-dated and have original maturities of three to ten years. All of the Company's VPFs, meet the definition of a derivative and are reported as derivative contracts on the Company's statement of financial condition. All VPFs are carried at fair value.

**Futures**

Futures contracts are standardized, transferable, exchange-traded contracts that require delivery of the underlying at a specified price, on a specified future date. The Company transacts in interest rate futures and equity futures. For futures contracts, the change in the market value is settled with a clearing broker or exchange in cash each day. As a result, the credit risk with the clearing broker is limited to the net positive change in the market value for a single day, which is recorded in receivables from brokers, dealers and others in the statement of financial condition.

**Swaps**

Credit derivatives are contractual agreements in which the buyer generally pays a fee in exchange for a contingent payment by the seller if there is a credit event on the underlying referenced entity or asset. Credit derivatives are generally privately negotiated OTC contracts. Most credit derivatives are structured so that they specify the occurrence of an identifiable credit event, which can include bankruptcy, insolvency, receivership, material adverse restructuring of debt, or failure to meet obligations when due.

Total return swaps are contractual agreements where the Company agrees to pay a customer the total economics of a defined underlying asset, in return for receiving a stream of floating rate cash flows, such as the London Interbank Offered Rate ("LIBOR"). The underlying assets for total return swaps may include equity securities, loans and mutual funds. The exposure from these transactions is hedged by purchasing the underlying asset.

Interest rate swaps are contractual agreements to exchange interest rate payments based on agreed notional amounts and maturity.

**CREDIT SUISSE CAPITAL LLC**  
**Notes to Statement of Financial Condition (Continued)**  
**December 31, 2011**

**2. Summary of Significant Accounting Policies**

*Basis of financial information.* To prepare the statement of financial condition in accordance with accounting principles generally accepted in the United States of America, management must make estimates and assumptions. The reported amounts of assets and liabilities as of the date of the statement of financial condition are affected by these estimates and assumptions, the most significant of which are discussed in the notes to the statement of financial condition. Estimates, by their nature, are based on judgment and available information. Therefore, actual results could differ materially from these estimates.

*Cash and cash equivalents.* Cash and cash equivalents include all demand deposits held in banks and certain highly liquid investments with original maturities of 90 days or less.

*Securities borrowed from/Securities loaned to affiliates.* Securities borrowed and securities loaned transactions are recorded at the amount of cash collateral advanced to or received from an affiliate. For securities borrowed transactions, the Company deposits cash or other collateral with the lender. For securities loaned transactions, the Company receives cash or other collateral from the borrower generally in excess of the market value of securities loaned. The Company monitors the market value of securities borrowed and loaned daily and obtains or refunds collateral as necessary.

*Receivables from brokers, dealers and other/Payables to brokers, dealers and other.* Receivables from brokers, dealers and other include amounts receivable for securities not delivered by the Company to a purchaser by the settlement date ("fails to deliver"), accrued dividends and interest, margin due on futures contracts and cash collateral deposits due from counterparties. Payables to brokers, dealers and other include amounts payable for securities not received by the Company from a seller by the settlement date ("fails to receive"), accrued dividends and interest and cash collateral deposits due to counterparties. In addition, the net receivable or payable arising from unsettled securities trades is included in either receivables from brokers, dealers and other or payables to brokers, dealers and other.

*Fair value of financial instruments.* The Company's financial instruments are carried at fair value. Fair value is estimated at a specific point in time, based on relevant market information or the value of the underlying financial instrument. Financial instruments are recorded on a trade date basis with the exception of loans, which are recorded on a settlement date basis. For more information on fair value see Note 3.

*Derivatives contracts.* All derivatives contracts are carried at fair value in the statement of financial condition. The fair value amounts associated with derivative instruments are reported net by counterparty across products, provided a legally enforceable master netting agreement exists and such provisions are stated in the master netting agreement. In addition, the fair value amounts recognized for derivative instruments as well as the fair value amounts recognized for the right to reclaim cash collateral or the obligation to return cash collateral, are reported net.

*Structured note payable.* The Company entered into a fully funded total return swap with a third party where the counterparty provided cash to the Company which was used to purchase shares of mutual funds and exchange traded funds. Under US Generally Accepted Accounting Principles ("US GAAP") this transaction did not qualify as a derivative because it was fully funded. As a result, this transaction was accounted for as a structured note and was classified in structured note payable on the statement of financial condition. The Company elected to account for this structured note payable at fair value. As of December 31, 2011 the structured note payable matured.

**CREDIT SUISSE CAPITAL LLC**  
**Notes to Statement of Financial Condition (Continued)**  
**December 31, 2011**

**2. Summary of Significant Accounting Policies (Continued)**

*Loans.* The company purchases third party loans and enters into total return swaps with customers on the loans, thereby creating a hedge. These loans are recorded on a settlement date basis and are carried at fair value. See Note 3 for more information.

*Deferred taxes.* The Company is included in the consolidated federal income tax return filed by CS Holdings and certain state and local income tax returns filed by CS Holdings and CS USA. CS Holdings allocates federal income taxes to its subsidiaries on a separate return basis, and any state and local income taxes on a pro rata basis, pursuant to a tax sharing arrangement.

The Company uses the asset and liability method in providing for income taxes which requires that deferred income taxes be recorded and adjusted for the future tax consequences of events that have been recognized in the statement of financial condition or tax returns, based upon enacted tax laws and rates. Deferred tax assets are recognized subject to management's judgment that realization is more likely than not. The state and local deferred tax asset represents the net deferred tax asset in the statement of financial condition. The federal deferred tax assets calculated each year is settled through the intercompany accounts at the balance sheet date and was included in other liabilities in the statement of financial condition. See Note 13 for more information.

**STANDARDS TO BE ADOPTED IN FUTURE PERIODS**

**ASC Topic 210 – Balance Sheet**

In December 2011, the FASB issued ASU 2011-11, "Disclosures about Offsetting Assets and Liabilities" ("ASU 2011-11"), an update to ASC Topic 210 – Balance Sheet. ASU 2011-11 requires enhanced disclosures about financial instruments and derivatives instruments that are either (i) offset in accordance with section 210-20-45 or section 815-10-45 or (ii) subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are offset in accordance with either section 210-20-45 or section 815-10-45. The disclosures will enable users to evaluate the effect or potential effect of netting arrangements on an entity's financial position, including the effect or potential effect of rights of setoff associated with certain financial instruments and derivative instruments in scope of this update. ASU 2011-11 is effective for interim and annual reporting periods beginning on or after January 1, 2013. ASU 2011-11 is an update for presentation and as such will not impact the Company's financial condition.

**ASC Topic 820 – Fair Value Measurement**

In May 2011, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Updates ("ASU") 2011-04, "Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in US GAAP and IFRS", an update to ASC Topic 820 – Fair Value Measurement. ASU 2011-04 results in common fair value measurement and disclosure requirements in US GAAP and IFRS. The amendments in ASU 2011-04 include clarifications about the application of existing fair value measurement requirements and changes to principles for measuring fair value. ASU 2011-04 also requires additional disclosures about fair value measurements. ASU 2011-04 is required to be applied prospectively and is effective for interim and annual periods beginning after December 15, 2011. The adoption of ASU 2011-04 on January 1, 2012 did not have a material impact on the Company's financial condition.

**CREDIT SUISSE CAPITAL LLC**  
**Notes to Statement of Financial Condition (Continued)**  
**December 31, 2011**

**3. Fair Value of Assets and Liabilities**

The fair value of the majority of the Company's assets and liabilities is based on quoted prices in active markets or observable inputs. These instruments include exchange traded and certain OTC derivative instruments, certain loans and listed equity securities.

In addition, the Company holds financial instruments for which no prices are available, and which have little or no observable inputs. For these instruments the determination of fair value requires subjective assessment 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 and certain loans. Valuation techniques for these instruments are described more fully below. Deterioration of financial markets could significantly impact the fair value of these financial instruments and the Company's financial condition.

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, 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 Company'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 Company's and the counterparty's credit standing is considered when measuring their fair value, based on current credit default swap prices. The adjustments also take into account contractual factors designed to reduce the Company's credit exposure to a counterparty, such as collateral held and master netting agreements.

**Fair Value Hierarchy**

The levels of the fair value hierarchy are defined as follows:

*Level 1:* Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date. This level of the fair value hierarchy provides the most reliable evidence of fair value and is used to measure fair value whenever available.

*Level 2:* Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs include: (a) quoted prices for similar assets or liabilities in active markets; (b) quoted prices for identical or similar assets or liabilities in markets that are not active, that is, markets in which there are few transactions for the asset or liability, the prices are not current, or price quotations vary substantially either over time or among market makers, or in which little information is released publicly; (c) inputs other than quoted prices that are observable for the asset or liability or (d) inputs that are derived principally from or corroborated by observable market data by correlation or other means.



**CREDIT SUISSE CAPITAL LLC**  
**Notes to Statement of Financial Condition (Continued)**  
**December 31, 2011**

**3. Fair Value of Assets and Liabilities (Continued)**

*Level 3:* Inputs that are unobservable for the asset or liability. These inputs reflect the Company's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). These inputs are developed based on the best information available in the circumstances, which include the Company's own data. The Company's own data used to develop unobservable inputs are adjusted if information indicates that market participants would use different assumptions.

**CREDIT SUISSE CAPITAL LLC**  
**Notes to Statement of Financial Condition (Continued)**  
**December 31, 2011**

**3. Fair Value of Assets and Liabilities (Continued)**

**Quantitative Disclosures of Fair Values**

Following is a tabular presentation of fair value of assets and liabilities for instruments measured at fair value on a recurring basis:

**Fair value of assets and liabilities**

December 31, 2011	Quoted prices in active markets for identical assets or liabilities (level 1)	Significant other observable inputs (level 2)	Significant unobservable inputs (level 3)	Total at fair value
	(In thousands)			
<b>Assets</b>				
<b>Cash instruments:</b>				
Loans .....	\$ —	\$ 1,716,533	\$ 265,460	\$ 1,981,993
Total debt .....	—	1,716,533	265,460	1,981,993
Accommodation and food services .....	90,895	—	—	90,895
Agriculture, forestry, fishing, and hunting .....	82,556	—	—	82,556
Construction .....	84,645	—	—	84,645
Finance and insurance .....	3,351,727	16,324	—	3,368,051
Health care and social assistance .....	161,664	13,596	—	175,260
Information .....	558,415	5,270	—	563,685
Management of companies and enterprises .....	192,487	—	—	192,487
Manufacturing .....	2,383,878	30,474	—	2,414,352
Mining, quarrying, and oil and gas extraction .....	1,427,564	955	—	1,428,519
Professional, scientific, and technical services .....	390,003	4,469	—	394,472
Real estate and rental and leasing .....	1,729,143	—	—	1,729,143
Retail trade .....	191,594	—	—	191,594
Transportation and warehousing .....	156,776	—	—	156,776
Utilities .....	441,552	27,444	—	468,996
Other equity instruments .....	123,130	—	—	123,130
Total equity .....	11,366,029	98,532	—	11,464,561
Total cash instruments .....	11,366,029	1,815,065	265,460	13,446,554
<b>Derivatives contracts:</b>				
Interest rate products .....	—	59,934	15,220	75,154
Equity/index-related products .....	12,531	2,238,591	331,757	2,582,879
Credit products .....	—	543,902	36,648	580,550
Netting <sup>(1)</sup> .....	—	—	—	(2,104,428)
Total derivatives contracts .....	12,531	2,842,427	383,625	1,134,155
<b>Total assets at fair value .....</b>	<b>\$ 11,378,560</b>	<b>\$ 4,657,492</b>	<b>\$ 649,085</b>	<b>\$ 14,580,709</b>

**CREDIT SUISSE CAPITAL LLC**  
**Notes to Statement of Financial Condition (Continued)**  
**December 31, 2011**

**3. Fair Value of Assets and Liabilities (Continued)**

December 31, 2011	Quoted prices in active markets for identical assets or liabilities (level 1)	Significant other observable inputs (level 2)	Significant unobservable inputs (level 3)	Total at fair value
	(In thousands)			
<b>Liabilities</b>				
Cash instruments:				
Finance and insurance .....	\$ 996,678	\$ —	\$ —	\$ 996,678
Information .....	346,454	—	—	346,454
Manufacturing .....	753,876	—	—	753,876
Professional, scientific, and technical services .....	820,702	—	—	820,702
Utilities .....	390,700	—	—	390,700
Other Equity Instruments .....	648,782	—	—	648,782
Total equity cash instruments .....	<u>3,957,192</u>	<u>—</u>	<u>—</u>	<u>3,957,192</u>
Derivatives contracts:				
Interest rate products .....	—	45,141	8,872	54,013
Equity/index-related products .....	48,729	1,266,689	47,165	1,362,583
Credit products .....	—	20,987	14,394	35,381
Netting <sup>(1)</sup> .....				(1,122,411)
Total derivatives contracts .....	<u>48,729</u>	<u>1,332,817</u>	<u>70,431</u>	<u>329,566</u>
<b>Total liabilities at fair value .....</b>	<b><u>\$ 4,005,921</u></b>	<b><u>\$ 1,332,817</u></b>	<b><u>\$ 70,431</u></b>	<b><u>\$ 4,286,758</u></b>

(1) Derivatives contracts are reported on a gross basis by level. The impact of netting represents an adjustment related to counterparty and cash collateral netting.

**Transfers between Level 1 and Level 2**

December 31, 2011	Transfers out of level 1 to level 2	Transfers to level 1 out of level 2
	(In thousands)	
<b>Liabilities</b>		
Derivatives:		
Equity/index-related products .....	\$ —	\$ 56,757
<b>Total liabilities at fair value .....</b>	<b><u>\$ —</u></b>	<b><u>\$ 56,757</u></b>

The derivatives transfers out of level 2 above are primarily related to options with original maturities greater than six months, which were determined to be level 1 during the year ended December 31, 2011 as the options moved closer to expiration.

**CREDIT SUISSE CAPITAL LLC**  
**Notes to Statement of Financial Condition (Continued)**  
**December 31, 2011**

**3. Fair Value of Assets and Liabilities (Continued)**

**Qualitative Disclosures of Valuation Techniques**

**Assets and liabilities**

**Cash instruments**

The Company's cash instruments consist of interest-bearing securities, loans and equity securities. Interest-bearing securities include debt securities. Equity securities include common equity shares, preferred equity shares and convertible bonds.

The majority of the Company's positions in equity securities are traded on public stock exchanges, for which quoted prices are readily and regularly available. Fair values of preferred shares are determined by their yield and the subordination relative to the issuer's other credit obligations.

For secondary market loans traded over the counter, the Company generally determines fair value utilizing internal valuation techniques. Fair values from internal valuation techniques are verified, where possible, to prices obtained from independent vendors. Vendors compile prices from various sources and may apply matrix pricing for similar loans where no price is observable. If available, the Company may also use quoted prices based on recent trading activity of loans with similar characteristics to the loan being valued.

**Derivatives contracts**

Positions in derivatives include both OTC and exchange-traded derivatives. The fair values of exchange-traded derivatives are typically derived from the observable exchange prices and/or observable inputs. Fair values for OTC derivatives are determined on the basis of internally developed proprietary models using various inputs. 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. Other, more complex derivatives, use unobservable inputs. Specific unobservable inputs include long-dated volatility assumptions on OTC option transactions and recovery rate assumptions for credit derivative transactions. Uncertainty of pricing inputs and liquidity are also considered as part of the valuation process.

For further information on the fair value of derivatives as of December 31, 2011 see Note 7.

**Fair Value Option**

The Company elected fair value for certain of its statement of financial condition captions as follows:

Structured note payable: The Company entered into a fully funded total return swap with a third party where the counterparty provided cash to the Company which was used to purchase shares of mutual funds and exchange traded funds. Under US GAAP this transaction did not qualify as a derivative because it was fully funded. As a result, this transaction was accounted for as a structured note and was classified in structured note payable on the statement of financial condition. As of December 31, 2011 the structured note payable matured. The fair value of the structured note payable was based on the value of the underlying mutual funds and exchange traded funds that are traded on public stock exchanges, for which quoted prices

**CREDIT SUISSE CAPITAL LLC**  
**Notes to Statement of Financial Condition (Continued)**  
**December 31, 2011**

**3. Fair Value of Assets and Liabilities (Continued)**

are readily and regularly available. This activity was managed on a fair value basis, thus fair value accounting was deemed more appropriate for reporting purposes.

**4. Related Party Transactions**

The Company is involved in significant financing and other transactions, and has significant related party balances with other CSG entities. The Company generally enters into these transactions in the ordinary course of business and believes that these transactions are generally on market terms that could be obtained from unrelated third parties.

The following table sets forth the Company's related party assets and liabilities as of December 31, 2011:

<b>ASSETS</b>	<b>(In thousands)</b>
Securities borrowed from affiliates.....	\$ 3,608,271
Receivables from affiliates .....	11,428
Receivables from brokers, dealers and other .....	47,645
Derivatives contracts.....	345,798
Deferred tax asset.....	33
Total assets .....	\$ 4,013,175
<b>LIABILITIES</b>	
Short-term borrowings from affiliates .....	\$ 3,847,277
Securities loaned to affiliates.....	7,948,399
Payables to affiliates and parent.....	196,793
Payables to brokers, dealers and other.....	3,324
Derivatives contracts.....	743
Taxes payable (included in other liabilities).....	12,859
Other liabilities.....	90
Subordinated borrowings.....	115,000
Total liabilities.....	\$ 12,124,485

All of the obligations of the Company are guaranteed by CS USA.

As of December 31, 2011, the fair market value of collateral that the Company pledged to affiliates was \$7.7 billion and the fair market value of collateral that the Company received from securities borrowed transactions with affiliates was \$3.5 billion.

The Company is included in a consolidated federal income tax return and combined state and local income tax returns filed by CS Holdings. See Note 13 for more information.

All member's equity of the Company is owned by the Parent.

**CREDIT SUISSE CAPITAL LLC**  
**Notes to Statement of Financial Condition (Continued)**  
**December 31, 2011**

**5. Receivables from and Payables to Brokers, Dealers and Other**

Amounts receivable from and payable to brokers, dealers and other as of December 31, 2011, consist of the following:

	<u>Receivables</u>	<u>Payables</u>
	(In thousands)	
Unsettled regular-way securities trades and fails.....	\$ 316,827	\$ 7,132
Accrued dividends and interest.....	53,681	9,889
Cash collateral deposits due from/to counterparties.....	95,487	1,272,798
Other.....	1,421	—
Total receivables from and payables to brokers, dealers and other.....	<u>\$ 467,416</u>	<u>\$ 1,289,819</u>

**6. Assets Assigned or Pledged**

In the normal course of business, the Company's activities include various securities and financial instrument transactions, including options, collars, VPFs, interest rate, credit default and total return swaps. The Company may be required to purchase or sell financial instruments at prevailing market prices, which may not fully cover the obligations of its customers or counterparties. This risk is limited by requiring counterparties to maintain collateral that complies with internal guidelines.

The following table sets forth the assets pledged by the Company and the collateral received by the Company as of December 31, 2011:

	<u>December 31, 2011</u>
	(In thousands)
Fair value of the assets pledged and assigned as collateral by the Company all of which was encumbered.....	\$ 7,668,782
Fair value of the collateral received by the Company with the right to sell or repledge .....	4,282,147
of which was sold or repledged.....	3,809,279

**7. Derivatives Contracts**

The Company, as an OTC Derivatives Dealer, is engaged in a broad-based OTC derivatives business. In general, derivatives are contractual agreements that derive their values from the performance of underlying assets, interest rates, or a variety of indices. The Company enters into derivative transactions for risk management purposes and to provide products for its clients. Economic hedges arise when the Company enters into derivative contracts for its own risk management purposes, but the contracts entered into do not qualify for hedge accounting under US GAAP. See Note 1 for more information.

**CREDIT SUISSE CAPITAL LLC**  
**Notes to Statement of Financial Condition (Continued)**  
**December 31, 2011**

**7. Derivatives Contracts (Continued)**

**Fair value of derivative instruments**

The table below represents gross derivative fair values, segregated by type of contract. Notionals have also been provided as an indication of the volume of derivative activity within the Company.

	<u>Notional amount</u>	<u>Fair value assets</u>	<u>Fair value liabilities</u>
<b>As of December 31, 2011</b>			
Swaps .....	\$ 1,171,782	\$ 38,410	\$ 27,046
Futures .....	704,809	—	—
Forwards .....	1,278,621	36,744	26,967
<b>Interest rate products</b> .....	<u>3,155,212</u>	<u>75,154</u>	<u>54,013</u>
Forwards .....	2,151,751	890,743	—
Swaps .....	51,762,581	1,024,062	1,168,235
Options bought and sold (OTC) .....	2,392,013	618,059	140,839
Futures .....	123	—	—
Options bought and sold (exchange traded) .....	742,235	50,015	53,509
<b>Equity/index-related products</b> .....	<u>57,048,703</u>	<u>2,582,879</u>	<u>1,362,583</u>
<b>Credit products</b> <sup>(1)</sup> .....	3,540,350	580,550	35,381
<b>Total gross derivatives contracts</b> .....	<u>\$ 63,744,265</u>	<u>\$ 3,238,583</u>	<u>\$ 1,451,977</u>
Impact of counterparty netting <sup>(2)</sup> .....	—	(1,032,643)	(1,032,643)
Impact of cash collateral netting <sup>(2)</sup> .....	—	(1,071,785)	(89,768)
<b>Total derivatives contracts</b> .....	<u>\$ 63,744,265</u>	<u>\$ 1,134,155</u>	<u>\$ 329,566</u>

(1) Primarily represents total return swaps on loans.

(2) Derivative contracts are reported on a net basis in the statement of financial condition. The impact of netting represents an adjustment related to counterparty and cash collateral netting.

These financial instruments are included as derivatives contracts in financial instruments owned/sold not yet purchased, respectively, in the statement of financial condition. Financial instruments related to futures contracts are included in receivables from brokers, dealers and other and payables to brokers, dealers and other, respectively, in the statement of financial condition.

**Managing the risks**

As a result of the Company's broad involvement in financial products and markets, its trading strategies are correspondingly diverse and exposures are generally spread across a diversified range of risk factors. The Company uses an economic capital limit structure to limit overall risk-taking. The level of risk is further restricted by a variety of specific limits, including controls over trading exposures. Also as part of its overall risk management, the Company holds a portfolio of economic hedges. The Company specifically risk manages its positions with regards to market and credit risk. For market risk it uses tools capable of calculating comparable exposures across its many activities, as well as focused tools that can specifically model unique characteristics of certain instruments or portfolios.

**CREDIT SUISSE CAPITAL LLC**  
**Notes to Statement of Financial Condition (Continued)**  
**December 31, 2011**

**7. Derivatives Contracts (Continued)**

**Credit derivatives**

Total return swaps are contractual agreements where the Company agrees to pay a customer the total economics of a defined underlying asset, in return for receiving a stream of floating rate cash flows, such as the London Interbank Offered Rate ("LIBOR"). The underlying assets for total return swaps are loans and equities. The exposure from these transactions is hedged by purchasing the underlying asset.

**8. Subordinated Borrowings and Member's Equity**

The Company has a \$115 million subordinated financing arrangement with CS USA that matures on March 31, 2016, which bears interest at a floating interest rate. The effective interest rate for these borrowings as of December 31, 2011 was 1.3%.

The borrowings under this agreement qualify as regulatory capital and the agreement includes all statutory restrictions specified by the SEC's Uniform Net Capital Rule (SEC Rule 15c3-1), including restrictive covenants relating to additional subordinated borrowings and to minimum levels of net capital, as defined, and member's equity. To the extent that such borrowings are required for the Company's continued compliance with minimum net capital requirements, it may not be repaid.

**9. Commitments**

The following table sets forth the Company's commitments that are not derivatives, including the current portion as of December 31, 2011:

	Commitment Expiration Per Period				Total commitments
	Less than 1 year	1-3 years	4-5 years	Over 5 years	
	(In thousands)				
Unfunded lending commitments <sup>(1)</sup> .....	\$ —	\$ 60,746	\$ 154,049	\$ 2,821	\$ 217,616
Total commitments .....	<u>\$ —</u>	<u>\$ 60,746</u>	<u>\$ 154,049</u>	<u>\$ 2,821</u>	<u>\$ 217,616</u>

(1) The Company enters into commitments to extend credit.



**CREDIT SUISSE CAPITAL LLC**  
**Notes to Statement of Financial Condition (Continued)**  
**December 31, 2011**

**10. Guarantees**

In the ordinary course of business, the Company enters into guarantee contracts as guarantor. US GAAP requires disclosure by a guarantor of its maximum potential payment obligations under certain of its guarantees to the extent that it is possible to estimate them. In addition, a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligations undertaken in issuing such guarantee, including its ongoing obligation to stand ready to perform over the term of the guarantee in the event that certain events or conditions occur. The carrying value represents the Company's current best estimate of payments that will be required under existing guarantee arrangements.

The guarantees may require the Company to make payments to the guaranteed party based on changes related to an asset, a liability or an equity security of the guaranteed party.

The following table sets forth the maximum contingent liabilities and carrying amounts associated with guarantees as of December 31, 2011 by maturity:

	Amount of Guarantee Expiration Per Period				Total guarantees	Carrying amounts
	Less than 1 year	1-3 years	4-5 years	Over 5 years		
	(In thousands)					
Credit guarantees .....	\$ 1,241	\$ 1,910	\$ —	\$ —	\$ 3,151	\$ 129
Performance guarantees .....	3,444	5,948	—	—	9,392	220
Total guarantees .....	<u>\$ 4,685</u>	<u>\$ 7,858</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 12,543</u>	<u>\$ 349</u>

**Credit Guarantees**

From time to time, the Company enters into contracts that would require it, as the guarantor, to make payments to the guaranteed party if a third party fails to pay under a credit obligation.

**Performance Guarantees**

As of December 31, 2011 the Company had \$9.4 million of performance guarantees of which \$4.0 million was with related parties. The Company provides guarantees in the form of standby letters of credit, which would require the Company to make payments if certain counterparties fail to perform under a non-financial obligation.

**11. Net Capital**

The Company computes its net capital under Appendix F of SEC Rule 15c3-1, which allows for market risk charges to be calculated using internal value at risk models. As of December 31, 2011, the Company's net capital of \$1.0 billion, after allowing for market and credit risk exposure of \$19 million and \$16 million, respectively, was in excess of the minimum net capital requirement by \$990 million. As an SEC registered OTC Derivatives Dealer, the Company does not carry securities accounts for customers and therefore is exempt from the provisions of SEC Rule 15c3-3.

**CREDIT SUISSE CAPITAL LLC**  
**Notes to Statement of Financial Condition (Continued)**  
**December 31, 2011**

**12. Concentrations of Credit Risk**

As an OTC Derivatives Dealer, the Company is engaged in various OTC derivative activities servicing a diverse group of institutional investors, affiliates and high net worth individuals. A substantial portion of the Company's transactions are executed with and on behalf of institutional investors including other brokers and dealers and affiliates. These transactions are generally collateralized.

Credit risk is the potential for loss resulting from the default by a counterparty of its obligations. Exposure to credit risk is generated by contracting derivative transactions and loans with customers and dealers. The Company uses various means to manage its credit risk. The credit worthiness of all counterparties is analyzed at the outset of a credit relationship with the Company. These counterparties are subsequently reviewed on a periodic basis. The Company sets a maximum exposure limit for each counterparty, as well as for groups of counterparties. Furthermore, the Company enters into master netting agreements when feasible and demands collateral from substantially all counterparties or for certain types of credit transactions. As of December 31, 2011, the Company did not have any significant concentrations of credit risk.

**13. Deferred Taxes**

The Company is included in the consolidated federal income tax return and certain state and local income tax returns filed by CS Holdings. CS Holdings allocates federal income taxes to its subsidiaries on a separate return basis, and any state and local income taxes on a pro rata basis, pursuant to a tax sharing arrangement.

The Company recorded a deferred tax asset of \$154 thousand as of December 31, 2011 relating to accrued expenses. As of December 31, 2011, the state and local deferred tax asset of \$33 thousand was included in deferred tax asset in the statement of financial condition. The federal deferred tax asset of \$121 thousand is settled through the intercompany accounts at the balance sheet date and was included in other liabilities in the statement of financial condition.

No valuation allowance is recorded for the federal deferred tax asset of \$121 thousand as the amounts were settled through the intercompany accounts. Based on anticipated future taxable income and tax planning strategies that would, if necessary, be implemented, the Company has not recorded a valuation allowance for its net state and local deferred tax assets of \$33 thousand as management believes that the state and local deferred tax assets as of December 31, 2011 are more likely than not to be realized. However, if estimates of future taxable income are reduced, the amount of the state and local deferred tax asset considered realizable could also be reduced.

The Company remains open to examination from either federal or New York State jurisdictions for the years 2006 and forward. The Company does not anticipate any settlements that would result in a material change to its statement of financial condition.

**14. Legal Proceedings**

Management of the Company is not aware of any legal proceedings or other matters arising out of the Company's activities as an OTC Derivatives Dealer that would result in a material adverse effect on the Company's financial position.

**CREDIT SUISSE CAPITAL LLC**  
**Notes to Statement of Financial Condition (Concluded)**  
**December 31, 2011**

**15. Subsequent Events**

The Company has evaluated the potential for subsequent events from December 31, 2011 through the date of issuance of the statement of financial condition on February 28, 2012.

**CREDIT SUISSE CAPITAL LLC**  
**Computation of Net Capital**  
**Pursuant to SEC Rule 15c3-1 Appendix F**  
**As of December 31, 2011**  
**(In thousands)**

Member's equity .....	978,882
Subordinated borrowings .....	115,000
Total .....	<u>1,093,882</u>
Nonallowable assets and miscellaneous capital charges:	
Nonallowable assets .....	42,575
Other deductions and/or charges .....	6,213
Total .....	<u>48,788</u>
Tentative net capital before market and credit risk exposure .....	1,045,094
Market risk exposure .....	19,083
Credit risk exposure .....	15,798
Total .....	<u>34,881</u>
Net capital .....	1,010,213
Minimum capital requirement .....	<u>20,000</u>
Capital in excess of minimum requirements .....	<u>\$ 990,213</u>

NOTE: There are no material differences between the amounts presented above and the amounts included in Credit Suisse Capital LLC's unaudited FOCUS Report as of December 31, 2011 as filed on February 9, 2012. Therefore, no reconciliation of the two computations is deemed necessary.



**KPMG LLP**  
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**Report of Independent Registered Public Accounting Firm  
on Internal Control Pursuant to Rule 17a-12(h)(1)**

Member of  
Credit Suisse Capital LLC:

In planning and performing our audit of the financial statements of Credit Suisse Capital LLC (the Company), as of and for the year ended December 31, 2011 in accordance with auditing standards generally accepted in the United States of America, we considered the Company's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Also, as required by rule 17a-12(h)(1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company, including consideration of control activities for safeguarding securities. This study included tests of compliance with such practices and procedures that we considered relevant to the objectives stated in rule 17a-12(h) in making the periodic computations of net capital under rule 15c-3-1 and for determining compliance with the exemptive provisions of rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making the quarterly securities examinations, counts, verifications, and comparisons, and the recordation of differences required by rule 17a-13.
2. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System.

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls, and of the practices and procedures referred to in the preceding paragraph, and to assess whether those practices and procedures can be expected to achieve the SEC's previously mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-12(h)(1) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control and the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.



A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the company's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first and second paragraphs and would not necessarily identify all deficiencies in internal control that might be material weaknesses. We did not identify any deficiencies in internal control and control activities for safeguarding securities that we consider to be material weaknesses, as defined previously.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures, as described in the second paragraph of this report, were adequate at December 31, 2011, to meet the SEC's objectives.

This report is intended solely for the information and use of the Company's Member, management of the Company, and the SEC, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

February 28, 2012