

**Credit Suisse Securities
(Europe) Limited**

Annual Report 2010



CREDIT SUISSE SECURITIES (EUROPE) LIMITED

BOARD OF DIRECTORS

Fawzi Kyriakos-Saad (Chairman and CEO)

Christopher Horne

Costas P Michaelides

Daniel McHugh

Eraj Shirvani

Luigi de Vecchi

Stephen B Dainton

Rudolf Bless (Non Executive)

Tobias Guldemann (Non Executive)

COMPANY SECRETARY

Paul E Hare

CREDIT SUISSE SECURITIES (EUROPE) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2010

The directors present their Report and the Financial Statements for the year ended 31 December 2010.

International Financial Reporting Standards

Credit Suisse Securities (Europe) Limited's 2010 financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted for use in the European Union ('EU').

The Financial Statements were authorised for issue by the Directors on 31 March 2011.

Business Review

Profile

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

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

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

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

The Company has branch operations in Frankfurt, Paris, Amsterdam, Milan, Seoul and Warsaw. The Frankfurt, Paris, Amsterdam, Milan and Warsaw branches provide equity broking and investment banking services. The Warsaw office opened on 1 January 2011. In addition to providing these activities, the Seoul branch has received approval from South Korea's Financial Supervisory Commission to engage in over-the-counter (OTC) derivatives business and is a member of the Korean Securities Dealers Association. The Company also maintains representative offices in Ukraine, Switzerland and South Africa. The representation office in Turkey closed in August 2010.

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

Principal product areas

The Group acts primarily in the following three business lines which are components of the global Investment Banking Division.

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

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DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2010

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

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

Economic environment

Global economic growth continued in 2010, but with substantial regional disparities. European sovereign debt concerns were a significant issue during the year and weighed on financial markets. Expansionary monetary policies were maintained in most major countries. The majority of equity markets posted positive returns over 2010 and bond yields declined. Volatility in currency markets was high, with both the Swiss Franc and Yen benefiting from their safe haven status.

The global recovery in 2010, though at a moderate pace, was driven by global manufacturing gains in the first half of the year, renewed credit and equity market activity and increase US consumer spending. The improvement in economic activity varied among countries and regions, however, and the sustainability of the recovery remained uncertain as high unemployment rates continued to weigh on economies around the world. While US consumer confidence was little changed over 2010, business confidence in manufacturing and services improved, particularly in the fourth quarter of 2010. Emerging markets, particularly in Asia, showed strong growth, especially in the first half of the year. The Euro-zone, notably Germany, also reported solid growth and the expansion in the US continued. Central banks around the world, including the US Federal Reserve (Fed), Bank of England and European Central Bank (ECB), maintained historically low interest rates. However, a number of central banks, particularly in the emerging markets, began to tighten their monetary and fiscal policies. The Chinese central bank raised reserve requirement ratios and its policy rate. Policy rates were also raised in other countries including Australia, Brazil, Canada, India and Sweden. Inflationary pressures remained subdued in most developed countries. While food and energy-related effects kept headline inflation rates at elevated levels, core inflation rates reached multi-year lows in the Euro-zone and the US.

Sovereign debt concerns in Europe (mainly in Greece, Ireland, Iceland, Portugal and Spain) dominated financial markets in 2010. European governments constructed an aid package in order to support troubled Euro-zone governments. Further support came from the ECB and the International Monetary Fund, with the resulting crisis facility contributing to stabilising the markets.

Based on strong earnings results and a low interest rate environment, equity markets, especially in the US, performed strongly. The US equity market returned 13%, outperforming emerging markets in Asia and Latin America. European stock markets, impacted by the sovereign debt problems in some European countries, reported an average return of 4%, but with large divergences between markets. The German stock market, for example, outperformed the French stock market by more than 15%.

Government bond yields across most major markets declined during the first three quarters. Only in the fourth quarter of 2010 did bond yields begin to increase after the Fed's announcement of its intention to purchase US\$600 billion of treasuries, extending its quantitative easing program. Credit spreads widened over a one-year period and the European credit market suffered from the sovereign debt concerns in some European countries.

In currency markets, the US dollar appreciated against the Euro in the first half of 2010 due to sovereign debt concerns in the Euro-zone and heightened risk aversion. The easing of sovereign debt concerns and continued low US interest rates supported the Euro in the second half of 2010. The British pound suffered against the US dollar due to weak growth in the UK. Several emerging market governments and central banks, including Brazil, Indonesia, Thailand and Turkey, also experimented with intervention or more unconventional capital control mechanisms to dampen currency appreciation following strong inflows.

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DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2010

Sector environment

2010 was a volatile year for the banking sector. European bank stocks fell by over 36% from their highs at the beginning of the year until June, and ended the year 18% lower. Banks in the US were much stronger and even outperformed the world index.

Regulators and governments continued regulatory reform, including measures on capital and liquidity requirements, compensation and systemic risk mitigation. Regulators addressed the issue of 'too big to fail', qualifying capital instruments, bank levies and bonus and transaction taxes. EU governments discussed the regulation of alternative investment managers. In the US, tax legislation was enacted to broaden reporting by foreign financial institutions regarding all accounts held by US persons or by foreign entities with substantial US ownership.

The funding situation for European banks was difficult in the first half 2010, and only improved after the Committee of European Banking Supervisors published the results of stress tests in third quarter of 2010. But many smaller European banks still experienced ongoing difficulties and significantly higher prices in fundraising. During the third quarter of 2010, the US legislature passed the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Reform Act). At the same time, the EU proposed rules to regulate derivatives trading and adopted proposals to restrict short sales and regulate credit default swaps (CDS). The Basel Committee on Banking Supervision (BCBS) announced the new Basel III capital, leverage and liquidity standards for financial institutions.

Global equity markets improved in 2010, although at a slower rate than in 2009. Worldwide, most major equity market indices advanced consistently through the year, with the exception of the second quarter. Credit spreads were volatile during the year, narrowing in the first quarter before widening significantly in the second quarter. At the end of the year, spreads were wider reflecting the second round of quantitative easing by the Fed and continued uncertainty in Europe.

Global debt underwriting volumes declined in 2010 compared to 2009 primarily due to lower investment grade issuance, substantially offset by record high yield issuance driven by refinancing and increased risk appetite in the second half of 2010. Global equity underwriting volumes also declined slightly from 2009 levels primarily due to a decrease in follow-on issuance compared to strong issuance levels in 2009 volumes. The decrease was partially offset by significantly higher IPO volumes, with the fourth quarter of 2010 a record for quarterly IPO issuance. Global announced merger and acquisition (M&A) and completed M&A activity were both higher in 2010 driven by an increase in cross-border and emerging markets activity and larger transaction sizes.

Most commodity prices performed strongly in 2010. Agricultural commodities reported gains of more than 40% due to crop failures in several markets and regions. Gold prices benefited from strong demand and low interest rates and reached new all-time highs above US\$1,400 per ounce in December 2010.

Performance

The Group reported a net loss for the year ended 31 December 2010 of US\$748M (2009: US\$347M profit as restated). Net revenues decreased to US\$2,482M (2009: US\$3,664M); after operating expenses the Group reported a loss before tax of US\$371M (2009: US\$272M profit as restated).

The Group's net loss for the year includes an impairment in its deferred tax asset position of US\$309M following a conclusion that there is insufficient forecast income to earn out the full deferred tax asset within a period over which future income can reasonably be forecast.

The directors are disappointed with this performance which has arisen from challenging and volatile markets in the Group's primary trading markets. Despite the environment and heightened competitive pressures, the Group continued to advance its strategic initiatives and maintain market share momentum across targeted areas during the year.

Fixed Income revenues decreased by US\$1,094M compared to 2009. This was predominantly due to difficult trading conditions especially in Europe due to the sovereign debt crisis that impacted the Rate Products and Global Credit Products businesses which reported reduced revenues of US\$676M and US\$201M respectively. Longevity markets reported a decrease in revenues of US\$176M due to lower trading volumes particularly on synthetic life products.

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DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2010

Equity revenues decreased by US\$87M compared to 2009. This was primarily due to an adverse swing of US\$250M in the Cash Equities business due to lower levels of primary market activity. This was offset largely by gains in the Proprietary Trading business of US\$122M following new market strategies. Prime Services continued to strengthen its franchise with increased revenues of US\$99M. The Equities business received numerous house of the year accolades in 2010 and maintained strong market share across regions.

Revenues in Investment Banking fell by US\$132M compared to 2009 mainly due to decrease in capital markets activity of US\$184M. This was partially offset by stronger activity within the M&A business which reported an increase in revenues of US\$52M.

Net revenues also include revenue sharing agreements with other CS group companies and the Group recognised for the year an expense of US\$599M (2009: US\$571M expense). Also within net revenues are Treasury Funding charges which had decreased by US\$113M mainly due to the maturity of short term funding in 2009.

The Group's operating expenses were US\$2,853M (2009: US\$3,392M as restated). On January 1 2010, the Group adopted amendments to IFRS-2. The amendments to IFRS-2 are effective for annual periods beginning on or after 1 January 2010 and the Group has adopted the guidance retrospectively for their annual financial statements as at 31 December 2010. Comparative information has been restated accordingly (See Note 2 - Significant Accounting Policies).

With the implementation of amendments to IFRS 2, fair value of the share based liability which is linked to the CSG share price is re-measured until the liability is settled with changes in fair value recognised in the Statement of Income. During 2010 the CSG share price fell by 26% resulting in a lower expense recognition in 2010 compared to 2009 of US\$650M. Discretionary variable compensation decreased by US\$271M which had been offset by an increase in base salaries in 2010. Social security included expense recognition in 2010 of US\$179M pertaining to the UK bank payroll tax. In 2009 the group recognised a US\$61M gain on a sale and leaseback transaction of land and buildings. General and administrative expenses were relatively static year on year.

The effective tax rate for 2010 was -101.7% (2009: -27.5%). The high effective tax rate for the current period is due primarily to the impairment of the deferred tax asset and the UK bank payroll tax which is non-deductible for UK tax purposes.

The Group's total assets increased to US\$290,717M (2009: US\$270,043M as restated). This was due primarily to an increase in trading assets, cash deposits and brokerage receivables offset by reduced cash collateral in securities borrowing transactions.

The Group's long term debt increased by US\$14BN during 2010 in response to the UK liquidity requirements as required by the FSA.

The Company recorded a liability of GBP93M (US\$144M) at year end for a lump sum contribution to the UK defined benefit pension scheme which was paid by CSG in December 2010. The Company settled this amount with CSG in January 2011.

The UK Government is planning to introduce a Bank Levy for Banks or Banking groups operating in the UK in respect of non-exempt liabilities. The draft legislation is expected to be included in the forthcoming Finance Bill and receive Royal Assent in the summer. The levy is expected to apply to the Group and would apply to its liabilities at the balance sheet date (i.e. 31 December 2011). As currently drafted, short-term liabilities subject to the levy would be charged at 7.5 basis points and long-term liabilities at 3.75 basis points. No expense has been recognised in the 2010 accounts.

Outlook

The major regulatory developments of the past year underscore the sweeping changes that have taken place in the financial landscape. While questions remain to be answered, it is clear the Credit Suisse client-focused, capital-efficient strategy is well-suited to the new environment. The steps that have been taken to reduce risk, strengthen capital position and shift the strategic model have enabled important first-mover advantage. The global reach puts CS group at the centre of capital flows between the emerging and mature economies. Credit Suisse has one of the strongest brands and reputations in the industry, as demonstrated by client momentum and ability to attract and retain great talent.

The Group has made a positive start to 2011 and the directors remain confident about the prospects for 2011 given the strength of the business model and competitive position.

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Fair Value Measurement

Fair value is considered the most relevant measurement for many financial instruments as it provides more transparency than historic cost based valuations and aligns the accounting for these financial instruments with how the business is managed.

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

Total Level 3 assets for the Group were US\$3.7BN (2009: US\$3.5BN), which was equivalent to 1.28% of total assets.

Total Level 3 liabilities for the Group were US\$1.9BN (2009: US\$1.5BN), which was equivalent to 0.68% of total liabilities.

Capital Resources

Throughout the year the Company reviews the need for the injection of capital and funding from CS group to ensure ongoing stability and support of its business activities. The Company did not require any capital injections during 2010. The Company continues to closely monitor its capital and funding requirements on a daily basis. CS group has confirmed that it will ensure that the Company is able to meet its debt obligations and maintain a sound financial position over the foreseeable future.

The Company must at all times monitor and demonstrate the compliance with the relevant regulatory capital requirements of the FSA. The Company has put in place processes and controls to monitor and manage the Company's capital adequacy and no breaches were reported to the FSA during the year. US\$2BN of Tier 2 regulatory capital was injected during the year.

Dividends

No dividends were paid or are proposed for 2010 (2009: US\$Nil).

Risk Management (Audited except where specifically noted)

Overview

Credit Suisse Securities (Europe) Ltd group is part of CS group and its risks are managed as part of the global CS group of entities. The CS group risk management process is designed to ensure that there are sufficient independent controls to measure, monitor and control risks in accordance with CS group's control framework and in consideration of industry best practices. The primary responsibility for risk management 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, country and reputational risk.

Risk governance

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

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Risk organisation

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

- CSG Board of Directors: Responsible to shareholders for the strategic direction, supervision and control of CS group and for defining its overall tolerance for risk.
- Boards of Directors of other CS group legal entities: Responsible for the strategic direction, supervision and control of the respective legal entity and for defining the legal entity's tolerance for risk.
- Risk Committees: Responsible for assisting the Boards of Directors of CSG and other CS group legal entities in fulfilling their oversight responsibilities by providing guidance regarding risk governance and the development of the risk profile and capital adequacy, including the regular review of major risk exposures and the approval of overall risk limits.
- Audit Committees: Responsible for assisting the Boards of Directors of the CSG and other CS group legal entities in fulfilling their oversight responsibilities by monitoring management's approach with respect to financial reporting, internal controls, accounting, 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 CS group Board of Directors and its Risk Committee. On a monthly basis, the Capital Allocation and Risk Management Committee ('CARMC') of CS group's Executive Board reviews risk exposures, concentration risks and risk-related activities. CARMC is responsible for supervising and directing CS group's risk profile on a consolidated basis, recommending risk limits to the Board of Directors and its Risk Committee and for establishing and allocating risk limits within the various businesses. CARMC meetings focus on the following three areas on a rotating basis: asset and liability management/liquidity; market and credit risk; and operational risk/legal and compliance.

Committees are implemented at a senior management level to support risk management. The Risk Processes and Standards Committee are responsible for establishing and approving standards regarding risk management and risk measurement, including methodology and parameters. The Credit Portfolio and Provisions Review Committee reviews 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 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.

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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 Group are set by the Board and its Risk Committee and are binding. Any excess of these limits will result in immediate notification to the Chairman of the Board's Risk Committee and the CEO of the Group, and written notification to the full Board at its next meeting. Following notification, the CRO can approve positions that exceed the Board limits by no more than an approved percentage with any such approval being reported to the full Board. Positions that exceed the Board limits by more than such approved percentage can only be approved by the CRO and the full Board acting jointly.

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

The majority of these limits are monitored on a daily basis. Limits for which the inherent calculation time is longer (such as those for economic capital) are monitored on a weekly basis. A smaller sub-set of limits relating to exposures for which the risk profile changes more infrequently (for example, those relating to illiquid investments) is monitored on a monthly basis. For further details of the limits management framework, refer to Risk management – Risk Limits in the Credit Suisse Group Annual Report.

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). For further details of the EC framework, refer to Treasury management – Economic capital in the Credit Suisse Group Annual Report.

CS group regularly reviews the EC methodology to ensure the model remains relevant as markets and business strategies evolve. In 2010, a number of enhancements to the position risk methodology for risk management purposes, including emerging markets were made.

The Group's financial risk management objectives and policies and the exposure of the Group to market risk, credit risk, liquidity risk and currency risk are outlined in note 38.

As of 31 December 2010 the 99% Position risk was US\$1,006M (2009: US\$635M) for the Group which was within the agreed limit¹.

¹ Unaudited

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CS group regularly reviews the EC methodology to ensure the model remains relevant as markets and business strategies evolve. In 2010, a number of enhancements to the position risk methodology for risk management purposes, including emerging markets were made.

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 2009 and up to the date of this report are as follows:

Appointment:

Eraj Shirvani	12 April 2010
Rudolf Bless	7 June 2010
Fawzi Kyriakos-Saad (Chairman)	1 July 2010
Daniel McHugh	13 September 2010
Christopher Horne	28 October 2010

Resignation:

Gael de Boissard	12 April 2010
Renato Fassbind	7 June 2010
Eric Varvel	1 July 2010

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 Company.

Directors of the Company benefited from qualifying third party indemnity provisions in place during the financial year and at the date of this report.

Disclosure of Information to Auditors

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

Employee Involvement and Employment of Disabled Persons

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

- facilitates information sharing for those with a disability or those caring for a family member or friend with a disability;
- provides a support network; 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 Group made US\$935,951 (2009: US\$785,484) of charitable donations. There were no political donations made by the Group during the year (2009: US\$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.

CREDIT SUISSE SECURITIES (EUROPE) LIMITED
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Subsequent Events

In the budget announcement of 23 March 2011, the UK government announced its intention to further reduce the corporation tax rate by 1% with effect from 1 April 2011. The impact of this change when substantially enacted will be to decrease the deferred tax asset recorded as at 31 December 2010 by US\$17M.

By Order of the Board



Paul E Hare
Company Secretary

One Cabot Square
London E14 4QJ
31 March 2011

CREDIT SUISSE SECURITIES (EUROPE) LIMITED STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the Group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare parent company financial statements for each financial year. Under that law they are required to prepare the parent financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements on the same basis. In addition, the directors have elected to prepare Group financial statements.

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 Group and parent company and of their profit or loss for that period. In preparing each of the Group and parent company financial statements, the directors are required to:

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

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

Under applicable law and regulations, the directors are also responsible for preparing a Directors' Report that complies with that law and those regulations.

Signed on behalf of the Board of Directors on 31 March 2011 by:


Daniel McHugh
Director

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CREDIT SUISSE SECURITIES (EUROPE) LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CREDIT SUISSE SECURITIES (EUROPE) LIMITED

We have audited the financial statements of Credit Suisse Securities (Europe) Limited for the year ended 31 December 2010 set out on pages 15 to 131. 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 financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 12, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2010 and of the Group's and the parent company's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006;
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CREDIT SUISSE SECURITIES (EUROPE) LIMITED

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



Nicholas J Edmonds
(Senior Statutory Auditor)

for and on behalf of KPMG Audit Plc, Statutory Auditor

Chartered Accountants
London

31 March 2011

CREDIT SUISSE SECURITIES (EUROPE) LIMITED
CONSOLIDATED STATEMENT OF INCOME FOR THE YEAR ENDED
31 DECEMBER 2010

	Note	2010 US\$M	2009 US\$M (Restated) ¹
Interest income	4	1,156	1,639
Interest expense	4	(1,650)	(2,219)
Net interest expense		(494)	(580)
Commission and fee income	5	1,625	1,824
Net gains from financial assets/liabilities at fair value through profit or loss	6	1,950	2,991
Revenue sharing agreements' expense	7	(599)	(571)
Net revenues		2,482	3,664
Gain on sale of property	33	-	61
Compensation and benefits	8	(1,894)	(2,473)
General and administrative expenses	9	(959)	(980)
Net operating expenses		(2,853)	(3,392)
(Loss)/profit before taxes		(371)	272
Income tax (expense)/credit	10	(377)	75
Net (loss)/profit attributable to Credit Suisse Securities (Europe) Limited shareholders		(748)	347

All profit or loss for both 2010 and 2009 is from continuing operations.

The notes on pages 24 to 131 form an integral part of the financial statements.

¹ On 1 January 2010, the Group adopted amendments to IFRS 2-Group Cash-settled Share-based Payment Transactions. Comparative information has been restated accordingly (See Note 2).

CREDIT SUISSE SECURITIES (EUROPE) LIMITED
 COMPANY STATEMENT OF INCOME FOR THE YEAR ENDED
 31 DECEMBER 2010

	Note	2010 US\$M	2009 US\$M (Restated) ¹
Interest income	4	1,156	1,639
Interest expense	4	(1,650)	(2,219)
Net interest expense		(494)	(580)
Commission and fee income	5	1,630	1,824
Net gains from financial assets/liabilities at fair value through profit or loss	6	1,945	2,991
Revenue sharing agreements' expense	7	(599)	(571)
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The notes on pages 24 to 131 form an integral part of the financial statements.

¹ On 1 January 2010, the Group adopted amendments to IFRS 2-Group Cash-settled Share-based Payment Transactions. Comparative information has been restated accordingly (See Note 2).

CREDIT SUISSE SECURITIES (EUROPE) LIMITED
 STATEMENT OF COMPREHENSIVE INCOME OF FOR THE YEAR ENDED
 31 DECEMBER 2010

Group and Company	Note	2010 US\$M	2009 US\$M (Restated) ¹
Net (loss)/profit		(748)	347
Unrealised gains on cash flow hedges	26	-	15
Foreign currency translation losses	26	(12)	(55)
Net (loss)/gain on financial assets available-for-sale	26	(1)	2
Other comprehensive loss, net of tax		(13)	(38)
Comprehensive (loss)/profit		(761)	309
Comprehensive (loss)/profit attributable to Credit Suisse Securities (Europe) Limited shareholders		(761)	309

The notes on pages 24 to 131 form an integral part of the financial statements.

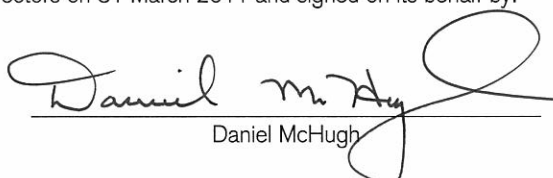
¹ On 1 January 2010, the Group adopted amendments to IFRS 2-Group Cash-settled Share-based Payment Transactions. Comparative information has been restated accordingly (See Note 2).

CREDIT SUISSE SECURITIES (EUROPE) LIMITED
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2010

	Note	2010 US\$M	2009 US\$M (Restated) ¹
Assets			
Cash and due from banks		20,344	13,051
Securities purchased under resale agreements and securities borrowing transactions	12	28,978	41,716
Trading financial assets at fair value through profit or loss	13	91,379	74,224
of which positive market values from derivative instruments		14,218	12,023
Financial assets designated at fair value through profit or loss	14	101,957	99,047
Financial assets available-for-sale	15	37	36
Other loans and receivables	17	1,483	1,483
Current tax assets		70	54
Deferred tax assets	11	656	945
Other assets	16	45,768	39,446
Goodwill	20	7	8
Property and equipment	21	38	33
Total assets		290,717	270,043
Liabilities			
Deposits	22	3,935	2,327
Securities sold under repurchase agreements and securities lending transactions	12	37,170	47,380
Trading financial liabilities at fair value through profit or loss	13	50,817	49,218
of which negative market values from derivative instruments		15,771	13,642
Financial liabilities designated at fair value through profit or loss	14	83,739	85,498
Short term borrowings	23	48,049	38,973
Current tax liabilities		4	10
Deferred tax liabilities	11	189	109
Other liabilities	16	45,257	38,284
Provisions	24	5	8
Long term debt	25	16,798	2,721
Total liabilities		285,963	264,528
Shareholders' equity			
Called-up share capital	27	3,527	3,527
Capital contribution		5,390	5,390
Retained earnings		(3,932)	(3,184)
Accumulated other comprehensive income	26	(231)	(218)
Total Credit Suisse Securities (Europe) Limited shareholders' equity		4,754	5,515
Total liabilities and equity		290,717	270,043

The notes on pages 24 to 131 form an integral part of the financial statements.

Approved by the Board of Directors on 31 March 2011 and signed on its behalf by:


Daniel McHugh

¹ On 1 January 2010, the Group adopted amendments to IFRS 2-Group Cash-settled Share-based Payment Transactions. Comparative information has been restated accordingly (See Note 2).

CREDIT SUISSE SECURITIES (EUROPE) LIMITED
 COMPANY STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2010

	Note	2010 US\$M	2009 US\$M (Restated) ¹
Assets			
Cash and due from banks		20,241	12,945
Securities purchased under resale agreements and securities borrowing transactions	12	28,978	41,716
Trading financial assets at fair value through profit or loss of which positive market values from derivative instruments	13	93,133 16,390	76,346 14,141
Financial assets designated at fair value through profit or loss	14	99,806	96,873
Financial assets available-for-sale	15	34	36
Other loans and receivables	17	1,483	1,483
Current tax assets		70	54
Deferred tax assets	11	656	945
Other assets	16	45,439	39,446
Goodwill	20	7	8
Property and equipment	21	38	33
Total assets		289,885	269,885
Liabilities			
Deposits	22	3,935	2,327
Securities sold under repurchase agreements and securities lending transactions	12	37,170	47,380
Trading financial liabilities at fair value through profit or loss of which negative market values from derivative instruments	13	50,706 15,660	49,100 13,524
Financial liabilities designated at fair value through profit or loss	14	83,466	85,219
Short term borrowings	23	48,049	38,973
Current tax liabilities		4	10
Deferred tax liabilities	11	189	109
Other liabilities	16	45,241	38,527
Provisions	24	5	8
Long term debt	25	16,370	2,721
Total liabilities		285,135	264,374
Shareholders' equity			
Called-up share capital	27	3,527	3,527
Capital contribution		5,390	5,390
Retained earnings		(3,936)	(3,188)
Accumulated other comprehensive income	26	(231)	(218)
Total Credit Suisse Securities (Europe) Limited shareholders' equity		4,750	5,511
Total liabilities and equity		289,885	269,885

The notes on pages 24 to 131 form an integral part of the financial statements.

Approved by the Board of Directors on 31 March 2011 and signed on its behalf by:


 Daniel McHugh

¹ On 1 January 2010, the Group adopted amendments to IFRS 2-Group Cash-settled Share-based Payment Transactions. Comparative information has been restated accordingly (See Note 2).

CREDIT SUISSE SECURITIES (EUROPE) LIMITED
STATEMENT OF CHANGES IN EQUITY

Group	Common shares	Capital contribution	Retained earnings	Share-based payment reserve	AOCI ¹	Total shareholders' equity
	US\$M	US\$M	US\$M	US\$M	US\$M	US\$M
2010						
Balance at 1 January 2010	3,527	5,390	(2,805)	441	(218)	6,335
Transition adjustment for IFRS-2, pre-tax (Note 2)	-	-	(502)	(344)	-	(846)
Transition adjustment for IFRS-2, tax	-	-	123	(97)	-	26
Balance at 1 January 2010, restated	3,527	5,390	(3,184)	-	(218)	5,515
Foreign exchange translation differences	-	-	-	-	14	14
Net loss on hedges of net investments in foreign entities taken to equity	-	-	-	-	(26)	(26)
Net gain on financial assets available-for-sale	-	-	-	-	(1)	(1)
Net loss recognised directly in equity	-	-	-	-	(13)	(13)
Net loss for the year	-	-	(748)	-	-	(748)
Total loss recognised for the year	-	-	(748)	-	(13)	(761)
Balance at 31 December 2010	3,527	5,390	(3,932)	-	(231)	4,754
Group	Common shares	Capital contribution	Retained earnings	Share-based payment reserve	AOCI¹	Total shareholders' equity
2009	US\$M	US\$M	US\$M	US\$M	US\$M	US\$M
(Restated) ²						
Balance at 1 January 2009	3,527	5,390	(3,578)	523	(180)	5,682
Transition adjustment for IFRS-2, pre-tax (Note 2)	-	-	103	(527)	-	(424)
Transition adjustment for IFRS-2, tax	-	-	(56)	4	-	(52)
Balance at 1 January 2009, restated	3,527	5,390	(3,531)	-	(180)	5,206
Foreign exchange translation differences	-	-	-	-	39	39
Net gain on hedges of net investments in foreign entities taken to equity	-	-	-	-	(94)	(94)
Net gain on financial assets available-for-sale	-	-	-	-	2	2
Net loss on cash flow hedging instruments transferred to Statement of Income	-	-	-	-	15	15
Net loss recognised directly in equity	-	-	-	-	(38)	(38)
Net profit for the year	-	-	347	-	-	347
Total gain/(loss) recognised for the year	-	-	347	-	(38)	309
Balance at 31 December 2009	3,527	5,390	(3,184)	-	(218)	5,515

¹ AOCI refers to accumulated other comprehensive income.

² On 1 January 2010, the Group adopted amendments to IFRS 2-Group Cash-settled Share-based Payment Transactions. Comparative information has been restated accordingly (See Note 2).

CREDIT SUISSE SECURITIES (EUROPE) LIMITED
STATEMENT OF CHANGES IN EQUITY

Company	Common shares	Capital contribution	Retained earnings	Share-based payment reserve	AOCI ¹	Total shareholders' equity
2010	US\$M	US\$M	US\$M	US\$M	US\$M	US\$M
Balance at 1 January 2010	3,527	5,390	(2,809)	441	(218)	6,331
Transition adjustment for IFRS-2, pre-tax (Note 2)	-	-	(502)	(344)	-	(846)
Transition adjustment for IFRS-2, tax	-	-	123	(97)	-	26
Balance at 1 January 2010, restated	3,527	5,390	(3,188)	-	(218)	5,511
Foreign exchange translation differences	-	-	-	-	14	14
Net loss on hedges of net investments in foreign entities taken to equity	-	-	-	-	(26)	(26)
Net gain on financial assets available-for-sale	-	-	-	-	(1)	(1)
Net loss recognised directly in equity	-	-	-	-	(13)	(13)
Net loss for the year	-	-	(748)	-	-	(748)
Total loss recognised for the year	-	-	(748)	-	(13)	(761)
Balance at 31 December 2010	3,527	5,390	(3,936)	-	(231)	4,750

Company	Common shares	Capital contribution	Retained earnings	Share-based payment reserve	AOCI ¹	Total shareholders' equity
2009 (Restated) ²	US\$M	US\$M	US\$M	US\$M	US\$M	US\$M
Balance at 1 January 2009	3,527	5,390	(3,582)	523	(180)	5,678
Transition adjustment for IFRS-2, pre-tax (Note 2)	-	-	103	(527)	-	(424)
Transition adjustment for IFRS-2, tax	-	-	(56)	4	-	(52)
Balance at 1 January 2009, restated	3,527	5,390	(3,535)	-	(180)	5,202
Foreign exchange translation differences	-	-	-	-	39	39
Net gain on hedges of net investments in foreign entities taken to equity	-	-	-	-	(94)	(94)
Net gain on financial assets available-for-sale	-	-	-	-	2	2
Net loss on cash flow hedging instruments transferred to Statement of Income	-	-	-	-	15	15
Net loss recognised directly in equity	-	-	-	-	(38)	(38)
Net profit for the year	-	-	347	-	-	347
Total gain/(loss) recognised for the year	-	-	347	-	(38)	309
Balance at 31 December 2009	3,527	5,390	(3,188)	-	(218)	5,511

¹ AOCI refers to accumulated other comprehensive income.

² On 1 January 2010, the Group adopted amendments to IFRS 2-Group Cash-settled Share-based Payment Transactions. Comparative information has been restated accordingly (See Note 2).

CREDIT SUISSE SECURITIES (EUROPE) LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED
31 DECEMBER 2010

	Note	2010 US\$M	2009 US\$M (Restated) ¹
Cash flows from operating activities			
Net (loss)/profit before tax for the period		(371)	272
Adjustments to net profit, share-based payment reserve and accumulated other comprehensive income to net cash provided by/(used in) operating activities			
Impairment, depreciation and disposals of property and equipment	21	7	10
Pension plan charge	28	12	(17)
Foreign exchange gains/(losses)		18	(47)
Interest accrued on long term debt	25	435	494
Gain on sale of property	33	-	(61)
Share-based payment expense		(448)	(1,018)
Foreign exchange loss through equity		(12)	(40)
Unrealised (losses)/gains on financial assets available-for-sale	26	(1)	2
Cash generated/(utilised) before changes in operating assets and liabilities		11	(677)
Net (increase)/decrease in operating assets:			
Interest bearing deposits with banks and other loans and receivables		-	9,028
Securities purchased under resale agreements and securities borrowing transactions	12	12,738	1,947
Trading financial assets at fair value through profit or loss	13	(17,155)	3,363
Financial assets designated at fair value through profit or loss	14	(2,910)	7,249
Financial assets available-for-sale	15	(1)	(6)
Accrued income, prepaid expenses, other investments and other assets	16	(6,214)	13,611
Net (increase)/decrease in operating assets		(13,542)	35,192
Net increase/(decrease) in operating liabilities:			
Securities sold under repurchase agreements and securities lending transactions	12	(10,210)	13,019
Deposits	22	1,608	200
Short term borrowings	23	9,076	(4,399)
Trading financial liabilities at fair value through profit or loss	13	1,599	(5,411)
Financial liabilities designated at fair value through profit or loss	14	(1,759)	(10,897)
Accrued expenses and other liabilities	16	7,279	(24,664)
Provisions	24	(3)	(2)
Net increase/(decrease) in operating liabilities		7,590	(32,154)
Cash (utilised)/flow from operations		(6,312)	2,633
Income tax paid		(30)	(83)
Pension plan contribution	28	(136)	(114)
Net cash flow (used in)/from operating activities		(6,478)	2,436
Investing activities			
Proceeds from sale of premises, equipment and intangible assets	21	157	221
Capital expenditure for property and equipment	21	(170)	(120)
Net cash flow (used in)/from investing activities		(13)	101
Financing activities			
Issuance of long term debt	25	13,784	-
Net cash flow from financing activities		13,784	-
Net increase in cash and cash equivalents		7,293	2,537
Cash and cash equivalents at beginning of the year		13,051	10,514
Cash and cash equivalents at end of the year		20,344	13,051

The notes on pages 24 to 131 form an integral part of the financial statements.

¹ On 1 January 2010, the Group adopted amendments to IFRS 2-Group Cash-settled Share-based Payment Transactions. Comparative information has been restated accordingly (See Note 2).

CREDIT SUISSE SECURITIES (EUROPE) LIMITED
COMPANY CASH FLOW STATEMENT FOR THE YEAR ENDED
31 DECEMBER 2010

	Note	2010 US\$M	2009 US\$M (Restated) ¹
Cash flows from operating activities			
Net (loss)/profit before tax for the period		(371)	272
Adjustments to net profit, share-based payment reserve and accumulated other comprehensive income to net cash provided by/(used in) operating activities			
Impairment, depreciation and disposals of property and equipment	21	7	10
Pension plan charge	28	12	(17)
Foreign exchange gains/(losses)		18	(47)
Interest accrued on long term debt	25	435	494
Gain on sale of property	33	-	(61)
Share-based payment expense		(448)	(1,018)
Foreign exchange loss through equity		(12)	(40)
Unrealised (losses)/gains on financial assets available-for-sale	26	(1)	2
Cash generated/(utilised) before changes in operating assets and liabilities		11	(677)
Net (increase)/decrease in operating assets:			
Interest bearing deposits with banks and other loans and receivables		-	9,028
Securities purchased under resale agreements and securities borrowing transactions	12	12,738	1,947
Trading financial assets at fair value through profit or loss	13	(16,787)	1,783
Financial assets designated at fair value through profit or loss	14	(2,933)	7,058
Financial assets available-for-sale	15	2	(6)
Accrued income, prepaid expenses, other investments and other assets	16	(5,885)	13,567
Net (increase)/decrease in operating assets		(12,865)	33,377
Net increase/(decrease) in operating liabilities:			
Securities sold under repurchase agreements and securities lending transactions	12	(10,210)	13,019
Deposits	22	1,608	200
Short term borrowings	23	9,076	(4,398)
Trading financial liabilities at fair value through profit or loss	13	1,606	(5,420)
Financial liabilities designated at fair value through profit or loss	14	(1,753)	(9,269)
Accrued expenses and other liabilities	16	7,020	(24,414)
Provisions	24	(3)	(2)
Net increase/(decrease) in operating liabilities		7,344	(30,284)
Cash (utilised)/flow from operations		(5,881)	2,688
Income tax paid		(30)	(83)
Pension plan contribution	28	(136)	(114)
Net cash flow (used in)/from operating activities		(6,047)	2,491
Investing activities			
Proceeds from sale of premises, equipment and intangible assets	21	157	221
Capital expenditure for property and equipment	21	(170)	(120)
Net cash flow (used in)/from investing activities		(13)	101
Financing activities			
Issuance of long term debt	25	13,356	-
Net cash flow from financing activities		13,356	-
Net increase in cash and cash equivalents		7,296	2,592
Cash and cash equivalents at beginning of the year		12,945	10,353
Cash and cash equivalents at end of the year		20,241	12,945

The notes on pages 24 to 131 form an integral part of the financial statements.

¹ On 1 January 2010, the Group adopted amendments to IFRS 2-Group Cash-settled Share-based Payment Transactions. Comparative information has been restated accordingly (See Note 2).

CREDIT SUISSE SECURITIES (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

1. General

The Company is domiciled in the United Kingdom. The address of the Group's registered office is One Cabot Square, London, E14 4QJ. The Consolidated Financial Statements for the year ended 31 December 2010 comprise Credit Suisse Securities (Europe) Limited and its subsidiaries (including special purpose entities).

2. Significant Accounting Policies

a) Statement of compliance

Both the Company financial statements and the 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').

b) Basis of preparation

The Consolidated Financial Statements are presented in United States dollars (US\$) 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 Group as at fair value through profit or loss.

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

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

Standards and Interpretations effective in the current period

The Group has adopted the following amendments and interpretations in the current year:

- IFRS 2 Amendments – Group Cash-settled Share-based Payment Transactions. The amendments clarify the scope and the accounting for group cash-settled share-based payment transactions of the entity receiving the goods or services when that entity has the obligation to settle the share-based payment transaction. It also requires the application of the standard in accounting for all share-based payment transactions, whether or not the entity can identify specifically some or all the goods or services received. Refer to note 2(t) for impact.

CREDIT SUISSE SECURITIES (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

2. Significant Accounting Policies (continued)

Standards and Interpretations in issue but not yet effective

The Group is not required to adopt the following standards and interpretations which are issued but not yet effective.

- Revised IAS 24 Related Party Disclosures - 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 the transactions and outstanding balances with such parties.
- Improvements to IFRSs (issued by IASB in May 2010) - These amendments which resulted from IASB's annual improvements project comprise amendments that result in accounting charges for presentation, recognition or measurement purposes as well as terminology or editorial amendments related to a variety of individual IFRS standards.
- Amendments to IFRS 1 Additional Exemptions for First-time Adopters – the amendments provide relief for first-time adopters of IFRSs from having to reconstruct transactions that occurred before their date of transition to IFRSs and provide guidance for entities emerging from severe hyperinflation either to resume presenting IFRS financial statements or to present IFRS financial statements for the first time.
- IFRIC 14 Amendment to Prepayments of a Minimum Funding Requirement - the amendments correct an unintended consequence of IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. Without the amendments, in some circumstances entities are not permitted to recognise as an asset some voluntary prepayments for minimum funding contributions.
- IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments - IFRIC 19 addresses only the accounting by the entity that issues equity instruments in order to settle, in full or in part, a financial liability. It does not address the accounting by the creditor (lender).

The expected impact of the standards and interpretations issued but not yet effective is still being assessed, however, the Group does not anticipate that the above interpretations will have a material impact on the reported numbers in the Consolidated Financial Statements in the period of initial application. The accounting policies have been applied consistently by the Group entities.

Certain reclassifications have been made to the prior year Consolidated Financial Statements of the 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 Group and its subsidiaries (including special purpose entities). The consolidated financial statements include the statement of income, statements of financial position, statements of cash flows, statements of changes in equity, comprehensive income and the related notes of the Group.

CREDIT SUISSE SECURITIES (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

2. Significant Accounting Policies (continued)

A subsidiary is an entity in which the Group holds, directly or indirectly, more than 50% of the outstanding voting rights, or which it otherwise has the power to control. Control is achieved where the Group has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. In assessing control, the potential voting rights that presently are exercisable are taken into account. The results of subsidiaries acquired are included in the consolidated financial statements from the date that control commences until the date that control ceases. The Group reassesses consolidation status at least every quarterly reporting date. The Group also consolidates subsidiaries when the substance of the relationship between the Group and the subsidiary indicates that the subsidiary is controlled by the 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 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.

d) Foreign currency

The Company's functional currency is United States Dollars. Transactions denominated in currencies other than the functional currency of the reporting entity are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to US\$ 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.

e) Cash and due from banks

For the purpose of preparation and presentation of the consolidated statements 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 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 group holds money on behalf of clients in accordance with the client money rules of the UK's Financial Services Authority (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.

CREDIT SUISSE SECURITIES (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

2. Significant Accounting Policies (continued)

f) 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') are generally treated as collateralised financing transactions. In reverse repurchase agreements, the cash advanced, including accrued interest is recognised on the Statement of Financial Position as an asset. In repurchase agreements, the cash received, including accrued interest is recognised on the Statement of Financial Position as a liability.

Securities received under reverse repurchase agreements and securities delivered under repurchase agreements are not transferred unless all or substantially all the risks and rewards are obtained or relinquished. The 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 accrual basis and recorded as interest income or interest expense for agreements that are not classified as financial assets or other financial liabilities designated at fair value through profit or loss.

g) Securities borrowing and lending

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

The 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. Fee income/expense are recognised on an accrual basis and interest received or paid is recognised on an effective yield basis and recorded as interest income or interest expense.

h) Derivative financial instruments and hedging

All freestanding derivative contracts are carried at fair value in the consolidated statements 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 statements 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 gains or losses are recorded at the inception. Such reserves are amortised to income over the life of the instrument or released into income when observable market data becomes available.

For further information on fair value determination of derivative instruments, refer to Note 35 – Financial instruments.

CREDIT SUISSE SECURITIES (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

2. Significant Accounting Policies (continued)

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 statement of income unless, consistent with the provisions of IAS 39, the fair value option is elected (as described in note i below) or the entire hybrid instrument is classified as held for trading, in which case the entire instrument is recorded at fair value with changes in fair value recorded in the consolidated statement of income. Once separated, the derivative is recorded in the same line in the consolidated statements of financial position as the host instrument.

Hedge accounting

Where hedge accounting is applied, the 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 or cash flows of hedged items attributable to the hedged risk on both a retrospective and prospective basis. The 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 or cash flows 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 Group otherwise determines that designation of the derivative as a hedging instrument is no longer appropriate.

Cash flow hedge accounting

For hedges of the variability of cash flows from forecasted transactions and floating rate assets or liabilities, the effective portion of the change in the fair value of a designated derivative is recorded in accumulated other comprehensive income (AOCI) as part of shareholders' equity. These amounts are reclassified into the consolidated statement of income when the variable cash flow from the hedged item impacts earnings (e.g. when periodic settlements on a variable rate asset or liability are recorded in the consolidated statement of income or when the hedged item is disposed of). Hedge ineffectiveness is recorded in net gains/ (losses) from financial assets/liabilities at fair value through profit or loss. When hedge accounting is discontinued on a cash flow hedge, the net gains or losses will remain in AOCI and be reclassified into the consolidated statement of income in the same period or periods during which the formerly hedged transaction is reported in the consolidated statement of income. When the Group discontinues hedge accounting because a forecasted transaction is no longer expected to occur, the derivative will continue to be carried on the consolidated statement of financial position at its fair value, and gains and losses that were previously recorded in equity will be recognised immediately in the consolidated statement of income. When the Group discontinues hedge accounting but the forecasted transaction is still expected to occur, the derivative will continue to be recorded at its fair value with all subsequent changes in value recorded directly in the consolidated statement of income. Any gains or losses recorded in equity prior to the date hedge accounting is no longer applied will be reclassified to net income when the forecasted transaction takes place.

Net investment hedges

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

CREDIT SUISSE SECURITIES (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

2. Significant Accounting Policies (continued)

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

The 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 gains or losses are 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'.

IAS39 permits an entity to reclassify non derivative financial assets, other than those designated at fair value through profit or loss (i.e. trading financial assets) upon initial recognition, out of the fair value through profit or loss category if they are no longer held for the purpose of being sold or repurchased in the near term, as follows:

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

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

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

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

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

- (i) it eliminates or significantly reduces an inconsistency in measurement or recognition (sometimes referred to as an 'accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. This election is used for instruments that would otherwise be accounted for under an accrual method of accounting where their economic risks are hedged with derivative instruments that require fair value accounting. This election eliminates or significantly reduces the measurement mismatch between accrual accounting and fair value accounting;
- (ii) a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the 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.

CREDIT SUISSE SECURITIES (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

2. Significant Accounting Policies (continued)

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

Financial assets available-for-sale

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

Debt and equity securities available-for-sale

Debt and equity securities classified as available-for-sale are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition of the securities. Securities available-for-sale are carried at fair value with the changes in fair value reported in AOCI until such investments are sold or impaired. For debt securities available-for-sale, changes in carrying amounts relating to changes in foreign exchange rate are recognised in the consolidated statement of income and other changes in carrying amount are recognised in AOCI. For equity securities available-for-sale, the gains or losses are recognised in AOCI including any related foreign exchange component. Gains and losses recorded in AOCI are transferred to the consolidated Statement of Income on disposal of assets available-for-sale and presented as other revenues. Generally, the weighted average cost method is used to determine the gains or losses on disposals.

Interest and dividend income on available-for-sale financial assets is presented in net interest. Interest income and expense of debt securities classified as available-for-sale, including the amortisation of premiums or discounts, is calculated using the effective interest method.

The Group assesses at each balance sheet date whether there is objective evidence that an asset or group of assets available-for-sale is impaired. In the case of equity securities available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below cost. Debt securities classified as available-for-sale are assessed for impairment as discussed below in the section of debt securities held-to-maturity. Where there is evidence of impairment, the cumulative unrealised loss previously recognised in AOCI within equity is transferred to the consolidated Statements of Income for the period and reported in other revenues. This amount is determined as the difference between the acquisition cost (net of any principal repayments and amortisation) and current fair value of the asset less any impairment loss on that investment previously recognised in the consolidated Statements of Income. Impairment losses on equity securities available-for-sale are not reversed; increases in their fair value after impairment are recognised in AOCI. Reversals of impairment of debt securities available-for-sale are recognised in the consolidated Statements of Income if the recovery is objectively related to a specific event occurring after the impairment loss was recognised in the consolidated Statements of Income. Subsequent changes in fair value are recognised in AOCI.

j) Recognition and Derecognition

Recognition

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

CREDIT SUISSE SECURITIES (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

2. Significant Accounting Policies (continued)

Derecognition

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

In transactions where the 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 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 Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expired. Where the 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 gains or losses 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 Group securitises assets, which generally results in the sale of these assets to special purpose entities, which in turn issues 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 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 Statements of Income, in which the gains or losses are presented, will depend on the nature of the asset securitised.

k) Netting

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

l) Dividend policy

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

CREDIT SUISSE SECURITIES (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

2. Significant Accounting Policies (continued)

m) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. 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 Statement of Income, the related income tax initially recognised in equity is also subsequently recognised in the Statement of Income.

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

Deferred tax is provided using the balance sheet 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 balance sheet 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 10 – Income Tax (expense)/credit.

n) Goodwill

Goodwill arises on the acquisition of subsidiaries. It is measured as the excess of the fair value of the consideration transferred over the net of the acquisition-date fair values of the identifiable assets acquired and the liabilities assumed. Acquisition related costs are expensed as incurred. For the purpose of calculating goodwill, fair values of assets acquired and liabilities assumed are calculated by using quoted market prices, if available, or by applying appropriate valuation techniques.

Goodwill on the acquisition of subsidiaries is capitalised and reviewed annually for impairment, or more frequently if there are indications that impairment may have occurred. Goodwill is allocated to cash-generating units for purpose of impairment testing considering the level at which goodwill is monitored for internal management purposes. An impairment loss is recognised if the carrying amount of a cash-generating unit exceeds its recoverable amount. The recoverable amount of a cash-generating unit is the greater of its value in use and its fair value less cost to sell. Goodwill on the acquisition of equity method investments is included in the amount of the investments and is reviewed annually for impairment, or more frequently if there is an indication that impairment may have occurred. If goodwill has been allocated to a cash-generating unit and an operation within that unit is disposed of, the attributable goodwill is included within the carrying amount of the operation when determining the gains or losses on disposal.

CREDIT SUISSE SECURITIES (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

2. Significant Accounting Policies (continued)

o) Property and equipment

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

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

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

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

p) Retirement benefit costs

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

The Group's expense relating to the defined benefit pension plans is accrued over the employees' service periods based upon the actuarially determined cost for the period. Actuarial gains and losses are recognised as income or expense when the net cumulative unrecognised actuarial gains and losses for each individual plan at the end of the previous reporting year exceed 10% of the higher of the defined benefit obligation and the fair value of plan assets at that date. These gains or losses are recognised over the expected average remaining working lives of the employees participating in the plans.

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

q) Long term debt

Debt issued by the 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.

CREDIT SUISSE SECURITIES (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

2. Significant Accounting Policies (continued)

r) Contingent liabilities

Contingent liabilities are possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity or are present obligations where it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability. A contingent liability is not recognised as a liability but is disclosed, unless the possibility of an outflow of resources to settle the obligation is considered remote in which case the obligation is neither recognised nor disclosed. A contingent liability acquired under a business combination is recognised at fair value.

s) Provisions

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

t) Share-based payments

The Group has applied Amendments to IFRS 2 Group Cash-settled Share-based Payment Transactions, issued on 18 June 2009.

The amendment now clarified the approach to be taken in classifying group share-based payment transactions as cash or equity settled in the subsidiaries accounts where the subsidiary has the obligation to settle the arrangement with the employee upon vesting. The new guidance requires Credit Suisse Securities (Europe) Limited to measure the services received and account for the transactions with its employees as a cash-settled share-based payment transaction. This includes the recognition of a liability, incurred and related to share-based payments, over the service life and in proportion to the service delivered at fair value. The fair value of the liability is remeasured until the liability is settled and the changes in fair value are recognised in the Statement of Income. The guidance resulted in a reclassification and remeasurement of the share-based payment related component from equity to liability.

The amendments to IFRS 2 are effective for annual periods beginning on or after 1 January 2010 and Credit Suisse Securities (Europe) Limited has adopted the guidance retrospectively for the financial statements as at 31 December 2010. The adoption resulted in an increase in retained earnings on 1 January 2009 for the amount of US\$103M, and a reduction in profit before tax for the twelve months ended 31 December 2009 of US\$594M. Further, the adoption resulted in the recognition of a liability in the amount of US\$845M as of 31 December 2009.

u) Other compensation plans

The 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 Group as a whole. The awards are expensed over the required service period and accruals are adjusted for changes to the expected final payout.

CREDIT SUISSE SECURITIES (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

2. Significant Accounting Policies (continued)

v) Interest income and expense

Interest income and expense includes interest income and expense on the 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 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 fee or costs are amortised as an adjustment to the yield over the life of the related asset or liability.

Dividend income is recognised when the right to receive income is established. Usually, this is the ex-dividend date. Dividend income is presented in the interest and dividend income section of net interest income.

w) Commissions and fee

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

- (i) the amount of revenue can be measured reliably;
- (ii) it is probable that the economic benefits associated with the transaction will flow to the entity;
- (iii) the stage of completion of the transaction at the reporting date can be measured reliably; and
- (iv) the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Performance linked fee or fee components are recognised when the recognition criteria are fulfilled. Fee revenue is recognised from a diverse range of services provided to customers. Fee income is accounted for as follows:

- income earned on the execution of a significant act (for example, fee arising from negotiating, or participating in the negotiation of, a transaction for a third party, such as fee 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 (for example, certain loan commitment fee) 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 Group recognises the related revenue.

CREDIT SUISSE SECURITIES (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

2. Significant Accounting Policies (continued)

x) Operating leases

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

y) Subleases

The subleases entered into by the Group are exclusively operating leases. Sublease payments received are recognised through the Statement of income.

z) Other loans and receivables

Impairment reversal/ (charge) on loans

The Group assesses at each balance sheet 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 balance sheet 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 assessed collectively for impairment. Loans subject to collective impairment testing are grouped to loan portfolios on the basis of similar risk, industry or country rating.

Objective evidence that an individual loan is impaired can include significant financial difficulty of the borrower, default or delinquency by the borrower and indications that a borrower will enter bankruptcy. Objective evidence that a loan portfolio is impaired can include changes of the payment status of borrowers in the group or economic conditions that correlate with defaults in the group. Many factors can affect the 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 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.

CREDIT SUISSE SECURITIES (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

2. Significant Accounting Policies (continued)

Renegotiated loans

Where possible, the 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 based upon management's best estimate of the expenditure required to settle the obligation.

3. Critical Accounting Estimates and Judgements in Applying Accounting Policies

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

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

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

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

Fair Value

Trading financial assets and liabilities, derivative instruments, financial assets and liabilities designated at fair value and financial assets available-for-sale are recorded at fair value in the consolidated statement of financial position. Related changes in the fair value are recognised in the consolidated statement of income with the exception for financial assets available-for-sale, for which changes in fair value are recorded directly in equity until realised or the assets are considered impaired.

CREDIT SUISSE SECURITIES (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

3. Critical Accounting Estimates and Judgements in Applying Accounting Policies (continued)

The fair value of the majority of the 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 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 Group holds financial instruments for which no prices are available and which have little or no observable inputs (level 3). For these instruments, the determination of fair value requires subjective assessment and varying degrees of judgement depending on liquidity, concentration, pricing assumptions and the risks affecting the specific instrument. In such circumstances, valuation is determined based on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). These instruments include certain high yield debt securities, distressed debt securities, certain OTC derivatives, certain collateralised debt obligations (CDO), certain asset-backed securities (ABS) and mortgage-backed securities (MBS), non-traded equity securities 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 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 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 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 Group's credit standing is considered when measuring their fair value, based on current funded debt spreads. Our Level 3 assets were US\$3.7BN (2009: US\$3.5BN), which was equivalent to 1.28% (2009: 1.31%) of total assets and 1.93% of total assets measured at fair value (2009: 2.04%).

CS group primarily uses LIBOR curves as part of its valuation of derivative instruments to discount future expected cash flows.

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

The Group does not recognise a dealer profit or unrealised gains or losses at the inception of a derivative or non-derivative transaction unless the valuation underlying the unrealised gains or losses is evidenced by quoted market prices in an active market, observable prices of other current market transactions, or other observable data supporting a valuation technique in accordance with IAS 39 AG 76. Control processes are applied to ensure that the fair value of the financial instruments reported in the consolidated financial statements, including those derived from pricing models, are appropriate and determined on a reasonable basis.

These control processes include the review and approval of new instruments, review of profit and loss at regular intervals, risk monitoring and review, price verification procedures and reviews of models used to estimate the fair value of financial instruments by senior management and personnel with relevant expertise who are independent of the trading and investment functions.

CREDIT SUISSE SECURITIES (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

3. Critical Accounting Estimates and Judgements in Applying Accounting Policies (continued)

Special Purpose Entities

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

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

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

Qualitative factors:

- (a) In substance, the activities of the SPE are being conducted on behalf of the Company according to its specific business needs so that the Company obtains benefits from the SPEs operation;
- (b) In substance, the Company has the decision-making powers to obtain the majority of the benefits of the activities of the SPE or, by setting up an 'autopilot' mechanism, the Company has delegated these decision-making powers;

Quantitative factors:

- (c) In substance, the Company has rights to obtain the majority of the benefits of the SPE and therefore may be exposed to risks incident to the activities of the SPE; or
- (d) In substance, the Company retains the majority of the residual or ownership risks related to the SPE or its assets in order to obtain benefits from its activities.

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

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

SPEs may be sponsored by the Company, unrelated third parties or clients. Application of the accounting requirements for consolidation of SPEs initially and if certain events occur that require the Company to reassess whether consolidation is required, can require the exercise of significant management judgement.

CREDIT SUISSE SECURITIES (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

3. Critical Accounting Estimates and Judgements in Applying Accounting Policies (continued)

Contingencies and loss provisions

Litigation contingencies

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

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

It is inherently difficult to predict the outcome of many of these matters, particularly those cases in which the matters are brought on behalf of various classes of claimants, which seek damages of unspecified or indeterminate amounts or which involve novel 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 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 Group is exposed to credit risks through its lending relationships and letters of credit and as a result of counterparty risk on derivatives, foreign exchange and other transactions. Credit risk is the risk that a borrower or counterparty is unable to meet its financial obligations. In the event of a default, the 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 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. 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.

Retirement Benefit Costs

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

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

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

CREDIT SUISSE SECURITIES (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

3. Critical Accounting Estimates and Judgements in Applying Accounting Policies (continued)

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

The discount rate used in determining the benefit obligation is based upon either, high-quality corporate bond rates or government bond rates plus a premium in order to approximate high-quality corporate bond rates. In estimating the discount rate, the Company takes into consideration the relationship between the corporate bonds and the timing and amount of the future cash outflows of its benefit payments.

Taxes

Tax contingencies

Significant judgement is required in determining the effective tax rate and in evaluating certain tax positions. The 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 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 balance sheet date. The realisation of deferred tax assets on temporary differences is dependent upon the generation of taxable income in future accounting periods after those temporary differences become deductible. The realisation of deferred tax assets on net operating losses is dependent upon the generation of future taxable income. Management regularly evaluates whether deferred tax assets can be realised. Only if management considers it probable that a deferred tax asset will be realised is a corresponding deferred tax asset established without impairment.

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

As part of its normal practice, management has conducted a detailed evaluation of the Company's expected future taxable income. This evaluation has taken into account management's commitment to the integrated banking model and the importance of the Investment Banking segment within the integrated bank, as well as the changes in core businesses and the reduction in risk since 2008.

Share-based payments

The Group uses the liability method to account for its share-based payment plans, which requires the 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 Group's actual earnings performance to date and the Group's internal earnings projections over the remaining vesting period of the award. In determining the final liability, the 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.

CREDIT SUISSE SECURITIES (EUROPE) LIMITED
 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

3. Critical Accounting Estimates and Judgements in Applying Accounting Policies (continued)

Transfer Pricing

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

4. Net interest expense

	Group and Company 2010 US\$M	Group and Company 2009 US\$M
Securities purchased under resale agreements and securities borrowing transactions	438	541
Trading financial assets at fair value through profit or loss	487	840
Other loans and receivables	107	106
Other	124	152
Interest income	1,156	1,639
Deposits	(7)	(26)
Securities sold under repurchase agreements and securities lending transactions	(571)	(608)
Trading financial liabilities at fair value through profit or loss	(276)	(509)
Short term borrowings	(349)	(565)
Long term debt	(435)	(494)
Other	(12)	(17)
Interest expense	(1,650)	(2,219)
Net interest expense	(494)	(580)

5. Commission and fee income

	Group 2010 US\$M	Group 2009 US\$M
Underwriting	458	852
Brokerage	1,020	938
Underwriting and brokerage	1,478	1,790
Other customer services	271	149
Total commission and fee income	1,749	1,939
Total commission and fee expense	(124)	(115)
Net commission and fee income	1,625	1,824

	Company 2010 US\$M	Company 2009 US\$M
Underwriting	458	852
Brokerage	1,020	938
Underwriting and brokerage	1,478	1,790
Other customer services	276	149
Total commission and fee income	1,754	1,939
Total commission and fee expense	(124)	(115)
Net commission and fee income	1,630	1,824

CREDIT SUISSE SECURITIES (EUROPE) LIMITED
 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

6. Net gains/(losses) from financial assets/liabilities at fair value through profit or loss

	Group 2010 US\$M	Group 2009 US\$M
Net gains from trading financial assets/liabilities at fair value through profit or loss	1,950	2,991
Of which net gains/(losses) from financial assets/liabilities designated at fair value through profit or loss	44	(276)

Net gains/ (losses) from trading financial assets/liabilities at fair value through profit or loss

	Group 2010 US\$M	Group 2009 US\$M
Fixed income/Interest rate	267	1,644
Foreign exchange	(12)	(338)
Equity	1,619	1,525
Net dividend income on trading assets and liabilities	(297)	(86)
Other	373	246
Total net gains from trading financial assets/liabilities at fair value through profit or loss	1,950	2,991

	Company 2010 US\$M	Company 2009 US\$M
Net gains from trading financial assets/liabilities at fair value through profit or loss	1,945	2,991
Of which net gains/(losses) from financial assets/liabilities designated at fair value through profit or loss	44	(276)

Net gains/ (losses) from trading financial assets/liabilities at fair value through profit or loss

	Company 2010 US\$M	Company 2009 US\$M
Fixed income/Interest rate	262	1,644
Foreign exchange	(12)	(338)
Equity	1,619	1,525
Net dividend income on trading assets and liabilities	(297)	(86)
Other	373	246
Total net gains from trading financial assets/liabilities at fair value through profit or loss	1,945	2,991

CREDIT SUISSE SECURITIES (EUROPE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

6. Net gains/ (losses) from financial assets/liabilities at fair value through profit or loss (continued)

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

	Group and Company 2010 US\$M	Group and Company 2009 US\$M
Securities purchased under resale agreements and securities borrowing transactions	-	(32)
Other loans and receivable	-	(138)
of which related to credit risk	-	(138)
Other financial assets designated at fair value through profit or loss	61	(138)
of which related to credit risk	(7)	34
Securities sold under repurchase agreements and securities lending transactions	(11)	(15)
Long-term debt	(8)	16
Other financial liabilities designated at fair value through profit or loss	2	31
Total net gains/(losses) from financial assets/liabilities designated at fair value through profit or loss	44	(276)

7. Revenue sharing agreements

Revenue sharing agreements of US\$599M expense (2009: US\$571M expense) principally relate to amounts charged to the Group from other CS group companies under transfer pricing policies.

8. Compensation and benefits

	Group and Company 2010 US\$M	Group and Company 2009 US\$M (Restated) ¹
Salaries and variable compensation	1,436	2,181
Social security	364	271
Pensions	51	13
Other	43	8
Compensation and benefits	1,894	2,473

Staff cost and staff numbers do not differ between Group and Company. Included in the above table are amounts relating to directors' remuneration. Further details are disclosed in note 30 (e).

¹ On 1 January 2010, the Group adopted amendments to IFRS 2-Group Cash-settled Share-based Payment Transactions. Comparative information has been restated accordingly (See Note 2).

CREDIT SUISSE SECURITIES (EUROPE) LIMITED
 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

9. General and administrative expenses

	Group and Company 2010 US\$M	Group and Company 2009 US\$M
Occupancy expenses	141	152
IT and machinery	163	127
Depreciation expenses	7	10
Brokerage charges and clearing house fees	539	441
Travel and entertainment	65	59
Audit fee of the Group ¹	2	2
Professional services	343	273
Other	142	205
Expenses receivable from other Credit Suisse group companies	(443)	(289)
General and administrative expenses	959	980

The Group incurs expenses on behalf of other CS group companies under common control. These are subsequently recharged to the relevant companies through 'Expenses receivable from other CS group companies', see note 30.

¹ Auditors' remuneration

Auditors' remuneration in relation to the statutory audit amounted to US\$2M (2009: US\$2M). The following fees were payable by the Group to the auditor, KPMG Audit Plc.

	Group and Company 2010 US\$'000	Group and Company 2009 US\$'000
Fee payable to KPMG		
Audit fee	1,500	1,500
Other services	100	-
Total fee	1,600	1,500

10. Income tax (expense)/credit

	Group and Company 2010 US\$M	Group and Company 2009 US\$M (Restated) ²
Current tax		
Current charge on (losses)/profits for the period	(16)	(25)
Adjustments in respect of previous periods	2	(2)
Total current tax charge	(14)	(27)
Deferred tax		
Origination and reversal of temporary differences	(16)	248
Current year tax losses	60	(234)
Adjustments in respect of previous periods	(68)	(18)
FX movement on losses carried forward	-	106
Impairment of deferred tax asset	(309)	-
Effect of changes in tax rate or the imposition of new taxes	(30)	-
Total deferred tax (charge)/credit	(363)	102
Income tax (charge)/credit	(377)	75

Current tax of US\$Nil (2009: US\$Nil as restated) and deferred tax of US\$Nil (2009: US\$Nil as restated) were debited directly to equity. Further information about deferred income tax is presented in Note 11.

² On 1 January 2010, the Group adopted amendments to IFRS 2-Group Cash-settled Share-based Payment Transactions. Comparative information has been restated accordingly (See Note 2).

CREDIT SUISSE SECURITIES (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

10. Income tax (expense)/credit (continued)

The income tax (charge)/credit for the year can be reconciled to the profit per the Statement of Income as follows:

	Group and Company 2010 US\$M	Group and Company 2009 US\$M (Restated) ¹
(Loss) / Profit before tax	(371)	272
(Loss) / Profit before tax multiplied by the UK statutory rate of corporation tax at the rate of 28% (2009: 28%)	104	(76)
Adjustment to income tax (charge)/credit resulting from:		
Other permanent differences	(50)	11
Unrelievable foreign tax	(13)	(15)
Effect of different tax rates of operations/subsidiaries operating in other jurisdictions	(13)	(5)
Adjustments to current tax in respect of previous periods	2	(2)
Adjustments to deferred tax in respect of previous periods	(68)	(18)
Effect on deferred tax resulting from changes to tax rates	(30)	-
FX movement on losses carried forward	-	106
Impairment of deferred tax asset	(309)	-
Share-based payments	-	74
Income tax (charge)/credit	(377)	75

The UK corporation tax rate will reduce from 28% to 27% with effect from 1 April 2011.

11. Deferred taxes

Deferred taxes are calculated on all temporary differences under the liability method using a tax rate of 27% (2009: 28%). The UK corporation tax rate will reduce from 28% to 27% with effect from 1 April 2011. The deferred tax asset, as at December 2010, has been adjusted to reflect this.

In the budget announcement of 23 March 2011, the UK government announced its intention to further reduce the corporation tax rate by 1% with effect from 1 April 2011. The impact of this change when substantially enacted will be to decrease the deferred tax asset recorded as at 31 December 2010 by US\$17M.

	Group and Company 2010 US\$M	Group and Company 2009 US\$M (Restated) ¹
Deferred tax liabilities	(189)	(109)
Deferred tax assets	656	945
Net position	467	836
Balance at 1 January, net position	836	733
Debit to income for the year	(264)	(4)
Effect of change in tax rate expensed to Statement of Income	(30)	-
Adjustments related to the previous year	(68)	-
Exchange differences	(7)	107
Balance at 31 December, net position	467	836

¹ On 1 January 2010, the Group adopted amendments to IFRS 2-Group Cash-settled Share-based Payment Transactions. Comparative information has been restated accordingly (See Note 2).

CREDIT SUISSE SECURITIES (EUROPE) LIMITED
 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

11. Deferred taxes (continued)

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

Deferred tax assets

	Group and Company 2010 US\$M	Group and Company 2009 US\$M (Restated) ¹
Share-based compensation	240	310
Decelerated tax depreciation	24	25
Other short term temporary differences	12	11
Unpaid interest	180	100
Tax losses	200	499
At end of the year	656	945

Deferred tax liabilities

	Group and Company 2010 US\$M	Group and Company 2009 US\$M
Other short term temporary differences	(38)	(11)
Pensions and other post-retirement benefits	(151)	(98)
At end of the year	(189)	(109)

The deferred tax (charge)/ credit in the Statement of Income comprise the following temporary differences:

	Group and Company 2010 US\$M	Group and Company 2009 US\$M (Restated) ¹
Share-based compensation	(69)	191
Decelerated tax depreciation	(1)	14
Other short term temporary differences	(20)	(8)
Unpaid interest	79	73
Pensions and other post-retirement benefits	(53)	(75)
Deferred tax impact on losses carried forward	(299)	(93)
Total deferred tax (charge) / credit in the Statement of Income	(363)	102

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

¹ On 1 January 2010, the Group adopted amendments to IFRS 2-Group Cash-settled Share-based Payment Transactions. Comparative information has been restated accordingly (See Note 2).

CREDIT SUISSE SECURITIES (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

11. Deferred taxes (continued)

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

As part of its normal practice, management has conducted a detailed evaluation of the Company's expected future taxable income. This evaluation has taken into account management's commitment to the integrated banking model and the importance of the Investment Banking segment within the integrated bank, as well as the changes in core businesses and the reduction in risk since 2008.

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

12. Securities borrowed, lent and subject to resale/repurchase agreements	Group and Company 2010 US\$M	Group and Company 2009 US\$M
Securities borrowed or purchased under agreements to resell		
Securities purchased under resale agreements	6,751	8,183
Deposits paid for securities borrowing transactions	22,227	33,533
Securities purchased under resale agreements and securities borrowing transactions	28,978	41,716
	Group and Company 2010 US\$M	Group and Company 2009 US\$M
Securities lent or sold under agreements to repurchase		
Securities sold under repurchase agreements	3,052	5,249
Deposits received for securities lending transactions	34,118	42,131
Securities sold under repurchase agreements and securities lending transactions	37,170	47,380

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

Resale and repurchase agreements represent collateralised financing transactions used to earn net interest income, increase liquidity or facilitate trading activity. These instruments are collateralised principally by government securities and money market instruments and have terms ranging from overnight to open with no stated maturity, which is payable on demand. The Group monitors the fair value of securities received or delivered. For securities purchased under resale agreements, the 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.

CREDIT SUISSE SECURITIES (EUROPE) LIMITED
COMPANY CASH FLOW STATEMENT FOR THE YEAR ENDED
31 DECEMBER 2010

12. Securities borrowed, lent and subject to resale/repurchase agreements (continued)

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 Group receives cash or securities as collateral in an amount generally in excess of the market value of securities lent. The Group monitors the market value of securities borrowed and securities lent on a daily basis and additional collateral is obtained as necessary.

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

	Group 2010 US\$M	Group 2009 US\$M	Company 2010 US\$M	Company 2009 US\$M
Trading financial assets at fair value through profit or loss				
Debt securities	34,505	28,079	34,505	28,083
Equity securities	42,656	34,122	42,238	34,122
Derivative instruments	14,218	12,023	16,390	14,141
Trading financial assets at fair value through profit or loss	91,379	74,224	93,133	76,346
Trading financial liabilities at fair value through profit or loss				
Debt securities	24,321	27,225	24,321	27,225
Equity securities	10,725	8,351	10,725	8,351
Derivative instruments	15,771	13,642	15,660	13,524
Trading financial liabilities at fair value through profit or loss	50,817	49,218	50,706	49,100

Debt securities primarily consist of treasury bills, government debt instruments and corporate debt instruments.

For the Group and Company, trading assets and other financial assets designated at fair value through profit or loss include US\$44,171M (2009: US\$36,221M) which are encumbered. The transactions in relation to the encumbered assets are conducted under terms that are usual and customary for securities lent, resale agreements or other collateralised borrowings.

The debt instruments at fair value through profit or loss are mainly highly rated government securities.

14. Financial assets and liabilities designated at fair value through profit or loss

	Group 2010 US\$M	Group 2009 US\$M	Compan y 2010 US\$M	Compan y 2009 US\$M
Financial assets designated at fair value through profit or loss				
Securities purchased under resale agreements and securities borrowing transactions	99,439	96,537	99,439	96,537
Other financial assets designated at fair value through profit or loss	2,518	2,510	367	336
Total financial assets designated at fair value through profit or loss	101,957	99,047	99,806	96,873

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

Other financial assets designated at fair value through profit or loss are exposed to credit risk and the maximum fair value exposure to credit risk as at 31 December 2010 and 31 December 2009 for the Group as well as the Company equals their fair value.

CREDIT SUISSE SECURITIES (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

14. Financial assets and liabilities designated at fair value through profit or loss (continued)

The movement in fair values that is attributable to changes in the credit risk of the financial assets designated at fair value through profit or loss during the period ended 31 December 2010 was a loss of US\$7M for Group and US\$Nil for Company in the Statement of Income (2009: loss of US\$104M for Group and US\$Nil for Company)). The remaining changes in fair value are mainly due to movements in market risk.

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

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

	Group 2010 US\$M	Group 2009 US\$M	Company 2010 US\$M	Company 2009 US\$M
Financial liabilities designated at fair value through profit or loss				
Securities sold under repurchase agreements and securities lending transactions	83,123	84,219	83,123	84,219
Structured notes	6	4	-	-
Long term debt	40	-	40	-
Short term Borrowings	-	650	-	650
Other financial liabilities designated at fair value through profit or loss	570	625	303	350
Total financial liabilities designated at fair value through profit or loss	83,739	85,498	83,466	85,219

The financial instruments designated at fair value through the profit or loss were elected because the adoption of fair value aligns profit or loss recognition with the basis on which positions are risk managed. Positions are marked-to-market daily and are risk managed on this basis using market-recognised valuation methodologies.

The carrying amount is US\$48M higher than the amount Group and Company would be contractually required to pay at maturity to the holder of these financial liabilities (2009: US\$109M higher (Group and Company)).

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

CREDIT SUISSE SECURITIES (EUROPE) LIMITED
 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

15. Financial assets available-for-sale

	Group 2010 US\$M	Group 2009 US\$M
Financial assets available-for-sale		
Equity securities available-for-sale	25	27
Total securities available-for-sale	25	27
Other	12	9
Total financial assets available-for-sale	37	36

	Company 2010 US\$M	Company 2009 US\$M
Financial assets available-for-sale		
Equity securities available-for-sale	25	27
Total securities available-for-sale	25	27
Other	9	9
Total financial assets available-for-sale	34	36

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

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

	Group and Company		
	Amortised cost US\$M	Gross unrealised gains US\$M	Fair Value US\$M
Equity securities available-for-sale			
31 December 2010	-	25	25
31 December 2009	-	27	27

CREDIT SUISSE SECURITIES (EUROPE) LIMITED
 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

16. Other assets and other liabilities

	Group 2010 US\$M	Group 2009 US\$M	Company 2010 US\$M	Company 2009 US\$M
Other assets				
Cash collateral on derivative instruments	3,268	2,125	3,268	2,125
Brokerage receivables (Note 18)	40,293	35,355	40,293	35,355
Interest and fee receivable	1,336	1,193	1,336	1,193
Prepaid expenses	47	65	47	65
Other	824	708	495	708
Total other assets	45,768	39,446	45,439	39,446

Total other assets are mainly due within one year.

	Group 2010 US\$M	Group 2009 US\$M (Restated) ¹	Company 2010 US\$M	Company 2009 US\$M (Restated) ¹
Other liabilities				
Cash collateral on derivative instruments	5,905	5,460	5,905	5,461
Derivative instruments used for hedging	17	3	17	3
Brokerage payables (Note 18)	35,924	29,020	35,924	29,020
Interest and fee payable	1,010	1,006	1,010	1,006
Share-based compensation liability ¹	395	845	395	845
Other	2,006	1,950	1,990	2,192
Total other liabilities	45,257	38,284	45,241	38,527

17. Other loans and receivables

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

	Group and Company 2010 US\$M	Group and Company 2009 US\$M
Bank	1,483	1,483
United Kingdom	1,483	1,483
Total other loans and receivables	1,483	1,483

All other loans and receivables are due after one year.

¹ On 1 January 2010, the Group adopted amendments to IFRS 2-Group Cash-settled Share-based Payment Transactions. Comparative information has been restated accordingly (See Note 2).

CREDIT SUISSE SECURITIES (EUROPE) LIMITED
 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

18. Brokerage receivables and brokerage payables

	Group and Company 2010 US\$M	Group and Company 2009 US\$M
Brokerage receivables		
Due from customers	20,375	19,604
Due from banks, brokers and dealers	19,918	15,751
Total brokerage receivables	40,293	35,355

	Group and Company 2010 US\$M	Group and Company 2009 US\$M
Brokerage payables		
Due to customers	25,988	20,324
Due to banks, brokers and dealers	9,936	8,696
Total brokerage payables	35,924	29,020

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

Included within brokerage payables, are liabilities identified as client money. The Group and Company held US\$7,855M as at 31 December 2010 (2009: US\$7,837M). This cash is recorded under cash and due from banks and other assets.

19. Investments in subsidiary undertakings

The following tables set forth the significant subsidiaries the Company owns, directly or indirectly as at 31 December 2010 and 31 December 2009:

Equity Held	Subsidiaries Direct holdings:	Domicile	Currency held	Capital US\$M
100%	Credit Suisse Client Nominees (UK) Limited	United Kingdom	US\$	-
100%	Credit Suisse First Boston Trustees Limited	United Kingdom	US\$	-
100%	Credit Suisse First Boston PF (Europe) Limited	United Kingdom	US\$	-

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

CREDIT SUISSE SECURITIES (EUROPE) LIMITED
 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

20. Goodwill

	Group and Company 2010 US\$M	Group and Company 2009 US\$M
Cost		
Balance at beginning of period	8	7
Foreign currency translation impact	(1)	1
Balance at end of period	7	8
Accumulated impairment losses		
Balance at beginning of period	-	-
Foreign currency translation impact	-	-
Balance at end of period	-	-
Net book value	7	8

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

CREDIT SUISSE SECURITIES (EUROPE) LIMITED
 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

21. Property and Equipment

Group and Company	Leasehold land and buildings US\$M	Leasehold Improve- ments US\$M	Internally Developed Software US\$M	Computer equipment US\$M	Office equipment US\$M	Total US\$M
2010						
Cost:						
Balance at beginning of period	-	46	-	16	15	77
Additions	-	7	157	1	5	170
Disposals	-	-	(157)	-	-	(157)
Other movements	-	(3)	-	-	(1)	(4)
Balance at end of period	-	50	-	17	19	86
Accumulated depreciation						
Balance at beginning of period	-	19	-	13	12	44
Depreciation for the year	-	4	-	1	2	7
Disposals	-	-	-	-	-	-
Other movements	-	(2)	-	-	(1)	(3)
Balance at end of period	-	21	-	14	13	48
Carrying amount	-	29	-	3	6	38
2009						
Cost:						
Balance at beginning of period	52	80	-	13	16	161
Additions	-	1	119	-	-	120
Disposals	(52)	(31)	(119)	-	-	(202)
Other movements	-	(4)	-	3	(1)	(2)
Balance at end of period	-	46	-	16	15	77
Accumulated depreciation						
Balance at beginning of period	10	48	-	10	8	76
Depreciation for the year	1	6	-	1	2	10
Disposals	(11)	(31)	-	-	-	(42)
Other movements	-	(4)	-	2	2	-
Balance at end of period	-	19	-	13	12	44
Carrying amount	-	27	-	3	3	33

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

On 11 November 2009, the Company completed a sale and leaseback transaction. Refer to note 33 on lease commitments.

No interest has been capitalised within property and equipment in 2010 and 2009.

No significant impairment charges were recorded in 2010 and 2009.

CREDIT SUISSE SECURITIES (EUROPE) LIMITED
 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

22. Deposits

	Group and Company 2010 US\$M	Group and Company 2009 US\$M
Deposits		
Non-interest bearing demand deposits	3,494	2,196
Interest-bearing demand deposits	441	131
Total deposits	3,935	2,327
of which due to banks	3,924	2,213
of which customers deposits	11	114

23. Short-term borrowings

	Group and Company 2010 US\$M	Group and Company 2009 US\$M
Short term borrowings		
from banks	48,049	38,973
Total short term borrowings	48,049	38,973

24. Provisions

Group and Company	Property 2010 US\$M	Litigation 2010 US\$M	Total 2010 US\$M	Total 2009 US\$M
Balance at beginning of period	3	5	8	10
Provision utilised	(1)	(3)	(4)	(2)
Foreign currency translation impact	1	-	1	-
Balance at end of period	3	2	5	8

Included in the property provision are reinstatement costs of the Milan office (US\$1.9M), the Seoul Hanwha building (US\$0.5M) and the Amsterdam office (US\$0.5M).

The litigation provision relates to legal cases that the Company is defending. The exact timing of outflow of economic benefits cannot be ascertained at 31 December 2010.

CREDIT SUISSE SECURITIES (EUROPE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

25. Long term debt

	Group 2010 US\$M	Group 2009 US\$M	Company 2010 US\$M	Company 2009 US\$M
Senior Debt	11,784	-	11,356	-
Subordinated debt	5,014	2,721	5,014	2,721
Total long term debt	16,798	2,721	16,370	2,721

Senior Debt

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

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

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

During the year, there were new exchange traded funds that are being consolidated. These funds sell debt in the market. The sold portion of these funds representing US\$430M is being included as senior debt.

Subordinated Debt

At 31 December 2010 subordinated debt comprises an amount of US\$5,014M (2009: US\$2,721M). This is comprised of US\$2,400M (2009: US\$900M) advanced by Credit Suisse PSL GmbH and US\$1,983M (2009: US\$1,483M) advanced by Credit Suisse First Boston Finance BV. Interest capitalisation amounting to US\$631M (2009: US\$338M).

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

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

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

CREDIT SUISSE SECURITIES (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

25. Long term debt (continued)

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

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

CREDIT SUISSE SECURITIES (EUROPE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

26. Accumulated other comprehensive income

Group and Company	Unrealised gains/ (losses) on cash flow hedges	Cumulative translation adjustment	Unrealised gains/ (losses) on financial assets available for sale	Accumulated other comprehensive income
2010	US\$M	US\$M	US\$M	US\$M
Balance at beginning of period	-	(245)	27	(218)
Increase/(decrease)				
Foreign exchange translation differences	-	14	-	14
Net loss on hedges of net investments in foreign entities taken to equity	-	(26)	-	(26)
Net gain/(loss) on financial assets available-for-sale	-	-	(1)	(1)
Net gain on cash flow hedging instruments transferred to Statement of Income	-	-	-	-
Balance at end of period	-	(257)	26	(231)

CREDIT SUISSE SECURITIES (EUROPE) LIMITED
 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

26. Accumulated other comprehensive income (continued)

Group and Company	Unrealised gains/ (losses) on cash flow hedges	Cumulative translation adjustment	Unrealised gains/ (losses) on financial assets available for sale	Accumulated other comprehensive income
2009	US\$M	US\$M	US\$M	US\$M
Balance at beginning of period	(15)	(190)	25	(180)
Increase/(decrease)				
Foreign exchange translation differences	-	39	-	39
Net gain on hedges of net investments in foreign entities taken to equity	-	(94)	-	(94)
Net gain/(loss) on financial assets available-for-sale	-	-	2	2
Net loss on cash flow hedging instruments transferred to Statement of Income	15	-	-	15
Balance at end of period	-	(245)	27	(218)

CREDIT SUISSE SECURITIES (EUROPE) LIMITED
 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

27. Called-up share capital

Authorised

	Group and Company 2010 US\$M	Group and Company 2009 US\$M
Equity		
3,550,000,000 ordinary voting shares of US\$1 each	3,550	3,550
Total authorised share capital	3,550	3,550

Allotted, called up and fully paid

	Group and Company 2010 US\$M	Group and Company 2009 US\$M
3,527,300,000 ordinary voting shares of US\$1 each	3,527	3,527
Total called-up share capital	3,527	3,527

The holders of ordinary shares carry voting rights and the right to receive dividends.

CREDIT SUISSE SECURITIES (EUROPE) LIMITED
 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

28. Retirement Benefit Obligations

Retirement Benefit Obligations

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

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

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

Defined benefit pension and other post-retirement defined benefit plans

	Group and Company	Group and Company
	2010	2009
	US\$M	US\$M
Current service costs on benefit obligation	7	5
Interest costs on benefit obligation	71	61
Expected return on plan assets	(87)	(85)
Amortisation of unrecognised losses	21	2
Net periodic pension costs	12	(17)
Curtailed losses/(gains)	-	-
Total periodic pension costs	12	(17)

CREDIT SUISSE SECURITIES (EUROPE) LIMITED
 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

28. Retirement Benefit Obligations (continued)

The following table shows the changes in the defined benefit obligation and the fair value of plan assets during 2010 and 2009, and the amounts included in the balance sheet for the Company's defined benefit pension and other post-retirement defined benefit plans as at 31 December 2010 and 2009 respectively:

	Group and Company 2010 US\$M	Group and Company 2009 US\$M
Defined benefit obligation – 1 January	1,209	905
Current Service cost	7	5
Interest cost	71	61
Plan amendments	-	-
Curtailments	-	-
Actuarial losses	114	144
Benefit payments	(13)	(16)
Plans added during the year	3	-
Special Termination Benefits	1	1
Exchange rate (gains)/losses	(46)	109
Defined benefit obligation – 31 December	1,346	1,209
Fair value of plan assets – 1 January	1,191	1,019
Expected return on plan assets	87	85
Actuarial gains/(losses) on plan assets	37	(153)
Actual return on plan assets	124	(68)
Contributions	159	140
Benefit payments	(13)	(16)
Exchange rate (losses)/gains	(45)	116
Fair value of plan assets – 31 December	1,416	1,191
Total amount recognised - 31 December		
Funded status of the plan	70	(18)
Unrecognised		
Net actuarial losses	483	434
Exchange rate gains	2	12
Net amount recognised - 31 December	555	428

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

The Company has agreed the valuation and funding of the UK defined benefit pension plan with the Pension Fund Trustees as at 31 December 2008. Lump sum contributions were paid by the Company of GBP2M in April 2009. CSG paid GBP80M in December 2009 and GBP93M in December 2010. Additional contributions are due to be paid as follows:

GBP50M by 31 January 2012, GBP51M by 31 January 2013, GBP3M payable by 31 January each year from 2012 to 2018 and finally GBP3M by 31 December 2018. In addition to these amounts, contributions will be paid to cover administrative expenses, administration rebates and death in service pensions.

CREDIT SUISSE SECURITIES (EUROPE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

28. Retirement Benefit Obligations (continued)

In addition to the above contributions, for additional Pension Fund security, the Company has pledged securities of GBP116M as at 31 December 2010. These securities are included in the balances in Note 36.

During 2010, the Company recognised US\$23M through the Statement of Income for monies received/receivable from the participating entities for their portion of the lump sum contribution of GBP93M paid by the Company in December 2010.

At 31 December 2010 and 2009 the pension fund plan assets hold no material amounts of Credit Suisse Group debt and equity securities.

Movement in the Prepaid Pension Asset recognised in the balance sheet:

	Group and Company 2010 US\$M	Group and Company 2009 US\$M
At 1 January	428	241
Exchange difference	(16)	31
Total expenses (as above)	(12)	17
Other economic events	(1)	(1)
Plans added during the year	(3)	-
Contributions paid	159	140
At 31 December	555	428

Assumptions

The weighted average assumptions used in the measurement of the benefit obligation and net periodic pension cost for the international defined pension plans as at 31 December were as follows:

31 December in %	Group and Company 2010	Group and Company 2009
Benefit obligations		
Discount rate	5.60	6.00
Retail Price Inflation	3.45	3.50
Consumer Price Inflation	2.75	N/A
Pension increases ¹	3.30	3.40
Salary increases	4.70	4.75
Net periodic pension cost		
Discount rate	6.00	6.25
Salary increases	4.70	4.10
Expected long-term rate of return on plan assets	7.55	7.75

¹ Pension earned pre 6 April 1997 are subject to pension increases on a discretionary basis.

CREDIT SUISSE SECURITIES (EUROPE) LIMITED
 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

28. Retirement Benefit Obligations (continued)

Mortality Assumptions

The life expectancy assumptions have been amended in 2010 in order to consider improvement in mortality.

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

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

	2010	2009
Life expectancy at age 60 for current pensioners aged 60 (years)		
- Males	29.2	28.5
- Females	30.9	30.4
Life expectancy at age 60 for future pensioners currently aged 40 (years)		
- Males	31.9	30.7
- Females	33.5	31.6

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 US\$M	Increase %	Decrease US\$M	Decrease %
Benefit obligation				
One-percentage point change				
- 1% / +1% Discount rate	392	29	(303)	(22)
+1% / -1% Inflation rate	306	23	(252)	(19)
+1% / -1% Salary increases rate	17	1	(21)	(2)
+1 / -1 year to life expectancy at 60	21	2	(27)	(2)
Total periodic pension cost				
One-percentage point change				
- 1% / +1% Expected return on assets	11	94	(11)	(94)

CREDIT SUISSE SECURITIES (EUROPE) LIMITED
 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

28. Retirement Benefit Obligations (continued)

Plan assets and investment strategy

The Company's defined benefit pension plan employs a total return investment approach, whereby a diversified mix of equities, fixed income investments and alternative investments is used to maximise the long term return of plan assets while incurring a prudent level of risk. The intention of this strategy is to outperform plan liabilities over the long run in order to minimise plan expenses. 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. Derivatives may be used to take market exposure, but are not used to leverage the portfolio beyond the market value of the underlying investments. Investment risk is measured and monitored on an ongoing basis through annual liability measurements, periodic asset/liability studies and quarterly investment portfolio reviews. To limit investment risk, the Company's pension plans follow defined strategic asset allocation guidelines. Depending on the market conditions, these guidelines are even more limited on a short-term basis.

The Company employs a building block approach in determining the long-term rate of return on pension plan assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the target asset allocation for the Fund at the 31 December 2009.

	2010		2009	
	Fair value	% of total fair value of scheme assets	Fair value	% of total fair value of scheme assets
	US\$M		US\$M	
Equity securities	824	58.2	990	83.1
Debt securities	545	38.5	190	15.9
Alternative Investments (primarily swaps)	(101)	(7.1)	(125)	(10.4)
Cash	148	10.4	136	11.4
Fair value of plan assets	1,416	100.0	1,191	100.0

CREDIT SUISSE SECURITIES (EUROPE) LIMITED
 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

28. Retirement Benefit Obligations (continued)

Balances and amounts for the current and previous periods for which the Group prepared IFRS accounts are as follows:

31 December	Group and Company				
	2010	2009	2008	2007	2006
Defined benefit obligation	1,346	1,209	905	1,403	1,395
Fair value of plan assets	1,416	1,191	1,019	1,376	1,003
Funded status, surplus/(deficit)	70	(18)	114	(27)	(392)
Experience gains / (losses) on plan liabilities ¹⁾	(31)	60	(44)	23	(48)
Experience gains/(losses) on plan assets	38	(153)	(209)	(16)	30

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

Defined Contribution Pension Plans

The Company also contributes to various defined contribution pensions primarily in the United Kingdom. The contributions in these plans during 2010 and 2009 were US\$62M and US\$56M respectively.

CREDIT SUISSE SECURITIES (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

29. Employee share based compensation and other compensation benefits

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

Total compensation expense for cash-settled share-based compensation plans recognised during 2010 and 2009 was US\$186M and US\$840M respectively. The total stock award liability recorded as at 31 December 2010 was US\$395M (2009: US\$845M). The fair value used to calculate the stock award liability was the closing Credit Suisse Group share price as at 31 December 2010 CHF37.67 (2009: CHF51.20). The average weighted fair value of awards granted in 2010 was CHF49.12 (2009: CHF30.68). The intrinsic value of vested share based awards outstanding as at 31 December 2010 was US\$69M (2009: US\$40M).

Below are the details of share based compensation schemes and other significant compensation benefits:

Share awards

The Group has applied Amendments to IFRS 2 Group Cash-settled Share-based Payment Transactions, issued on 18 June 2009. See note 2 (t).

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 PIPs in an effort to make the design of the Company's compensation instruments simpler, more transparent and less leveraged and to better align the interests of the employees with those of the shareholders. Each share award granted entitles the holder of the award to receive one CSG share. One quarter of the share awards vest on each of the four anniversaries of the date of grant. The value that is delivered is equal to the CSG share price at the time of delivery, as the share awards do not contain any leverage component or multiplier effect as contained in earlier awards.

The fair value of each share award was CHF42.51, equivalent to the CSG's closing share price on the date of grant.

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.

CREDIT SUISSE SECURITIES (EUROPE) LIMITED
 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

29. Employee share based compensation and other compensation benefits (continued)

Movements in the number of ISUs outstanding were as follows:

	Group and Company		Group and Company	
	2010		2009	
	US\$M		US\$M	
ISU Awards	Base	Leverage	Base	Leverage
As at 1 January	5.86	12.45	9.84	10.61
Granted	0.84	0.84	3.27	3.27
Share transferred in/out	0.04	0.06	0.23	0.23
Delivered	(1.21)	(3.04)	(7.21)	-
Forfeited	(0.27)	(0.85)	(0.27)	(1.66)
As at 31 December	5.26	9.46	5.86	12.45

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:

	Group and	Group and
	Company	Company
	2010	2010
	US\$M	US\$M
SISU Awards	Base	Leverage
As at 1 January	-	-
Granted	3.63	3.63
Share transferred in/out	(0.12)	(0.11)
Delivered	-	-
Forfeited	(0.11)	(0.14)
As at 31 December	3.40	3.38

CREDIT SUISSE SECURITIES (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

29. Employee share based compensation and other compensation benefits (continued)

Performance Incentive Plan units ('PIPs')

As part of its annual incentive performance bonus process for 2004 and 2005, the Company granted PIP share units during 2005 and 2006, respectively. PIP units are long-term retention incentive awards requiring continued employment with the Company subject to restrictive covenants and cancellation provisions, and vest evenly over a five-year period. Each PIP unit 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 due to settle in May 2011. For PIP II, the performance condition was finalised as of December 31, 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 CHF47 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 Company	2010 US\$M	2009 US\$M
PIP Units		
As at 1 January	2.56	2.58
Granted	-	-
Shares transferred out	-	-
Delivered	(1.84)	-
Forfeited	-	(0.02)
As at 31 December	0.72	2.56

Other share awards

The Company share-based compensation as part of the yearly discretionary performance bonus in prior years included three different types of share awards: phantom shares, Longevity Premium Award ('LPA') and special awards. These share awards entitle the holder to receive one registered CSG share subject to continued employment with the Company, restrictive covenants and cancellation provisions, and generally vest between zero and three years. In 2007, the Company introduced the ISU share-based plan described above to replace the PIP, phantom share and LPA awards granted in prior years. Phantom shares vest in three equal instalments on each of the first, second and third anniversaries of the grant date and convert to registered CSG shares within 120 days of vesting. LPAs vest in full on the third anniversary of the grant. Special awards are generally CSG shares, which may be granted to new employees. These special awards may contain vesting conditions, depending on the terms of employment.

CREDIT SUISSE SECURITIES (EUROPE) LIMITED
 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

29. Employee share based compensation and other compensation benefits (continued)

Movements in the number of share awards outstanding were as follows:

Group and Company	2010 US\$M	2009 US\$M
Share awards excluding PIP units & ISU & SISU awards		
As at 1 January	2.62	3.25
Granted	1.47	1.68
Shares Transferred Out	0.02	(0.09)
Delivered	(1.35)	(2.17)
Forfeited	(0.06)	(0.05)
As at 31 December	2.70	2.62

Partner Asset Facility ('PAF')

As part of the 2008 annual compensation process, the Company 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. As a result, a significant portion of risk positions associated with the Asset Pool has been transferred to the employees and removed from the CSG's risk-weighted assets, resulting in a reduction in capital usage.

The contractual term of the PAF award is eight years. 66.7% of the PAF awards were fully vested upon grant and attributed to services performed in 2008 and 33.3% of the PAF awards vested over the first three months of 2009. All PAF awards remain subject to non-compete/non-solicit provisions that expire in respect of one-third of the awards on each of the three anniversaries of the grant date. Each PAF holder will receive a semi-annual cash interest payment of LIBOR plus 250 basis points applied to the notional value of the PAF award granted throughout the contractual term of the award. Beginning in the fifth year after the date of grant, the PAF holders will receive an annual cash payment equal to 20% of the notional value of the PAF awards if the fair market value of the Asset Pool in that year has not declined below the initial fair market value of the Asset Pool. In the final year of the contractual term, the PAF holders will receive a final settlement in cash equal to the notional value, less all previous cash payments made to the PAF holder, plus any related gains or less any related losses on the liquidation of the Asset Pool. Total compensation expense for PAF recognised during 2010 was US\$15M (2009: US\$127M).

Cash Retention Awards ('CRA')

In connection with the 2008 compensation awards, a portion of the variable compensation was granted in the form of Cash Retention Awards (CRA). These CRA payments, which were made in the first quarter of 2009, are subject to vesting ratably over a two-year period and to other conditions and any unvested CRA will have to be repaid if a claw-back event, such as voluntary termination of employment, occurs. Total compensation expense for CRA recognised during 2010 was US\$31M (2009: US\$205M).

CREDIT SUISSE SECURITIES (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

29. Employee share based compensation and other compensation benefits (continued)

Adjustable Performance Plan Awards ('APP')

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

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

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

For employees in Shared Services and other support functions, all outstanding APP awards are linked to the CSG's adjusted profit or loss and the CSG ROE, but are not dependent upon the adjusted profit or loss of the business areas that they support. Only an adjusted loss of the 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 CHF1 billion of loss, unless a negative Group ROE applies for that year and is greater than the divisional adjustment.

Total compensation expense for APP Awards recognised during 2010 was US\$186M (2009: US\$Nil)

Share options

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

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

CREDIT SUISSE SECURITIES (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

29. Employee share based compensation and other compensation benefits (continued)

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

Group and Company	2010		2009	
	in Units	Weighted average exercise price	in Units	Weighted average exercise price
At 1 January	92,443	CHF52.43	92,443	CHF52.43
Granted	-	-	-	-
Exercised	-	-	-	-
Forfeited	-	-	-	-
At 31 December	92,443	CHF52.43	92,443	CHF52.43

The number of options exercisable as at year end was 92,443 (2009: 92,443). The average weighted exercise price of options exercisable at year end was CHF52.43 (2009: CHF52.43). The intrinsic value of vested options outstanding as at year end was US\$ NIL (2009: US\$0.2M).

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

Group and Company	Exercise Price CHF	31 December 2010	31 December 2009
Jan 2004 Options	CHF47.75	15,731	15,731
Jan 2005 Options	CHF48.05	60,345	60,345
Jan 2006 Options	CHF73.06	16,367	16,367
Shares options outstanding at the end of the year		92,443	92,443

30. Related Parties

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

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

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

CREDIT SUISSE SECURITIES (EUROPE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

30. Related Parties (continued)

a) Related party assets and liabilities

Group Assets	2010		2009	
	Other CS group companies US\$M	Total US\$M	Other CS group companies US\$M	Total US\$M
Cash and due from banks	15,004	15,004	10,282	10,282
Securities purchased under resale agreements and securities borrowing transactions	23,322	23,322	39,401	39,401
Trading financial assets at fair value through profit or loss	9,764	9,764	7,937	7,937
Other loans and receivables	1,483	1,483	1,483	1,483
Other assets	12,630	12,630	8,090	8,090
Total assets	62,203	62,203	67,193	67,193
Liabilities				
Deposits	3,537	3,537	2,189	2,189
Securities sold under repurchase agreements and securities lending transactions	18,128	18,128	23,781	23,781
Trading financial liabilities at fair value through profit or loss	9,153	9,153	7,711	7,711
Short term borrowings	48,041	48,041	38,949	38,949
Other liabilities	8,406	8,406	5,454	5,454
Long term debt	16,370	16,370	2,721	2,721
Total liabilities	103,635	103,635	80,805	80,805

CREDIT SUISSE SECURITIES (EUROPE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

30. Related Parties (continued)

b) Related party assets and liabilities

Company Assets	2010			2009		
	Other CS group companies US\$M	Subsidiaries and SPEs US\$M	Total US\$M	Other CS group companies US\$M	Subsidiaries and SPEs US\$M	Total US\$M
Cash and due from banks	15,004	-	15,004	10,282	-	10,282
Securities purchased under resale agreements and securities borrowing transactions	23,322	-	23,322	39,401	-	39,401
Trading financial assets at fair value through profit or loss	9,764	2,172	11,936	7,937	2,118	10,055
Other loans and receivables	1,483	-	1,483	1,483	-	1,483
Other assets	12,630	-	12,630	8,090	-	8,090
Total assets	62,203	2,172	64,375	67,193	2,118	69,311
Liabilities						
Deposits	3,537	-	3,537	2,189	-	2,189
Securities sold under repurchase agreements and securities lending transactions	18,128	-	18,128	23,781	-	23,781
Trading financial liabilities at fair value through profit or loss	9,125	28	9,153	7,685	26	7,711
Short term borrowings	48,041	-	48,041	38,949	-	38,949
Long term debt	16,370	-	16,370	2,721	-	2,721
Other liabilities	8,406	-	8,406	5,454	-	5,454
Total liabilities	103,607	28	103,635	80,779	26	80,805

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 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

30. Related Parties (continued)

c) Related party revenues and expenses (Group and Company)

	Other CS group companies	
	2010	2009
	US\$M	US\$M
Interest income	446	513
Interest expense	(1,081)	(1,450)
Net interest expense	(635)	(937)
Commissions and fee income	154	66
Revenue sharing agreements' expense	(599)	(571)
Net revenues	(1,080)	(1,442)
Total operating expenses	(259)	(179)

d) Related party off balance sheet transactions

Group and Company	Other CS group companies	
	2010	2009
	US\$M	US\$M
Other commitments, net	7,980	29,878
Total	7,980	29,878

e) Remuneration

The numbers disclosed in the table of 'Remuneration of Directors' and 'Key Management Personnel' is based on amounts accrued in the financial statements for all emoluments and deferred cash awards, and on the amounts actually awarded for share based awards for a particular year.

Where directors and key management personnel perform services for a number of companies within the CS group, the total remuneration payable to each director have been apportioned to the respective entities to the extent they were recorded as compensation and benefits expense. Where their cost has been charged through an arm's length service fee in accordance with CS global transfer pricing policy, these legal entity service fees are not considered as remuneration for either directors or key management personnel.

Remuneration of Directors

	2010 US\$'000	2009 US\$'000 (Restated) ¹
Emoluments	4,261	6,828
Long term incentive schemes	23,492	24,365
Other long term benefits	365	-
Total	28,118	31,193
Company contributions to defined contribution plan	741	89
Total	28,859	31,282

The aggregate value of services rendered by directors to the Company for 2010 was US\$22,360,000 (2009: US\$88,768,000 as restated).

Included in the long term incentive schemes is US\$10,234,000 (2009: US\$6,754,000 as restated) relating to the expense of cash schemes and the remainder relates to the awarded amounts in connection with share based schemes.

¹ On 1 January 2010, the Group adopted amendments to IFRS 2-Group Cash-settled Share-based Payment Transactions. Comparative information has been restated accordingly (See Note 2).

CREDIT SUISSE SECURITIES (EUROPE) LIMITED
 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

30. Related Parties (continued)

The aggregate of emoluments and amounts accrued under long term incentive schemes provided in the accounts for the highest paid director was US\$4,837,000 (2009: US\$31,163,000 as restated). The director was also a member of a defined contribution pension plan and the contribution paid during the year into the plan was US\$660,000 (2009: US\$Nil as restated). During the year the highest paid director received an entitlement to shares under a long term incentive scheme.

Number of Directors and Benefits

	Number of Directors 2010	Number of Directors 2009
Retirement benefits are accruing to the following number of directors under:		
Defined contribution schemes	9	9
Defined benefit schemes	-	-
Both defined contribution and defined benefit	-	-
The number of directors who exercised share options	-	1
Directors in respect of whom services were received or receivable under long term incentive schemes	9	9

Remuneration of Key Management Personnel

	2010 US\$'000	2009 US\$'000 (Restated)¹
Emoluments	16,390	21,466
Long term incentive schemes	57,040	51,192
Other long term benefits	365	-
Total	73,795	72,658
Company contributions to defined contribution plan	921	861
Total	74,716	73,519

¹ On 1 January 2010, the Group adopted amendments to IFRS 2-Group Cash-settled Share-based Payment Transactions. Comparative information has been restated accordingly (See Note 2).

CSG Shares awarded to Key Management Personnel

	Group and Company 2010	Group and Company 2009
Number of SISUs	-	1,149,950
Number of shares	801,264	-

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the group, directly or indirectly, including any director of the 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 Group at 31 December 2010 (2009: US\$Nil).

g) Liabilities due to pension funds

Liabilities due to own pension funds as at 31 December 2010 and 2009 of US\$Nil and US\$Nil respectively.

CREDIT SUISSE SECURITIES (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

31. Employees

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

	Group and Company	
	2010	2009
	Number	Number
Front office	1,706	1,647
Back office	3,272	2,865
Total	4,978	4,512

The Group receives a range of administrative services from related companies. 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 Company and Group.

32. Derivatives and Hedging Activities

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

Furthermore, the Group enters into contracts that are not considered derivatives in their entirety but include embedded derivative 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 Group designates the derivative as belonging to one of the following categories:

- trading activities;
- 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 Group is active in most of the principal trading markets and transacts in many popular trading and hedging products. As noted above, this includes the use of swaps, futures, options and structured products (custom transactions using combinations of derivatives) in connection with its sales and trading activities. Trading activities include market-making, positioning and arbitrage activities. The majority of the Group's derivatives held as at 31 December 2010 were used for trading activities.

Economic Hedges

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

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

CREDIT SUISSE SECURITIES (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

32. Derivatives and Hedging Activities (continued)

Cash Flow Hedges

The Group uses cash flow hedging strategies to mitigate its risk to variability of cash flows on forecasted transactions. The following table indicates the periods when hedged cash flows are expected to occur and when they are expected to affect the Consolidated Statements of Income. In addition the table summarises the fair value of derivatives held as cash flow hedges.

Amounts relating to cash flow hedges transferred to profit or loss during the period are reflected as a component of expenses. Net ineffectiveness recognised on cash flow hedges during 2010 was US\$Nil (2009: US\$0.3M). Cash flow hedges affect the profit or loss account in the same period when the expenses are recorded such that the hedged expense is recorded using the locked-in foreign exchange rate.

Net Investment Hedges

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

The fair value of open derivative transactions used as net investment hedges for the Group and Company as at 31 December 2010 was a liability of US\$17.2M (2009: US\$2.5M).

Hedge effectiveness assessment

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

CREDIT SUISSE SECURITIES (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

32. Derivatives and Hedging Activities (continued)

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

Group	2010				2009			
	Trading		Hedging		Trading		Hedging	
	Positive replacement value	Negative replacement value	Positive replacement value	Negative replacement value	Positive replacement value	Negative replacement value	Positive replacement value	Negative replacement value
	US\$M	US\$M	US\$M	US\$M	US\$M	US\$M	US\$M	US\$M
Forwards and forward rate agreements	12	10	-	-	39	59	-	-
Swaps	5,837	6,108	-	-	4,057	4,889	-	-
Options bought and sold (OTC)	159	159	-	-	51	61	-	-
Options bought and sold (traded)	9	4	-	-	6	1	-	-
Interest rate products	6,017	6,281	-	-	4,153	5,010	-	-
Forwards	1,034	1,061	-	17	1,240	1,087	-	3
Swaps	1,391	1,389	-	-	1,480	1,481	-	-
Options bought and sold (OTC)	207	205	-	-	430	546	-	-
Options bought and sold (traded)	-	14	-	-	71	174	-	-
Foreign Exchange Products	2,632	2,669	-	17	3,221	3,288	-	3
Forwards	10	15	-	-	48	12	-	-
Swaps	3,784	4,621	-	-	3,189	4,151	-	-
Options bought and sold (OTC)	884	1,173	-	-	198	224	-	-
Options bought and sold (traded)	100	73	-	-	125	111	-	-
Equity/indexed-related products	4,778	5,882	-	-	3,560	4,498	-	-
Credit swaps	266	237	-	-	439	436	-	-
Life Finance Related Mortality Swaps	525	703	-	-	650	410	-	-
Other products	525	703	-	-	650	410	-	-
Total derivative instruments	14,218	15,772	-	17	12,023	13,642	-	3

CREDIT SUISSE SECURITIES (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

32. Derivatives and Hedging Activities (continued)

Company	2010				2009			
	Trading		Hedging		Trading		Hedging	
	Positive replacement value US\$M	Negative replacement value US\$M	Positive replacement value US\$M	Negative replacement value US\$M	Positive replacement value US\$M	Negative replacement value US\$M	Positive replacement value US\$M	Negative replacement value US\$M
Forwards and forward rate agreements	12	10	-	-	39	59	-	-
Swaps	5,837	6,024	-	-	4,057	4,798	-	-
Options bought and sold (OTC)	159	159	-	-	51	61	-	-
Options bought and sold (traded)	9	4	-	-	6	1	-	-
Interest rate products	6,017	6,197	-	-	4,153	4,919	-	-
Forwards	1,034	1,061	-	17	1,240	1,087	-	3
Swaps	1,391	1,389	-	-	1,480	1,481	-	-
Options bought and sold (OTC)	207	205	-	-	430	546	-	-
Options bought and sold (traded)	-	14	-	-	71	174	-	-
Foreign Exchange Products	2,632	2,669	-	17	3,221	3,288	-	3
Forwards	10	15	-	-	48	12	-	-
Swaps	3,784	4,621	-	-	3,189	4,151	-	-
Options bought and sold (OTC)	884	1,173	-	-	198	224	-	-
Options bought and sold (traded)	100	73	-	-	125	110	-	-
Equity/indexed-related products	4,778	5,882	-	-	3,560	4,497	-	-
Credit swaps	266	237	-	-	439	436	-	-
Life Finance Related Mortality Swaps	2,698	675	-	-	2,768	384	-	-
Other products	2,698	675	-	-	2,768	384	-	-
Total derivative instruments	16,391	15,660	-	17	14,141	13,524	-	3

CREDIT SUISSE SECURITIES (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

33. Commitments

Commitments

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

The Company has granted to Morgan Guaranty Trust Company of New York a fixed charge over all American Depository Receipts ('ADR's) held by that company on behalf of the Company, and over all rights, claims and interests in the relevant underlying securities. At 31 December 2010, the Company held ADRs to the value of US\$661M (2009: US\$378M).

The Company has granted to Morgan Guaranty Trust Company of New York, as operator of the Euroclear System, a charge over cash and securities held in the account of the Company at Euroclear. At 31 December 2010, the Company had open trades of US\$1,538M with Euroclear (2009: US\$1,308M).

The Company has granted to Morgan Guaranty Trust Company of New York a first fixed charge over all sums standing to the credit of the collateral accounts in the name of the Company together with all rights actual or contingent in respect thereof. At 31 December 2010, the Company held no uncollateralised positions with Euroclear (2009: US\$Nil).

The Company has granted to HSBC Bank Plc a first fixed charge over all sums receivable by the Company in respect of any transfer or debit of stock or other securities and a first floating charge over the title and interest in the stock and securities in connection with the provision of CGO Settlement Bank facilities. At 31 December 2010, the Company had open trades of US\$271M with HSBC Bank Plc (2009: US\$116M).

The Company has granted a pledge of securities and claims to a syndicate of banks whose lead bank is Citibank. This pledge is for all present and future securities, bonds, notes, certificates of deposits, instruments or rights representing property rights or claims as well as all other debentures which may be pledged in the same form as securities, according to Luxembourg Law. At 31 December 2010, the Company had open trades of US\$2,427M with Citibank (2009: US\$1,979M).

The Company has granted a first fixed charge to HSBC Bank Plc as Settlement Bank over certain receivables in respect of the Company's membership of CREST, and a first floating charge over all eligible stock and other sums due to the Company against failure of the Company to meet its obligations under the Settlement Bank Facility agreement with HSBC Bank Plc. At 31 December 2010, the Company had open trades of US\$641M with CREST (2009: US\$542M).

The Company has granted to The Bank of New York a charge over all securities held in the Company's account with Bank of New York as security for payment and discharge of secured obligations. At 31 December 2010, the Company had open trades of US\$6M with Bank of New York (2009: US\$11M).

The Company has granted to Glaxosmithkline Export Ltd a charge over Euroclear securities. At 31 December 2010, the Company held no uncollateralised positions with Euroclear (2009: US\$Nil).

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

CREDIT SUISSE SECURITIES (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

33. Commitments (continued)

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

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

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

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

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

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

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

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

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

CREDIT SUISSE SECURITIES (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

33. Commitments (continued)

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

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

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

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

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

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

CREDIT SUISSE SECURITIES (EUROPE) LIMITED
 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

33. Commitments (continued)

Lease Commitments

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

	Group and Company Total 2010 US\$M	Group and Company of which rental 2010 US\$M	Group and Company Total 2009 US\$M	Group and Company of which rental 2009 US\$M
Up to 1 year	42	37	43	37
From 1 year to 2 years	44	39	42	36
From 2 years to 3 years	33	28	44	38
From 3 years to 4 years	33	28	34	29
From 5 years and over	566	510	513	363
Future operating lease commitments	718	642	676	503
Less minimum non-cancellable sublease rentals	(15)	(11)	(19)	(14)
Total net future minimum lease commitments	703	631	657	489

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

	Group and Company Total 2010 US\$M	Group and Company of which rental 2010 US\$M	Group and Company Total 2009 US\$M	Group and Company of which rental 2009 US\$M
Minimum rental expense	43	38	27	17
Sublease rental income	(3)	(2)	(5)	(3)
Total net rental expenses	40	36	22	14

On November 11 2009, Credit Suisse Securities (Europe) Limited completed a sale leaseback transaction on the land and building comprising 20 Columbus Courtyard, London to M1 Group for US\$257M. The property had been owned by Credit Suisse Securities (Europe) Limited on its own behalf (40%) and in trust for Credit Suisse International (60%) and was leased back for both parties under a similar trust agreement. The sale and leaseback transaction resulted in an operating lease at fair value and as a result of this US\$61M was recognised as a gain on sale by Credit Suisse Securities (Europe) Limited in the year end 2009. The leaseback is for a term of 25 years with two 5 year renewal options and has rents indexed to Retail Prices Index with a cap and collar. 60% of the property under the operating lease is consequently subleased by Credit Suisse Securities (Europe) Limited to Credit Suisse International and represents an arms length transaction.

CREDIT SUISSE SECURITIES (EUROPE) LIMITED
 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

33. Commitments (continued)

Other Commitments

The following table sets forth details of other commitments:

	Group and Company Total 2010 US\$M	Group and Company Total 2009 US\$M
Forward reverse repurchase agreements with maturity <1 year	38,600	29,781
Firm commitments with maturity <1 year	-	1,153
Other commitments with maturity <1 year	-	4
Total other commitments	38,600	30,938
Collateral received	-	-

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

CREDIT SUISSE SECURITIES (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

34. Securitisations and Special Purpose Entities

The 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 Group consolidates SPEs when the substance of the relationship between the Group and the SPE indicates that the SPE is controlled by the Group. Consideration is given to the Group's ability to control the activities of the SPE and the Group's exposure to the risks and benefits of the SPE. SPE exposures as at the end of 2010 are as follows:

	2010	2009
	US\$M	US\$M
Consolidated SPEs		
Financial intermediation	3,009	2,541
Total assets of consolidated SPEs	3,009	2,541

	2010	2009
	US\$M	US\$M
Non-consolidated SPEs		
CDO	850	574
Financial intermediation	13,230	14,439
Total assets of non-consolidated SPEs	14,080	15,013

Total maximum exposure to loss of non-consolidated SPEs

CDO	56	11
Financial intermediation	2,085	2,312

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

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

Group	2010	2009
Assets	US\$M	US\$M
Cash and due from banks	99	103
Trading financial assets at fair value through profit or loss	426	2
Financial assets designated at fair value through profit or loss	2,151	2,099
Financial assets available for sale	3	-
Other assets	330	337
Total assets	3,009	2,541
Liabilities		
Trading financial liabilities at fair value through profit or loss	2,291	2,242
Financial liabilities designated at fair value through profit or loss	273	280
Long term debt	429	-
Other liabilities	17	17
Total liabilities	3,010	2,539
Shareholders' equity		
Retained earnings	(1)	2
Total shareholders' equity	(1)	2
Total liabilities and shareholders' equity	3,009	2,541

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

CREDIT SUISSE SECURITIES (EUROPE) LIMITED
 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

35. Financial Instruments

Analysis of financial instruments by measurement basis: Financial instruments are measured on an ongoing basis either at fair value or at amortised cost. The following table sets out the carrying amounts and fair values of the Group's financial instruments.

31 December 2010 Group	Held for trading US\$M	Designated at fair value US\$M	Loans and receivables US\$M	Available for sale US\$M	Other amortised cost US\$M	Total carrying amount US\$M	Total fair value US\$M
Financial Assets							
Cash and due from banks	-	-	20,344	-	-	20,344	20,344
Securities purchased under resale agreements and securities borrowing transactions	-	-	28,978	-	-	28,978	28,978
Trading financial assets at fair value through profit or loss	91,379	-	-	-	-	91,379	91,379
Financial assets designated at fair value through profit or loss	-	101,957	-	-	-	101,957	101,957
Financial assets available-for-sale	-	-	12	25	-	37	37
Other loans and receivables	-	-	1,483	-	-	1,483	1,738
Other assets	-	-	45,100	-	-	45,100	45,100
Total Financial assets	91,379	101,957	95,917	25	-	289,278	289,533

CREDIT SUISSE SECURITIES (EUROPE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

35. Financial Instruments (continued)

31 December 2010	Held for trading	Designated at fair value	Other amortised cost	Total carrying amount	Total fair value
Group	US\$M	US\$M	US\$M	US\$M	US\$M
Financial Liabilities					
Deposits	-	-	3,935	3,935	3,935
Securities sold under repurchase agreements and securities lending transactions	-	-	37,170	37,170	37,170
Trading financial liabilities at fair value through profit or loss	50,817	-	-	50,817	50,817
Financial liabilities designated at fair value through profit or loss	-	83,739	-	83,739	83,739
Short term borrowings	-	-	48,049	48,049	48,068
Other liabilities	-	-	45,257	45,257	45,257
Long term debt	-	-	16,798	16,798	18,579
Total Financial liabilities	50,817	83,739	151,209	285,765	287,565

CREDIT SUISSE SECURITIES (EUROPE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

35. Financial Instruments (continued)

31 December 2009 Group	Held for trading US\$M	Designated at fair value US\$M	Loans and receivables US\$M	Available for sale US\$M	Other amortised cost US\$M	Total carrying amount US\$M	Total fair value US\$M
Financial Assets							
Cash and due from banks	-	-	13,051	-	-	13,051	13,051
Securities purchased under resale agreements and securities borrowing transactions	-	-	41,716	-	-	41,716	41,716
Trading financial assets at fair value through profit or loss	74,224	-	-	-	-	74,224	74,224
Financial assets designated at fair value through profit or loss	-	99,047	-	-	-	99,047	99,047
Financial assets available-for-sale	-	-	9	27	-	36	36
Other loans and receivables	-	-	1,483	-	-	1,483	1,746
Other assets	-	-	38,873	-	-	38,873	38,873
Total Financial assets	74,224	99,047	95,132	27	-	268,430	268,693

CREDIT SUISSE SECURITIES (EUROPE) LIMITED
 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

35. Financial Instruments (continued)

31 December 2009	Held for trading	Designated at fair value	Other amortised cost	Total carrying amount	Total fair value
Group	US\$M	US\$M	US\$M	US\$M	US\$M
Financial Liabilities					
Deposits	-	-	2,327	2,327	2,327
Securities sold under repurchase agreements and securities lending transactions	-	-	47,380	47,380	47,380
Trading financial liabilities at fair value through profit or loss	49,218	-	-	49,218	49,218
Financial liabilities designated at fair value through profit or loss	-	85,498	-	85,498	85,498
Short term borrowings	-	-	38,973	38,973	38,984
Other liabilities	-	-	38,284	38,284	38,284
Long term debt	-	-	2,721	2,721	2,982
Total Financial liabilities	49,218	85,498	129,685	264,401	264,673

CREDIT SUISSE SECURITIES (EUROPE) LIMITED
 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

35. Financial Instruments (continued)

31 December 2010 Company	Held for trading US\$M	Designated at fair value US\$M	Loans and receivables US\$M	Available for sale US\$M	Other amortised cost US\$M	Total carrying amount US\$M	Total fair value US\$M
Financial Assets							
Cash and due from banks	-	-	20,241	-	-	20,241	20,241
Securities purchased under resale agreements and securities borrowing transactions	-	-	28,978	-	-	28,978	28,978
Trading financial assets at fair value through profit or loss	93,133	-	-	-	-	93,133	93,133
Financial assets designated at fair value through profit or loss	-	99,806	-	-	-	99,806	99,806
Financial assets available-for-sale	-	-	9	25	-	34	34
Other loans and receivables	-	-	1,483	-	-	1,483	1,738
Other assets	-	-	45,100	-	-	45,100	45,100
Total Financial assets	93,133	99,806	95,811	25	-	288,775	289,030

CREDIT SUISSE SECURITIES (EUROPE) LIMITED
 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

35. Financial Instruments (continued)

31 December 2010	Held for trading	Designated at fair value	Other	Total carrying amount	Total fair value
Company	US\$M	US\$M	amortised cost US\$M	US\$M	US\$M
Financial Liabilities					
Deposits	-	-	3,935	3,935	3,935
Securities sold under repurchase agreements and securities lending transactions	-	-	37,170	37,170	37,170
Trading financial liabilities at fair value through profit or loss	50,706	-	-	50,706	50,706
Financial liabilities designated at fair value through profit or loss	-	83,466	-	83,466	83,466
Short term borrowings	-	-	48,049	48,049	48,068
Other liabilities	-	-	45,241	45,241	45,241
Long term debt	-	-	16,370	16,370	18,151
Total Financial liabilities	50,706	83,466	150,765	284,937	286,737

CREDIT SUISSE SECURITIES (EUROPE) LIMITED
 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

35. Financial Instruments (continued)

31 December 2009	Held for trading	Designated at fair value	Loans and receivables	Available for sale	Other amortised cost	Total book value	Total fair Value
Company	US\$M	US\$M	US\$M	US\$M	US\$M	US\$M	US\$M
Financial Assets							
Cash and due from banks	-	-	12,945	-	-	12,945	12,945
Securities purchased under resale agreements and securities borrowing transactions	-	-	41,716	-	-	41,716	41,716
Trading financial assets at fair value through profit or loss	76,346	-	-	-	-	76,346	76,346
Financial assets designated at fair value through profit or loss	-	96,873	-	-	-	96,873	96,873
Financial assets available-for-sale	-	-	9	27	-	36	36
Other loans and receivables	-	-	1,483	-	-	1,483	1,746
Other assets	-	-	38,873	-	-	38,873	38,873
Total Financial assets	76,346	96,873	95,026	27	-	268,272	268,535

CREDIT SUISSE SECURITIES (EUROPE) LIMITED
 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

35. Financial Instruments (continued)

31 December 2009	Held for trading	Designated at fair value	Other amortised cost	Total carrying value	Total fair value
Company	US\$M	US\$M	US\$M	US\$M	US\$M
Financial Liabilities					
Deposits	-	-	2,327	2,327	2,327
Securities sold under repurchase agreements and securities lending transactions	-	-	47,380	47,380	47,380
Trading financial liabilities at fair value through profit or loss	49,100	-	-	49,100	49,100
Financial liabilities designated at fair value through profit or loss	-	85,219	-	85,219	85,219
Short term borrowings	-	-	38,973	38,973	38,973
Other liabilities	-	-	38,527	38,527	38,527
Long term debt	-	-	2,721	2,721	2,982
Total Financial liabilities	49,100	85,219	129,928	264,247	264,508

CREDIT SUISSE SECURITIES (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

35. Financial Instruments (continued)

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

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

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 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 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 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 Group's credit standing is considered when measuring their fair value, based on current funded debt 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 or liabilities.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

35. Financial Instruments (continued)

The following table presents the carrying value of the financial instruments held at fair value across the three levels of the fair value hierarchy. It is followed by an analysis and discussion of the financial instruments categorised in level 3.

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

As at 31 December 2010 Group	Quoted market prices (Level 1) US\$M	Valuation technique - observable inputs (Level 2) US\$M	Valuation technique - unobservable inputs (Level 3) US\$M	Impact of netting ¹	Total at fair value US\$M
Assets					
Trading financial assets at fair value through profit or loss	65,699	24,475	1,205	-	91,379
Financial assets designated at fair value through profit or loss	-	102,276	2,518	(2,837)	101,957
Total assets at fair value	65,699	126,751	3,723	(2,837)	193,336
Liabilities					
Trading financial liabilities at fair value through profit or loss	30,063	20,233	521	-	50,817
Financial liabilities designated at fair value through profit or loss	-	85,416	1,160	(2,837)	83,739
Other liabilities	-	9	254	-	263
Total liabilities at fair value	30,063	105,658	1,935	(2,837)	134,819

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

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35. Financial Instruments (continued)

As at 31 December 2009 Group	Quoted market prices (Level 1) US\$M	Valuation technique - observable inputs (Level 2) US\$M	Valuation technique - unobservable inputs (Level 3) US\$M	Impact of netting ¹	Total at fair value US\$M
Assets					
Trading financial assets at fair value through profit or loss	51,544	21,653	1,027	-	74,224
Financial assets designated at fair value through profit or loss	-	96,537	2,510	-	99,047
Total assets at fair value	51,544	118,190	3,537	-	173,271
Liabilities					
Trading financial liabilities at fair value through profit or loss	31,630	16,728	860	-	49,218
Financial liabilities designated at fair value through profit or loss	-	84,819	679	-	85,498
Other liabilities	-	-	15	-	15
Total liabilities at fair value	31,630	101,547	1,554	-	134,731

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

CREDIT SUISSE SECURITIES (EUROPE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

35. Financial Instruments (continued)

As at 31 December 2010 Company	Quoted market prices (Level 1) US\$M	Valuation technique - observable inputs (Level 2) US\$M	Valuation technique - unobservable inputs (Level 3) US\$M	Impact of netting ¹	Total at fair value US\$M
Assets					
Trading financial assets at fair value through profit or loss	65,269	24,475	3,389	-	93,133
Financial assets designated at fair value through profit or loss	-	102,276	367	(2,837)	99,806
Total assets at fair value	65,269	126,751	3,756	(2,837)	192,939
Liabilities					
Trading financial liabilities at fair value through profit or loss	30,063	20,233	410	-	50,706
Financial liabilities designated at fair value through profit or loss	-	85,416	887	(2,837)	83,466
Other liabilities	-	9	239	-	248
Total liabilities at fair value	30,063	105,658	1,536	(2,837)	134,420

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

CREDIT SUISSE SECURITIES (EUROPE) LIMITED
 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

35. Financial Instruments (continued)

As at 31 December 2009 Company	Quoted market prices (Level 1) US\$M	Valuation technique - observable inputs (Level 2) US\$M	Valuation technique - unobservable inputs (Level 3) US\$M	Impact of netting ¹	Total at fair value US\$M
Assets					
Trading financial assets at fair value through profit or loss	51,544	21,653	3,149	-	76,346
Financial assets designated at fair value through profit or loss	-	96,537	336	-	96,873
Total assets at fair value	51,544	118,190	3,485	-	173,219
Liabilities					
Trading financial liabilities at fair value through profit or loss	31,630	16,728	742	-	49,100
Financial liabilities designated at fair value through profit or loss	-	84,819	400	-	85,219
Other liabilities	-	-	-	-	-
Total liabilities at fair value	31,630	101,547	1,142	-	134,319

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

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 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

35. Financial Instruments (continued)

Transfers between level 1 and level 2

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

	Group and Company 2010 US\$M	Group and Company 2010 US\$M
	Transfers out of level 1 to level 2	Transfers to level 1 out of level 2
Assets		
Trading financial assets at fair value through profit or loss	236	157
Total transfers in assets at fair value	236	157
Liabilities		
Trading financial liabilities at fair value through profit or loss	3	219
Financial liabilities designated at fair value through profit or loss	217	-
Total transfers in liabilities at fair value	220	219

Transfers between Level 1 to Level 2 and vice versa were not material in 2009.

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

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

As at 31 December 2010	Group Trading revenues	Company Trading revenues
Gains and (losses) on assets and liabilities (US\$M)		
Net realised/unrealised gains/(losses) included in net revenues	161	120
Whereof:		
Changes in unrealised gains / (losses) relating to assets and liabilities still held as of the reporting date	91	232
As at 31 December 2009	Group Trading revenues	Company Trading revenues
Gains and (losses) on assets and liabilities (US\$M)		
Net realised/unrealised gains/(losses) included in net revenues	(856)	(759)
Whereof:		
Changes in unrealised gains / (losses) relating to assets and liabilities still held as of the reporting date	(719)	(464)

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

The 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.

CREDIT SUISSE SECURITIES (EUROPE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

35. Financial Instruments (continued)

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

As at 31 December 2010 Group (US\$M)	Balance at beginning of period	Transfers in	Transfers out	Purchases	Sales	Settlement	Issuances	Trading revenues		Balance at end of period
								On transfers in / out ¹	On all others	
Assets										
Trading financial assets at fair value through profit or loss	1,027	695	(137)	552	(620)	(1,161)	903	1	(55)	1,205
Other financial assets designated at fair value through profit or loss	2,510	-	-	287	(149)	(191)	-	-	61	2,518
Financial assets designated at fair value through profit or loss	2,510	-	-	287	(149)	(191)	-	-	61	2,518
Total assets at fair value	3,537	695	(137)	839	(769)	(1,352)	903	1	6	3,723
Liabilities										
Trading financial liabilities at fair value through profit or loss	860	71	(260)	(32)	33	201	(199)	(1)	(152)	521
Securities sold under repurchase agreements and securities lending transactions	289	-	(68)	-	773	-	(214)	(3)	(4)	773
Long-term debt	13	-	-	-	20	-	-	-	-	33
Other financial liabilities designated at fair value through profit or loss	377	-	-	(12)	-	-	-	-	(11)	354
Financial liabilities designated at fair value through profit or loss	679	-	(68)	(12)	793	-	(214)	(3)	(15)	1,160
Other liabilities	15	238	-	-	-	-	(15)	-	16	254
Total liabilities at fair value	1,554	309	(328)	(44)	826	201	(428)	(4)	(151)	1,935
Net assets/liabilities at fair value	1,983	386	191	883	(1,595)	(1,553)	1,331	5	157	1,788

¹ Transfers in are effected at the end of the period. Hence no profit or loss thereon. This has been implemented at the start of 2010.

CREDIT SUISSE SECURITIES (EUROPE) LIMITED
 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

35. Financial Instruments (continued)

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

As at 31 December 2010 Company (US\$M)	Balance at beginning of period	Transfers in	Transfers out	Purchases	Sales	Settlement	Issuances	Trading revenues		Balance at end of period
								On transfers in / out ¹	On all others	
Assets										
Trading financial assets at fair value through profit or loss	3,149	697	(137)	552	(620)	(1,267)	1,028	1	(14)	3,389
Other financial assets designated at fair value through profit or loss	336	-	-	62	(31)	-	-	-	-	367
Financial assets designated at fair value through profit or loss	336	-	-	62	(31)	-	-	-	-	367
Total assets at fair value	3,485	697	(137)	614	(651)	(1,267)	1,028	1	(14)	3,756
Liabilities										
Trading financial liabilities at fair value through profit or loss	742	71	(260)	(32)	33	201	(206)	(1)	(138)	410
Securities sold under repurchase agreements and securities lending transactions	289	-	(68)	-	773	-	(214)	(3)	(4)	773
Long-term debt	-	-	-	-	20	-	-	-	-	20
Other financial liabilities designated at fair value through profit or loss	111	-	-	(12)	-	-	-	-	(5)	94
Financial liabilities designated at fair value through profit or loss	400	-	(68)	(12)	793	-	(214)	(3)	(9)	887
Other liabilities	-	238	-	-	-	-	(15)	-	16	239
Total liabilities at fair value	1,142	309	(328)	(44)	826	201	(435)	(4)	(131)	1,536
Net assets/liabilities at fair value	2,343	388	191	658	(1,477)	(1,468)	1,463	5	117	2,220

¹ Transfers in are effected at the end of the period. Hence no profit or loss thereon. This has been implemented at the start of 2010.

CREDIT SUISSE SECURITIES (EUROPE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

35. Financial Instruments (continued)

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

As at 31 December 2009 Group (US\$ M)	Balance at beginning of period	Transfers in	Transfers out	Purchases	Sales	Settlement	Issuances	Trading revenues		Balance at end of period
								On transfers in / out ¹	On all others	
Trading financial assets at fair value through profit or loss	1,611	192	(365)	624	(1,170)	563	(163)	(53)	(212)	1,027
Other financial assets designated at fair value through profit or loss	4,562	-	-	663	(2,760)	336	-	-	(291)	2,510
Financial assets designated at fair value through profit or loss	4,562	-	-	663	(2,760)	336	-	-	(291)	2,510
Financial assets available-for-sale	-	-	-	-	-	-	-	-	-	-
Total assets at fair value	6,173	192	(365)	1,287	(3,930)	899	(163)	(53)	(503)	3,537
Liabilities										
Trading financial liabilities at fair value through profit or loss	425	151	(119)	(126)	69	(182)	230	20	392	860
Securities sold under repurchase agreements and securities lending transactions	990	-	(149)	-	-	(571)	-	-	19	289
Long-term debt	129	-	-	-	-	(100)	-	-	(16)	13
Other financial liabilities designated at fair value through profit or loss	4,734	-	-	(4,489)	263	(31)	15	-	(115)	377
Financial liabilities designated at fair value through profit or loss	5,853	-	(149)	(4,489)	263	(702)	15	-	(112)	679
Other liabilities	26	-	-	-	-	-	-	-	(11)	15
Total liabilities at fair value	6,304	151	(268)	(4,615)	332	(884)	245	20	269	1,554
Net assets/liabilities at fair value	(131)	41	(97)	5,902	(4,262)	1,783	(408)	(73)	(772)	1,983

¹ Transfers in are effected at the end of the period. Hence no profit or loss thereon. This has been implemented at the start of 2010.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

35. Financial Instruments (continued)

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

As at 31 December 2009 Company (US\$ M)	Balance at beginning of period	Transfers in	Transfers out	Purchases	Sales	Settlement	Issuances	Trading revenues		Balance at end of period
								On transfers in / out ¹	On all others	
Assets										
Trading financial assets at fair value through profit or loss	2,154	192	(365)	624	(1,668)	2,678	(163)	(53)	(250)	3,149
Other financial assets designated at fair value through profit or loss	2,197	-	-	-	(66)	(1,795)	-	-	-	336
Financial assets designated at fair value through profit or loss	2,197	-	-	-	(66)	(1,795)	-	-	-	336
Financial assets available-for-sale	-	-	-	-	-	-	-	-	-	-
Total assets at fair value	4,351	192	(365)	624	(1,734)	883	(163)	(53)	(250)	3,485
Liabilities										
Trading financial liabilities at fair value through profit or loss	357	151	(119)	(126)	69	(182)	198	20	374	742
Securities sold under repurchase agreements and securities lending transactions	990	-	(149)	-	-	(571)	-	-	19	289
Long-term debt	-	-	-	-	-	-	-	-	-	-
Other financial liabilities designated at fair value through profit or loss	2,956	-	-	(2,899)	-	(30)	41	-	43	111
Financial liabilities designated at fair value through profit or loss	3,946	-	(149)	(2,899)	-	(601)	41	-	62	400
Other liabilities	-	-	-	-	-	-	-	-	-	-
Total liabilities at fair value	4,303	151	(268)	(3,025)	69	(783)	239	20	436	1,142
Net assets/liabilities at fair value	48	41	(97)	3,649	(1,803)	1,666	(402)	(73)	(686)	2,343

¹ Transfers in are effected at the end of the period. Hence no profit or loss thereon. This has been implemented at the start of 2010.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

35. Financial Instruments (continued)

Qualitative disclosures of valuation techniques

Money market instruments

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

Debt securities

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

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.

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

Values of RMBS, CMBS and other 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 levels 2 and 3.

Equity securities

The majority of the 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.

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35. Financial Instruments (continued)

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.

CS group primarily uses LIBOR curves as part of its valuation of derivative instruments to discount future expected cash flows.

Foreign exchange derivatives

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

CREDIT SUISSE SECURITIES (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

35. Financial Instruments (continued)

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 CDS in addition to more complex structured credit products. Vanilla products are valued using industry standard models and inputs that are generally market observable including credit 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 rate. 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.

Cash and synthetic life finance instruments

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

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

35. Financial Instruments (continued)

Other alternative capital investments

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

Short-term borrowings and long-term debt

The 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 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 Group's own credit spread.

Sensitivity analysis of unobservable input parameters

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:

CREDIT SUISSE SECURITIES (EUROPE) LIMITED
 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

35. Financial Instruments (continued)

Sensitivity of fair values to reasonably possible alternative assumptions

Potential impact on profit or loss

Group	31 December 2010		31 December 2009	
	Favourable changes (US\$M)	Unfavourable changes (US\$M)	Favourable changes (US\$M)	Unfavourable changes (US\$M)
Life insurance products	141	(141)	176	(183)
Asset backed securities	18	(18)	6	(6)
Debt and equity securities	13	(9)	-	-
Other liabilities	13	(13)	12	(12)
	185	(181)	194	(201)

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

Life insurance products include Single Premium Immediate Annuities, premium finance, life settlement contracts and longevity and mortality swaps. The parameters subjected to sensitivity analysis include both mortality rates and credit spreads. For mortality rates the sensitivity used was an equal 6 month movement up and down on the life expectancy of the underlying policyholders and is based upon management judgement. For credit spread the sensitivity used for favourable change was to reduce spreads to zero while for the unfavourable change the sensitivity was to double existing credit spreads.

Asset backed securities includes RMBS positions where sensitivities are calculated by subjecting the prices of the positions to equal movements up and down based upon management judgement.

Debt and equity securities include corporate and emerging market bonds. The parameter subjected to sensitivity for emerging market is credit spreads, while the parameter for corporate bonds is prices. Both parameters are subjected to equal movements up and down based upon management judgement.

Other Liabilities include the Group's PAF obligations. The sensitivity of the PAF obligations was based upon an estimate of the related PAF Asset Pool.

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

CREDIT SUISSE SECURITIES (EUROPE) LIMITED
 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

35. Financial Instruments (continued)

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 or loss 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 or loss is recognised in the consolidated Statements of Income when the fair value becomes observable or the 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 Company	2010 US\$M	2009 US\$M
Deferred trade date profit		
Balance at the beginning of period	364	468
Increase / due to new trades	5	158
Reduction due to passage of time	(34)	(37)
Reduction due to redemption, sales, transfers or improved observability	(39)	(225)
Total	296	364

36. Assets Pledged or assigned

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

31 December 2010	Group and Company 2010 US\$M	Group and Company 2009 US\$M
Assets pledged or assigned		
Trading financial assets at fair value through profit or loss	52,593	44,229
Collateral received		
Fair value of collateral received with the right to sell or repledge	269,356	268,520
of which sold or repledged	237,894	236,836

As at 31 December 2010 and 2009, collateral was received in connection with resale agreements, securities borrowings and loans, derivative transactions and margined broker loans. As at these dates, a substantial portion of the collateral received by the 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 securitized lending activities and the other transactions described. The Group, as the secured party has the right to sell or repledge such collateral, subject to the Group returning equivalent securities upon completion of the transaction.

Additional charges are included in note 33 'Commitments'.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

37. Derecognition of financial assets

In the normal course of business, the Group enters into transactions in which it transfers previously recognised financial assets, such as debt securities, equity securities and other financial instruments. The Group's accounting policy regarding derecognition of such assets under IAS 39 is described in Note 2 – Summary of significant accounting policies. The Group's and our client's investing or financing needs determines 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 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.

	2010	2009
	US\$M	US\$M
Carrying amount of transferred assets		
Financial assets not derecognised due to the following transactions:		
Repurchase agreements	124	244
Securities lending agreements	15,069	22,792
Total return swaps	569	2,401
Other	463	502
Total carrying amount of transferred assets not derecognised	16,225	25,939
Total carrying amount of associated liabilities	(16,225)	(25,939)

The assets not derecognised are included in Note: 12 'Securities borrowed, lent and subject to resale agreements' and corresponding liabilities in Note 16: 'Other assets and other 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 Statements of Financial Position.

CREDIT SUISSE SECURITIES (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

38. Risks arising from financial instruments

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

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

CREDIT SUISSE SECURITIES (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

38. Risks arising from financial instruments (continued)

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 not provide any information on the size of losses that could occur beyond that confidence threshold.
- VaR is based on either a ten-day (for internal risk management and regulatory purposes) or one-day (for backtesting purposes) holding period. This assumes that risks can be either sold or hedged over that period, which may not be possible for all types of exposure, particularly during periods of market illiquidity or turbulence.
- VaR is calculated using positions held at the end of each business day and does not include intra-day exposures that are not still held at the end of the day.

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

Scenario analysis

CS group performs scenario analysis to estimate the loss that could arise from extreme, but plausible, stress events in the economy or in financial markets by applying predefined scenarios to the relevant portfolios. Scenarios are typically defined in light of past economic or financial market stress periods, but statistical analysis is also used to define the less severe scenarios in the framework.

As past events recur rarely in exactly the same way, it is necessary to use business experience to choose a set of meaningful scenarios and to assess the scenario results in light of current economic and market conditions. In addition to scenarios built around historically observed events, we also consider hypothetical adverse events and their impact. This is done in collaboration with our research functions based on our view of possible macroeconomic developments.

The scenario analysis calculations performed are specifically tailored towards their respective risk profile. In addition, to identify areas of risk concentration and potential vulnerability to stress events across CS group, it has developed a set of scenarios which are consistently applied across all businesses. Key scenarios include significant movements in credit markets, interest rates, equity prices and exchange rates, as well as adverse changes in counterparty default and recovery rates.

CS group also uses combination scenarios, which consider the impact of significant, simultaneous movements across a broad range of markets and asset classes, to analyse the impact of wider market turbulence.

The scenario analysis framework also considers the impact of various scenarios on key capital adequacy measures such as regulatory capital and economic capital ratios. CS group's Board of Directors and senior management are regularly provided with scenario analysis estimates, trend information and supporting explanations as an integral part of risk management and risk appetite decisions.

The scenario analysis framework is periodically reviewed and expanded to ensure that it remains relevant to evolving portfolio composition and market conditions. Although the backtesting of existing scenarios applied across the Group indicated that the scenario analysis framework, which was recalibrated during 2008 and 2009, was still relevant in 2010, CS Group implemented several new business scenarios in response to the evolution of the portfolio composition and market developments.

CREDIT SUISSE SECURITIES (EUROPE) LIMITED
 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

38. Risks arising from financial instruments (continued)

Trading portfolios

Risk measurement and management

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

Development of trading portfolio risks

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

Ten-day, 99% VaR – trading portfolios

	Interest rate and credit spread	Foreign exchange	Commodity	Equity	Diversifica- tion benefit ¹⁾	Total
in / end of period						
2010						
In US\$M						
Average	132	15	-	45	(35)	158
Minimum	67	4	-	19	- ²⁾	81
Maximum	249	32	2	133	- ²⁾	305
End of period	136	7	-	43	(12)	173
2009						
In US\$M						
Average	86	23	1	40	(42)	108
Minimum	42	5	-	14	- ²⁾	49
Maximum	149	45	3	244	- ²⁾	299
End of period	130	26	-	23	(47)	130

Note:

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

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

There is no material difference in VaR between the Company and the Group.

VaR results

The Group's ten-day, 99% regulatory VaR as of 31 December 2010 increased by 33% to US\$173M compared to 31 December 2009.

CREDIT SUISSE SECURITIES (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

38. Risks arising from financial instruments (continued)

Various techniques are used to assess the accuracy of the VaR model used for trading portfolios, including backtesting. In line with industry practice, the Group presents backtesting using actual daily trading revenues. Actual daily trading revenues are compared with VaR calculated using a one-day holding period. A backtesting exception occurs when the daily loss exceeds the daily VaR estimate.

The Group had no backtesting exceptions in either 2010 or 2009.

Non-trading 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 Group's non-trading portfolios are measured using sensitivity analysis. The sensitivity analysis for the non-trading activities measures the amount of potential change in economic value resulting from specified hypothetical shocks to market factors. It is not a measure of the potential impact on reported earnings in the current period, since the non-trading activities generally are not marked to market through earnings. Foreign exchange translation risk is not included in this analysis.

Development of non-trading portfolio risks

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

The Group has approval to manage its own Trading P&L related FX risk through a formal trading mandate and operates within defined risk limits but the majority of the Group's profit or loss is managed centrally through CS Group Treasury. Interest rate risk on non-trading positions is shown below using sensitivity analysis that estimates the potential change in value resulting from defined changes in interest rate yield curves. The impact of a one-basis-point parallel increase in yield curves on the fair value of interest rate-sensitive non-trading book positions would have amounted to US\$1M and less, as of 31 December 2010 and 31 December 2009. 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 2010, the fair value impacts of an adverse 200-basis-point move in yield curves and of a statistical one-year, 99% adverse change in yield curves were a decrease of US\$76M and a decrease of US\$58M, respectively. These amounts are significantly below the 20% threshold used by regulators to identify firms that potentially run excessive levels of non-trading interest rate risk.

The Group and Company do not have material equity or commodity risk in its non-trading portfolio.

CREDIT SUISSE SECURITIES (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

38. Risks arising from financial instruments (continued)

ii) Liquidity Risk

Liquidity is the ability of a Company to fund assets and meet obligations as they come due, without incurring unacceptable losses.

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

Group-wide Management of Liquidity Risk

Liquidity, as with funding, capital and foreign exchange exposures, is centrally managed by Treasury. Oversight of these activities is provided by the CARMC, a committee that includes the CEOs of the Group and the divisions, the CFO, the CRO, the Investment Bank CFO and the Treasurer.

The liquidity and funding strategy is approved by CARMC and overseen by 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.

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

CSG's 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 CSG.

This approach enhances CSG's 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 CSG's risk tolerance and the balance sheet usage of the businesses.

The liquidity and funding profile of CSG reflects the risk appetite, business activities, strategy, the markets and overall operating environment, adapted to reflect lessons learned from the recent financial crisis and subsequent changes in business strategy. Liquidity risk management also reflects evolving best practice standards. CSG is an active participant in regulatory and industry forums on liquidity management, including the BCBS and the Institute of International Finance.

The funding sourced by CSG is part of a conservative 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 CSG 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 CSG 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 CSG 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 CSG's liquidity risk management framework under which both CSG 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.

CREDIT SUISSE SECURITIES (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

38. Risks arising from financial instruments (continued)

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, CSG 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.

Legal Entity Management of Liquidity Risk

The liquidity risk of the Company is managed as an integral part of the overall CSG global liquidity risk management framework.

The Company takes a prudent approach in the management of liquidity to ensure it can meet its obligations as they fall due. The core liquidity adequacy analysis used for the Company is aligned to those used globally for the CSG barometer.

The CSG centralised funding model, which forms part the global liquidity management framework at CSG, described above, ensures the Company is self-sufficient from a liquidity perspective by down streaming term funding to mitigate risks in the entity.

Key characteristics determining the Company's liquidity risk management approach include, but are not limited to:

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

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

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

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

CREDIT SUISSE SECURITIES (EUROPE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

38. Risks arising from financial instruments (continued)

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

Incremental to the Company's unsecured funding sources from CSG, the Company has the ability to access secured funding markets via repurchase agreements.

The Company, a full scope BIPRU investment firm, was required to be compliant with the new FSA quantitative and qualitative liquidity risk framework as set out in PS 09/16, published in December 2009, from 1 November 2010.

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

Group 2010	Current			Total	Noncurrent		Total	Total
	On Demand	Due within 3 months	Due between 3 and 12 months		Due between 1 and 5 years	Due after 5 years		
	US\$M	US\$M	US\$M		US\$M	US\$M		
Deposits	3,935	-	-	3,935	-	-	-	3,935
Securities sold under repurchase agreements and securities lending transactions	35,523	1,647	-	37,170	-	-	-	37,170
Trading financial liabilities at fair value through profit or loss	50,817	-	-	50,817	-	-	-	50,817
Financial liabilities designated at fair value through profit or loss	13,272	66,612	3,715	83,599	2	138	140	83,739
Short term borrowings	-	106	47,943	48,049	-	-	-	48,049
Other liabilities	45,257	-	-	45,257	-	-	-	45,257
Long term debt	-	-	-	-	11,617	5,181	16,798	16,798
Total financial liabilities	148,804	68,365	51,658	268,827	11,619	5,319	16,938	285,765

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38. Risks arising from financial instruments (continued)

Group 2009	On Demand	Current		Total	Due between 1 and 5 years	Noncurrent Due after 5 years	Total	Total
		Due within 3 months	Due between 3 and 12 months					
	US\$M	US\$M	US\$M	US\$M	US\$M	US\$M	US\$M	US\$M
Deposits	2,327	-	-	2,327	-	-	-	2,327
Securities sold under repurchase agreements and securities lending transactions	43,975	3,405	-	47,380	-	-	-	47,380
Trading financial liabilities at fair value through profit or loss	49,218	-	-	49,218	-	-	-	49,218
Financial liabilities designated at fair value through profit or loss	9,964	68,311	7,107	85,382	18	98	116	85,498
Short term borrowings	-	38,973	-	38,973	-	-	-	38,973
Other liabilities	38,284	-	-	38,284	-	-	-	38,284
Long term debt	-	-	-	-	-	2,721	2,721	2,721
Total financial liabilities	143,768	110,689	7,107	261,564	18	2,819	2,837	264,401

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

CREDIT SUISSE SECURITIES (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

38. Risks arising from financial instruments (continued)

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

Exposure adjusted risk calculation

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

- Purchased credit default swaps – Correlation exists where the counterparty and the underlying reference asset belong to the same group. In these cases, exposure is calculated assuming default and applying the recovery value of the underlying reference asset.
- Equity finance – If there is a high correlation between the counterparty and the underlying equity, exposure is calculated as full notional (i.e. zero equity recovery).
- Reverse repurchase agreements – Correlation exists where the underlying issuer and the counterparty are affiliated. In these cases, collateral used as an offset in the exposure calculation process is lowered to its recovery value.

Wrong-way risk monitoring

- Regular reporting of wrong-way risk at both the individual trade and portfolio level allows wrong-way risk to be monitored and corrective action taken by CRM in the case of heightened concern.
- Country exposure reporting – Exposure is reported against country limits established for emerging market countries. As part of the exposure reporting process, exposures that exhibit wrong-way characteristics are given a higher risk-weighting versus non-correlated transactions. This weighting results in a greater amount of country limit usage for wrong-way transactions.
- Counterparty exposure reporting – Transactions that contain wrong-way risk (e.g. repurchase agreements, equity finance) are risk weighted as part of the daily exposure calculation process. Correlated transactions utilise more of the credit limit.
- Correlated repurchase and foreign exchange reports – Monthly reports produced by CRM capture correlated finance and foreign exchange positions for information and review by credit officers.
- Scenario risk reporting – In order to capture wrong-way risk at the industry level, a set of defined scenarios are run on the credit portfolio each month. The scenarios are determined by CRM and involve stressing the underlying risk drivers to determine where portfolios are sensitive to these stressed parameters.
- Scenario risk reporting also covers client groups, particularly hedge funds, which are exposed to particular risk sensitivities and also may have collateral concentrations due to the direction and strategy of the fund.

CREDIT SUISSE SECURITIES (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

38. Risks arising from financial instruments (continued)

iv) Currency Risk

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

The Company has approval to manage its own Trading P&L related FX risk through a formal trading mandate and operates within defined risk limits using the Value at Risk (VaR) methodology albeit that the majority of its P&L exposure is managed centrally by CS Group Treasury. Its currency exposure within the non-trading portfolios is managed through the CS Group's levelling 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

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

Definition of Credit Risk

Credit risk is the possibility of loss incurred as a result of a borrower or counterparty failing to meet its financial obligations. In the event of a default, a Company generally incurs a loss equal to the amount owed by the debtor, less any recoveries resulting from foreclosure, liquidation of collateral or the restructuring of the debtor company.

Credit risk exists within lending products and letters of credit, and results from counterparty exposure arising from derivative, foreign exchange and other transactions.

Credit Risk Management Approach

This 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 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 risk is evaluated through a credit request and approval process, ongoing credit and counterparty monitoring and a credit quality review process. Experienced credit officers analyse credit requests and assign internal ratings based on their analysis and evaluation of the client's creditworthiness and the type of credit transaction.

CREDIT SUISSE SECURITIES (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

38. Risks arising from financial instruments (continued)

Concentration of credit risk

Credit risk concentrations arise when a number of counterparties are engaged in similar business activities, are located in the same geographic region or when there are similar economic features that would cause their ability to meet contractual obligations to be similarly impacted by changes in economic conditions.

The Group regularly monitors the credit risk portfolio by counterparties, industry, country and products to ensure that such potential concentrations are identified, using a comprehensive range of quantitative tools and metrics. Credit limits relating to counterparties and products are managed through counterparty limits which set the maximum credit exposures the Group is willing to assume to specific counterparties over specified periods. Country limits are established to avoid any undue country risk concentration.

From an industry point of view, the combined credit exposure of the Group is diversified. A large portion of the credit exposure relates to transactions with financial institutions. The customer base is extensive and the number and variety of transactions are broad. For transactions with financial institutions, the business is also geographically diverse, with operations focused in Americas, Europe and, to a lesser extent, Asia Pacific.

Counterparty and transaction rating

CS group has developed a set of credit rating models tailored for different client segments (e.g. international corporates, financial institutions, asset finance, Small and Medium Enterprises ('SME'), commodity traders, residential mortgages, etc.) for the purpose of internally rating counterparties to whom CS group are exposed to credit risk as the contractual party to a loan, loan commitment or OTC derivative contract.

The models are built from statistical data and then subject to a thorough business review before implementation. Each credit rating model is validated independently prior to implementation and on a regular basis. At the time of initial credit approval and review, relevant quantitative data (e.g. financial statements, financial projections, etc.) as well as qualitative factors relating to the counterparty are used in the models and result in the assignment of a credit rating or probability of default ('PD'), which measures the counterparty's risk of default over a one-year period.

To ensure that ratings are consistent and comparable across all businesses, CS group has used an internal rating scale which is benchmarked to the external rating agencies, using the historical PD associated with external ratings.

The relationship between the PD and external agency ratings is reviewed annually and adjustments are made to calibrate the internal rating classification to the assumed PD in the external ratings.

Additionally, an estimate of expected loss in the event of a counterparty default is assigned 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.

These credit risk estimations are used consistently for the purposes of business and credit portfolio steering, credit policy, approval and monitoring, management reporting, risk-adjusted performance measurement, economic risk capital measurement and allocation and certain financial accounting purposes. The overall internal credit rating system has been approved by the FINMA for application under the Basel II A-IRB approach. This approach also allows us to price transactions involving credit risk more accurately, based on risk/return estimates.

Credit approval process and provisioning

Senior credit managers make credit decisions on a transaction-by-transaction basis, at authority levels reflecting the amount and complexity of the transactions and the overall exposures to counterparties and their related entities. These approval authority levels are set by each legal entity.

CREDIT SUISSE SECURITIES (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

38. Risks arising from financial instruments (continued)

A system of credit limits is used to manage individual counterparty credit risk. Other limits are also established to address concentration issues in the portfolio, including a comprehensive set of country and regional limits and limits for certain products. Credit exposures to individual counterparties, industry segments or product groupings and adherence to the related limits are monitored by credit officers, industry analysts and other relevant specialists. In addition, credit risk is regularly supervised by credit and risk management committees taking current market conditions and trend analysis into consideration. CS group regularly analyses industry diversification and concentrations.

A 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. Other key factors considered in the review process include current and projected business and economic conditions, historical experience, regulatory requirements and concentrations of credit by industry, country, product and counterparty rating. Regularly updated watch-lists and review meetings are used for the identification of counterparties where adverse changes in creditworthiness could occur due to events such as announced mergers, earnings weakness and lawsuits.

The review process culminates in a quarterly determination of the appropriateness of allowances for credit losses. A systematic provisioning methodology is used to identify potential credit risk-related losses. Impaired transactions are classified as potential problem exposure, non-performing exposure, or non-interest earning exposure and the exposures are generally managed within credit recovery units. The credit provisions review committee ('CPRC') regularly determines the adequacy of allowances, taking into consideration whether the levels are sufficient for credit losses and whether allowances can be released or if they should be increased.

Credit Risk Overview

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

CREDIT SUISSE SECURITIES (EUROPE) LIMITED
 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

38. Risks arising from financial instruments (continued)

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

The following table presents the maximum exposure to credit risk of balance sheet financial instruments, before taking account of any collateral held or other credit enhancements unless such credit enhancements meet offsetting requirements as set out in IAS 32. For financial assets recognised on the balance sheet, the exposure to credit risk equals their carrying amount as at 31 December 2010.

Maximum exposure to credit risk before collateral held or other credit enhancement:

	Group 2010 US\$M	Group 2009 US\$M
Cash and due from banks	20,344	13,051
Securities purchased under resale agreements and securities borrowing transactions	28,978	41,716
Trading financial assets at fair value through profit or loss		
Debt securities	34,505	28,079
Derivative instruments	14,218	12,023
Financial assets designated at fair value through profit or loss		
Securities purchased under resale agreements and securities borrowing transactions	99,439	96,537
Other financial assets designated at fair value through profit or loss	2,518	2,510
Financial assets available-for-sale	37	36
Other loans and receivables		
- banks	1,483	1,483
Other assets	45,100	38,873
Total	246,622	234,308

	Company 2010 US\$M	Company 2009 US\$M
Cash and due from banks	20,241	12,945
Securities purchased under resale agreements and securities borrowing transactions	28,978	41,716
Trading assets		
Debt securities	34,505	28,083
Derivative instruments	16,390	14,141
Financial assets designated at fair value through profit or loss		
Securities purchased under resale agreements and securities borrowing transactions	99,439	96,537
Other financial assets designated at fair value through profit or loss	367	336
Financial assets available-for-sale	34	36
Other loans and receivables		
- banks	1,483	1,483
Other assets	45,100	38,873
Total	246,537	234,150

CREDIT SUISSE SECURITIES (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

38. Risks arising from financial instruments (continued)

Collateral held as security

The Group regularly agrees upon collateral in the lending contracts to be received from borrowers. Collateral is security in the form of an asset or third-party obligation that serves to mitigate the inherent risk of credit loss in an exposure, by either substituting the borrower default risk or improving recoveries in the event of a default. While collateral can be an alternative source of repayment, it does not mitigate or compensate for questionable reputation of a borrower or structure.

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

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

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

Primary types of collateral

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

- Cash and US Treasury instruments; and
- G -10 government securities.

Collateral securing loan transactions primarily includes:

- Financial collateral pledged against loans collateralised by securities (mostly cash and marketable securities);
- 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 36 – Assets pledged or assigned.

Risk Mitigation

The Group actively manages its credit exposure utilising credit hedges and monetisable collateral (cash and marketable securities). Credit hedges represent the notional exposure that has been transferred to other market counterparties, generally through the use of credit default swaps. The Group also actively enters into collateral arrangements for OTC derivatives and other traded products, which allows us to limit the counterparty exposure risk associated with these products. Collateral taken generally represents cash or government securities although other securities may be accepted. The value of collateral reflected as a risk mitigant is net of an appropriate haircut.

CREDIT SUISSE SECURITIES (EUROPE) LIMITED
 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

38. Risks arising from financial instruments (continued)

Counterparty Exposure before Collateral by Rating

	Company		Company	
	2010		2009	
	US\$M	%	US\$M	%
AAA	3,021	27	3,035	32
AA+ to AA-	2,900	26	2,033	21
A+ to A-	3,795	33	3,305	35
BBB+ to BBB-	599	5	490	5
BB+ to BB-	749	7	351	4
B+ and below	293	3	321	3
	11,357	100	9,535	100

Unsecured Exposure by Counterparty Rating

	Company		Company	
	2010		2009	
	US\$M	%	US\$M	%
AAA	3,054	29	3,109	36
AA+ to AA-	2,812	27	2,021	23
A+ to A-	3,675	35	2,975	34
BBB+ to BBB-	391	4	358	4
BB+ to BB-	332	3	25	1
B+ and below	187	2	182	2
	10,451	100	8,670	100.0

The above tables include all loans, commitments, derivatives, securities purchased and sold under resale and repurchase agreements, and short term cash trades on a net counterparty exposure basis for the Company as most of the trading portfolio mainly resides in the Company.

The first table represents mark to market exposures before offsetting any eligible collateral held; the second table represents mark to market exposures after offsetting collateral.

CREDIT SUISSE SECURITIES (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

38. Risks arising from financial instruments (continued)

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 Group manages its risk through confirmation and affirmation of transaction details with counterparties. In order to reduce gross settlement risk the 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.

CREDIT SUISSE SECURITIES (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

38. Risks arising from financial instruments (continued)

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 enters 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.

CREDIT SUISSE SECURITIES (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

38. Risks arising from financial instruments (continued)

x) Reputational Risk

CS group's policy is to avoid any action or transaction that brings with it a potentially unacceptable level of risk to its reputation. Reputational risk may arise from a variety of sources, including the nature or purpose of a proposed transaction, the identity or nature of a potential client, the regulatory or political climate in which the business will be transacted or significant public attention surrounding the transaction itself. Where the presence of these or other factors gives rise to potential reputational risk for CS group, the relevant business proposal is required to be submitted to CS group's Reputational Risk Review Process. This involves a vetting of the proposal by senior business management, and its subsequent referral to one of CS group's Reputational Risk Approvers, each of whom is independent of the business divisions and has authority to approve, reject, or impose conditions on CS group's participation.

39. Capital Adequacy

The Group'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 illiquid non-trading assets.

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

The Group made a number of changes to its capital base during the year as follows:

	Group 2010 US\$M	Group 2009 US\$M (Restated)¹
Total regulatory capital less deductions at 1 January	5,821	5,957
Capital injections during the year		
Tier 1	-	-
Tier 2	2,000	-
	2,000	-
Other movements	(965)	(136)
Total regulatory capital less deductions at 31 December	6,856	5,821

During 2010 the Group received a Tier 2 regulatory capital injection of US\$2BN to support the business.

Other movements represent the 2010 year to date loss and the illiquid asset deduction relating to deferred tax.

¹ On 1 January 2010, the Group adopted amendments to IFRS 2-Group Cash-settled Share-based Payment Transactions. Comparative information has been restated accordingly (See Note 2).

CREDIT SUISSE SECURITIES (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

39. Capital Adequacy (continued)

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 Group calculated using methodologies set out by the FSA.

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

Capital Requirements

The following table sets out details of the Group's regulatory capital resources at 31 December 2010 and 2009.

	Group 2010 US\$M	Group 2009 US\$M (Restated)¹
Total shareholders' equity	4,754	5,515
Reconciliation to tier 1 capital		
Regulatory Deductions	(734)	(729)
Tier 1 capital less deductions	4,020	4,786
Tier 2 capital:		
Upper Tier 2 – Perpetual Subordinated Debt	2,400	900
Lower Tier 2 – Term Subordinated Debt	1,983	1,483
Gearing Deduction	(363)	-
Tier 2 capital	4,020	2,383
Tier 1 plus Tier 2 capital	8,040	7,169
Deductions	(37)	(48)
Tier 1 plus Tier 2 capital, less deductions	8,003	7,121
Excess Tier 2 capital	363	-
Deductions from total capital	(1,510)	(1,300)
Total regulatory capital less deductions	6,856	5,821

40. Pillar 3

Under a waiver agreed with the FSA, certain of the Pillar 3 disclosures required by the UK implementation of Basel 2 need not be made by the Company as a stand-alone entity on the basis that they are included in the comparable disclosures provided on a consolidated basis by CS group (these can be found at www.credit-suisse.com). Those Pillar 3 disclosures required under FSA rules that are not covered by the CS group disclosures can be found separately at www.credit-suisse.com.

41. Subsequent Events

In the budget announcement of 23 March 2011, the UK government announced its intention to further reduce the corporation tax rate by 1% with effect from 1 April 2011. The impact of this change when substantially enacted will be to decrease the deferred tax asset recorded as at 31 December 2010 by US\$17M.

¹ On 1 January 2010, the Group adopted amendments to IFRS 2-Group Cash-settled Share-based Payment Transactions. Comparative information has been restated accordingly (See Note 2).



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