CREDIT SUISSE

Credit Suisse International
Annual Report 2009

COMPANY REGISTRATION NUMBER: 2500199

CREDIT SUISSE INTERNATIONAL

BOARD OF DIRECTORS

Eric Varvel (Chairman and CEO)

Eraj Shirvani

Renato Fassbind (Non Executive)

Tobias Guldimann (Non Executive)

Costas P Michaelides

Stephen B Dainton

Luigi de Vecchi

COMPANY SECRETARY

Paul E Hare

The Directors present their Report and the Financial Statements for the year ended 31 December 2009.

International Financial Reporting Standards

Credit Suisse International's 2009 Financial Statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted for use in the European Union ('EU').

The Financial Statements were authorised for issue by the Directors on 21 April 2010.

Business Review

Profile

Credit Suisse Group ('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. Credit Suisse International ('CSi' or the 'Bank') is an unlimited liability company and an indirect wholly owned subsidiary of CSG. CSi is authorised under the Financial Services and Markets Act 2000 by the Financial Services Authority ('FSA').

As a leading financial services provider, CS group is committed to delivering its combined financial experience and expertise to corporate, institutional and government clients and high-net-worth individuals worldwide, as well as to retail clients in Switzerland. CS group serves its clients through three divisions, Investment Banking, Private Banking and Asset Management, which co-operate closely to provide holistic financial solutions based on innovative products and specially tailored advice. Founded in 1856, CS group has a truly global reach today, with operations in over 50 countries and a team of more than 47,600 employees from approximately 100 different nations.

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

CSi is a bank domiciled in the United Kingdom. It is a global market leader in over-the-counter ('OTC') derivative products from the standpoints of counterparty service, innovation, product range and geographic scope of operations. CSi offers a range of interest rate, currency, equity, commodity and credit-related OTC derivatives and certain securitised products. CSi's business is primarily client-driven, focusing on transactions that address the broad financing, risk management and investment concerns of its worldwide client base. CSi enters into derivative contracts in the normal course of business for market-making, positioning and arbitrage purposes, as well as for CS group's risk management needs, including mitigation of interest rate, foreign currency and credit risk. The Financial Statements for the year ended 31 December 2009 comprise CSi and its subsidiaries (together referred to as the 'Group'). CSi has three principal business divisions: Fixed Income, Equities and Investment Banking, which are managed as a part of the Investment Banking Division of CS group.

Principal Product Areas

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

- The Equity Division engages in a broad range of equity activities for investors including sales, trading, brokerage and market making in international equity and equity related securities, options and futures and OTC derivatives.

- The Investment Banking Division ('IBD') includes financial advisory services regarding mergers and acquisitions and other matters, origination and distribution of equity and fixed income securities, leveraged finance and private equity investments, and the provision of capital raising services in conjunction with FID and Equities.

Economic environment

At the beginning of 2009, global industrial production and trade contracted at a rapid pace. Central banks across the globe cut rates sharply, some close to zero. The European Central Bank ('ECB') joined the Bank of England ('BoE') and the US Federal Reserve ('Fed') in introducing programmes to purchase securities to support prices and financial institutions. However, global economic key indicators improved significantly in the second half of the year. While improvement was initially seen only in some emerging markets, especially China, other developed economies began to show a meaningful recovery from depressed levels.

Inflation fell sharply until the middle of the year and became negative in some developed countries, reflecting the sharp drop in energy prices compared to the middle of 2008, but rebounded towards year end. Divergence in economic performance was increasingly reflected in differing monetary policy responses, as central banks in Norway and Australia, commodity-driven economies that had only experienced rather mild recessions, began to raise interest rates. At the same time, central banks in some emerging markets, which had to maintain high interest rates or even raise them during the crisis in order to prevent a sharp depreciation of their currencies, continued to lower benchmark rates.

Government bond yields, which had fallen to multi-decade lows at the beginning of the year, rose sharply for longer tenors until mid-year when markets began to reflect higher interest rate and inflation expectations, which had fallen to extreme lows. Concerns about high government debt levels increased. Various governments' credit ratings were downgraded, and the yield differential between German and other euro area government bonds widened sharply, reaching a peak in the first quarter. These concerns reappeared towards the end of the year when a government-owned investment company in Dubai asked creditors for a standstill agreement to extend the maturities of all debt repayments until May 2010, and the Greek sovereign rating was downgraded twice within a two month period.

The US dollar continued to appreciate from 2008 into early 2009 as deleveraging in financial markets continued. Financial market conditions began to normalise and volatility peaked in the second quarter of 2009. Amid signs that expansionary monetary and fiscal policy could support future growth, risk appetite in currency markets increased. The US dollar depreciated due to the very low level of US interest rates while Asian currencies linked to global growth prospects and commodity currencies like the Australian dollar started to appreciate. The euro strengthened towards the end of 2009 from the lows reached in March, reflecting the weak US dollar and central bank purchases for diversification purposes. Towards the end of the year the US dollar strengthened due to better than expected macroeconomic data and the scaling back of short US dollar positions as the year end approached.

Sector environment

For the financial services industry, regulatory focus on compensation practices, the level and quality of capital, liquidity, increased transparency, leverage and systemic risk dominated the agenda throughout the year.

At the beginning of the year, the US Treasury administered stress tests and injected capital into a number of banks in the US. In addition, the US Treasury announced a Public-Private Investment Program to induce private investors to purchase troubled assets from banks and increased the Term Asset-Backed Securities Loan Facility ('TALF') in order to help stimulate both new issuances and the removal of assets from banks' Statement of Financial Positions. Regulatory capital ratios improved in the second quarter as a result of earnings and capital raising activities. However, the credit cycle continued its negative trend, with rising non-performing loans in retail banking and slightly higher corporate credit defaults. In the second half of the year, several large banks in the US repaid Troubled Asset Relief Program money received from the government, regaining greater flexibility. Towards the end of the year, the sector was impacted by intensifying bonus taxation discussions by governments.

The economic recovery toward the end of 2009 was fuelled in part by government stimulus programmes and historically low interest rates. Stimulus measures introduced by various governments in 2009 included a reduction in income taxes, tax benefits for homeowners and car-buyers and increased spending on infrastructure programmes. Initial indications of recovery in the second half of the year included an increase in household and

business spending in the USA, manufacturing gains and an improvement in housing market activity. However, prospects for a more broad-based recovery remained modest given continued tight credit markets and weak consumer spending and employment data.

Equity markets ended the year significantly higher after initially declining in the first quarter of 2009 and the Dow Jones Industrial Average posted its biggest annual percentage gain in six years. During the year, equity market volatility continued to decline from the record levels reached in November 2008. Equity trading volumes were up in the USA but down in Europe and fixed income volumes were down in the USA although slightly up in Europe. Credit spreads narrowed throughout the year, with significant tightening in the first quarter of 2009 from dramatically high levels in the fourth quarter of 2008. Further, cash and synthetic markets returned to a more normalised relationship following substantial dislocation in the prior year.

Until the beginning of March, commodity prices continued their downward trend, as most commodity markets suffered from oversupply and rising inventories. However, towards mid-2009 the first signs of stabilisation in commodity demand emerged, and prices began to rebound in the second quarter. Moreover, commodity prices reflected buying activity in the derivatives markets as market participants started to cover short positions. Precious metals prices benefited from the depreciation in the US dollar and falling real interest rates that spurred strong investment demand and central bank purchases. Overall, major commodity price indices were able to record solid gains over the course of 2009.

Global M&A activity declined significantly during the year. The decline in volume would have been more severe had it not been for extraordinary government investments in financial institutions around the world which partially offset the decline in strategic deals. However, in the fourth quarter of 2009, M&A activity rebounded significantly as the availability of financing increased. Debt and equity issuance increased, driven by financial institutions seeking to raise capital to restore their balance sheets and exit government ownership. The volume of high yield debt offerings in 2009 more than doubled from 2008 levels, driven by particularly strong issuance volumes in the second half of 2009. As 2009 came to a close, market conditions for underwriting and advisory continued to remain favourable as equity market valuations continued to rise and credit spreads continued to tighten.

Repositioning Investment Banking at Credit Suisse

The business environment has changed fundamentally over the past two years. Credit Suisse has responded responsibly to these changes with the implementation of a client focused, capital efficient strategy and a business model that enables the CS group to generate less volatile earnings.

During the fourth quarter of 2008, CS group announced an acceleration of efforts to reposition Investment Banking in response to the challenging market environment. In particular, CS group has focused on:

- reducing risk capital usage, including exiting certain proprietary and principal trading activities and aligning lending with customer franchises;
- reducing volatility and improving capital efficiency;
- increasing emphasis on client and flow-based businesses
- reducing risk limits for complex and structured products.

CSi continues to show progress on this strategy, and remains committed to reducing exposures in businesses most impacted by the recent dislocation in the credit markets. The current exposures attributable to these businesses are as follows:

- Leveraged Finance business: the Group's leveraged finance business provides capital raising and advisory services, and core leveraged credit products such as bank loans, bridge loans and mezzanine and high-yield debt to corporate and financial sponsor-backed companies. The Group's total funded net exposure as at 31 December 2009 was US$0.3BN (31 December 2008: US$1BN).
- Commercial Mortgage Backed Securities ('CMBS') business: CMBS are bonds backed by a pool of mortgage loans on commercial real estate properties. The Group has risk exposure to the underlying commercial loans from the time the loans are made until they are packaged as CMBS and distributed. The

fair value of the CMBS inventory as at 31 December 2009 was US$1.5BN of which 51% was of investment grade quality (31 December 2008: US$2.8BN).

- Collateralised debt obligations ('CDOs') trading business: the Group purchases interests and enters into derivative contracts with Asset Backed Securities ('ABS') CDOs and other counterparties. CDOs provide credit risk exposure to a portfolio of ABS (cash CDOs) or a reference portfolio of securities (synthetic CDOs) through, for example, credit default swaps. The CDO trading business in CSi had de minimis net US subprime exposure in CSi as at 31 December 2009 (31 December 2008: US$0.1BN).

Performance

The Group reported a net profit for the year ended 31 December 2009 of US$182M (31 December 2008: loss US$5,272M). Net revenues increased to a profit of US$1,344M compared with a loss of US$5,064M in 2008, however after net revenue operating expenses the Group reported a loss before tax of US$132M (31 December 2008: loss US$7,164M)

The Directors are of the opinion that, although they show a strong positive trend year on year, the revenues are not fully reflective of the inherent strength of the strategic businesses due to the inclusion of a number of non-recurring items which have had a negative impact on the 2009 reported revenues as follows:

- US$579M trading losses recognised during the year in businesses undergoing restructure, with the majority of this being valuation reductions in the mortgage backed securities business as the Group realigned its positions with the revised CS strategy. This realignment was substantially complete as at 31 December 2009 and therefore the Group does not any expect material negative impact arising from these businesses going forward.

- US$692M impact of an increase in market credit risk provisions on OTC derivatives, as a result of the expansion of the credit provisions across investment grade counterparties where previously market conditions had not indicated the need to consider the credit quality of these counterparties. As CSi is the global hedging entity for CS group's derivative exposure, the impact of the increased CS group credit risk adjustment on OTC derivatives has been almost entirely recognised in CSi. Offsetting this, valuation gains of US$125M on issued structured notes have been recognised resulting from changes in own credit spreads previously not considered observable. 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') are 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 credit default swap prices.

Excluding the impact of the above, the Group would have reported net income before tax of US$1,014M. This reflects the strong performance in client and flow based businesses as market share was gained across many products and regions, and as a consequence of the action taken at the end of 2008 to reposition the business in a changed financial services sector.

In particular, the Fixed Income and Equity businesses had strong results, compared with the significant losses in 2008 which were driven by the dislocation across all asset classes:

- Fixed Income revenues were significantly higher in Global Rates and Structured Credit businesses, as well in Emerging Markets. Interest rate products across all regions enjoyed a favourable trading environment due to improved spreads across tenors and markets as a result of increased liquidity. Credit related product revenues were driven by a strong rebound in credit markets and a narrowing of corporate credit spreads that had widened dramatically in late 2008.

- The increase in Equity revenues was primarily attributable to the Equity Derivatives business. This compared with losses of US$1,551M which were recognised in the fourth quarter of 2008 stemming from the structured derivatives businesses, and corporate and flow derivatives, as a result of highly volatile market conditions and counterparty-related defaults. In addition, the Group recognised stronger revenues from the Fund-Linked Products and Prime Services businesses. The strong performance in 2009 across these businesses was

driven by improved market conditions as higher investor confidence resulted in increased risk appetite for asset classes such as Equities.

The Group's operating expenses were US$1,476M (2008: US$2,100M). This decrease is a result of a reduction in general and administrative expenses partially offset by an increase in compensation accruals and the recognition in 2009 of the gain on a sale and leaseback transaction on the land and building comprising 20 Columbus Courtyard, London to M1 Group (refer to Note 32-Guarantees and Commitments). The lower general and administrative expenses were a result of decreased litigation charges and a reduction in the allocation of CS group overheads to CSi.

An income tax credit of US$314M (2008: US$1,892M) was reported for the year. The high effective tax rate for the current period is due primarily to the benefit of foreign exchange movements on tax losses carried forward. New legislation was enacted in July 2009 such that losses are now able to be carried forward in the functional currency of the entity. The impact of the enactment of this new legislation for the year is a tax credit of US$246M which is the reversal of a charge taken in 2008.

In response to the UK bank payroll tax on certain compensation exceeding GBP 25,000 for 2009, the aggregate amount of variable compensation awarded by CS group in 2009 was reduced by 5%, and the amount of variable compensation awarded to managing directors in the UK was significantly reduced. No expense has been recognised in 2009.

As at 31 December 2009, the Group had total assets of US$578,945M (31 December 2008: US$975,713M) and total shareholders' equity of US$11,035M (31 December 2008: US$9,573M). The significant decrease in total assets was predominantly driven by decreased fair values of interest rate and credit derivatives due to movements on yield curves in the global markets and tightening of corporate credit spreads, narrowing of bid offer spreads and a rebalancing of risk positions as part of the overall CS group Investment Bank strategy.

The Group has made a positive start to 2010 and the Directors remain confident about the prospects for 2010 given the strength of the business model and competitive position.

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 the way in which the business is managed.

The fair value of the majority of the Group's financial instruments is based on quoted prices in active markets for identical assets or liabilities ('Level 1') or inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) ('Level 2'). 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 ('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 CDOs, certain asset-backed and mortgage-backed securities, non-traded equity securities, private equity and other long term investments.

Total Level 3 assets were US$23.3BN as at 31 December 2009 (31 December 2008: US$52.9BN), which was equivalent to 4% of total assets.

Total Level 3 liabilities were US$25BN as at 31December 2009 (31 December 2008: US$47.9BN), which was equivalent to 4.4% of total liabilities.

The reduction in Level 3 assets and liabilities is primarily a result of the disposal of complex instruments in accordance with the Bank's strategy to de-risk the balance sheet. Additionally the increase in transparency and liquidity in financial markets resulted in some complex financial positions recognised on a fair value basis being reclassified from Level 3 to Level 2, reversing some of the movements experienced in 2008.

Involvement with Special Purpose Entities ('SPEs')

The Group enters into transactions with, and makes use of, SPEs in the normal course of business. Transactions with SPEs are generally executed to facilitate securitisation activities or to meet specific client needs, such as providing liquidity or investment opportunities, and, as part of these activities, CSi may hold interests in the SPEs. Securitisation-related transactions with SPEs involve selling or purchasing assets and entering into related derivatives with those SPEs, providing liquidity, credit or other support. Other transactions with SPEs include derivative transactions in CSi's capacity as the prime broker for entities qualifying as SPEs. CSi also enters into lending arrangements with SPEs for the purpose of financing client projects or the acquisition of assets. Further, CSi is involved with SPEs which were formed for the purpose of offering alternative investment solutions to clients. Such SPEs relate primarily to fund-linked vehicles or fund of funds, where CSi acts as structurer, manager, distributor, broker, market maker or liquidity provider. The economic risks associated with SPE exposures held by CSi, together with all relevant risk mitigation initiatives, are included in the CS group risk management framework.

Investing or financing needs, or those of the Group's clients, determine the structure of each transaction, which in turn determines whether sale accounting and subsequent derecognition of the transferred assets under IAS 39 applies. In addition, SPEs are entities which typically either lack sufficient equity to finance their activities without additional subordinated financial support, or are structured such that the holders of the voting rights do not substantively participate in the gains and losses of the entity. Such entities are required to be assessed for consolidation under IAS 27 and its associated interpretation, SIC-12. Application of the accounting requirements for consolidation of SPEs may require the exercise of significant management judgement.

Key information relating to SPE exposures as at the end of 2009 is as follows:

	31 December 2009 US$M
Consolidated SPEs	
CDOs	107
Financial intermediation	1,676
Total assets of consolidated SPEs (excluding those held with the bank)	**1,783**

	31 December 2009 US$M
Non-consolidated SPEs	
CDOs	8,167
Financial intermediation	48,186
Total assets of non-consolidated SPEs	**56,353**
Total maximum exposure to loss of non-consolidated SPEs	
CDOs	923
Financial intermediation	7,997

Structured Investment Vehicles ('SIVs')

SIVs are unconsolidated entities that issue various capital notes and debt instruments to fund the purchase of assets. CSi does not sponsor or serve as asset manager to any SIVs.

Capital Resources

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

Issues of long term debt are set out in Note 25- Long Term Debt.

In 2009, there were changes in various classes of authorised and issued share capital. Preference share capital increased by the authorisation and issuance of 200,000,000 Class K Preference shares. Participating share capital increased by the authorisation of 1,500,000,000 Participating shares, of which 757,575,758 were issued at a premium of US$742M. Class B Preference Shares were redeemed at par in full for US$375M (refer to Note 26-Called-up Share Capital and Share Premium).

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

Subsidiary Undertakings and Branches

Credit Suisse First Boston International Warrants Limited was put into members' voluntary liquidation during 2005 by the Bank, and remains in liquidation (refer to Note 19-Investment in Subsidiary Undertakings).

Dividends

No dividends have been paid for the year ended 31 December 2009 (2008: US$Nil).

Risk Management

The Group's financial risk management objectives and policies and the exposure of the Group to price risk, credit risk, liquidity risk and cash flow risk are outlined in Note 37-Financial Instruments Risk Positions.

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 2008 and up to the date of this report are as follows:

Appointment:	
Eraj Shirvani	12 April 2010
Luigi de Vecchi	16 December 2009
Stephen Dainton	30 October 2009
Resignation:	
Gael de Boissard	12 April 2010
James Amine	16 December 2009
Simon Yates	30 October 2009

None of the Directors who held office at the end of the financial year was directly beneficially interested, at any time during the year, in the shares of the Bank. Directors of the Group 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 CS 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 CS group has a Disability Interest Forum in place as a UK initiative. This forum:

- provides a support network;
- facilitates information sharing for those with a disability or those caring for a family member or friend with a disability; and

- invites all those who want to participate and who have an interest.

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

Donations

During the year the Group made US$10,638 (2008: US$41,182) of charitable donations. There were no political donations made by the Group during the year (2008: US$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.

Subsequent Events

The UK bank payroll tax on certain compensation exceeding GBP 25,000 for 2009 was enacted on 9 April 2010 and will result in additional compensation expense of approximately US$110M in 2010 (being a preliminary estimate). No expense has been recognised in 2009.

By Order of the Board

Paul E Hare
Company Secretary

One Cabot Square
London E14 4QJ
21 April 2010

COMPANY REGISTRATION NUMBER: 2500199

CREDIT SUISSE INTERNATIONAL
STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

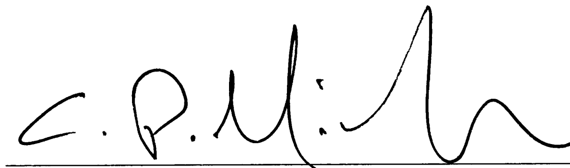
Company law requires the Directors to prepare group and parent company financial statements for each financial year. Under that law they are required to prepare the group financial statements in accordance with IFRSs as adopted by the EU, Article 4 of the IAS Regulation and applicable law and have elected to prepare the parent company financial statements on the same basis.

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.

Signed on behalf of the Board of Directors on 21 April 2010 by:



Costas P Michaelides
Director

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CREDIT SUISSE INTERNATIONAL

We have audited the financial statements of Credit Suisse International for the year ended 31 December 2009 set out on pages 13 to 19. 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 auditors' 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 Auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 11, 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 the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/UKP

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 2009 and of the group's profit 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; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the 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;
- certain disclosures of Directors' remuneration specific by law are not made; or
- we have not received all the information and explanations we require for our audit.

Iain Cummings
(Senior Statutory Auditor)

For and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
London
21 April 2010

CREDIT SUISSE INTERNATIONAL

CONSOLIDATED STATEMENTS OF INCOME FOR THE YEAR ENDED 31 DECEMBER 2009

	Note	2009 US$M	2008 US$M
Interest and dividend income	5	1,541	3,783
Interest expense	5	(1,677)	(4,971)
Net interest expense		(136)	(1,188)
Provision for credit losses	15	(125)	(159)
Commission and fee income	6	(140)	6
Net gains/(losses) from financial assets/liabilities at fair value through profit or loss	7	2,501	(2,798)
Revenue sharing agreements expense	8	(756)	(925)
Net revenues		**1,344**	**(5,064)**
Gain on sale and operating leaseback	32	91	-
Compensation and benefits	9	(761)	(584)
General and administrative expenses	10	(806)	(1,516)
Net operating expenses		**(1,476)**	**(2,100)**
Loss before taxes		**(132)**	**(7,164)**
Income tax credit	11	314	1,892
Net income/(loss)		**182**	**(5,272)**
Net income/(loss) attributable to:			
Equity holders of the parent		182	(5,272)
		182	**(5,272)**

All profit or loss for both 2009 and 2008 is from Continuing Operations.

The Bank's profit after tax was US$254M for the year ended 31 December 2009 (2008: loss US$5,293M)

There are no other realised gains or losses not included within the Consolidated Income Statement.

The notes on pages 20 to 105 form an integral part of the Financial Statements.

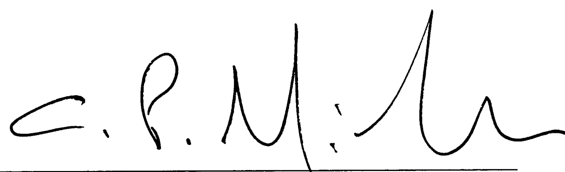
CREDIT SUISSE INTERNATIONAL

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2009

	Note	2009 US$M	2008 US$M
Assets			
Cash and due from banks		19,130	63,201
Interest-bearing deposits with banks		255	349
Securities purchased under resale agreements and securities borrowing transactions	13	19,337	8,958
Trading financial assets at fair value through profit or loss	14	459,520	806,967
Financial assets designated at fair value through profit or loss	14	29,681	34,451
Other loans and receivables	15	6,234	7,303
Repossessed collateral	16	34	34
Current tax assets		224	536
Deferred tax assets	12	2,143	1,825
Other assets	17	41,856	51,530
Intangible assets	20	256	184
Property and equipment	21	275	375
Total assets		**578,945**	**975,713**
Liabilities			
Deposits	22	2,231	1,586
Securities sold under repurchase agreements and securities lending transactions	13	4,120	9,019
Trading financial liabilities at fair value through profit or loss	14	437,653	756,744
Financial liabilities designated at fair value through profit or loss	14	43,071	40,698
Short term borrowings	23	28,038	79,278
Other liabilities	17	39,969	68,165
Provisions	24	40	14
Long term debt	25	12,788	10,636
Total liabilities		**567,910**	**966,140**
Shareholders' equity			
Called-up share capital	26	9,125	8,542
Share premium account	26	4,868	4,126
Retained earnings		(3,104)	(3,286)
Share-based payment reserve		146	191
Total shareholders' equity		**11,035**	**9,573**
Total liabilities and equity		**578,945**	**975,713**

The notes on pages 20 to 105 form an integral part of the Financial Statements.

Approved by the Board of Directors on 21 April 2010 and signed on its behalf by:



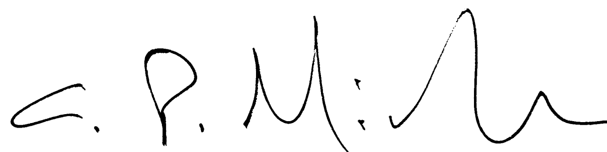
Costas P Michaelides

CREDIT SUISSE INTERNATIONAL
BANK STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2009

	Note	2009 US$M	2008 US$M
Assets			
Cash and due from banks		18,641	62,645
Interest-bearing deposits with banks		238	332
Securities purchased under resale agreements and securities borrowing transactions	13	19,337	8,148
Trading financial assets at fair value through profit or loss	14	459,560	818,787
Financial assets designated at fair value through profit or loss	14	29,924	31,609
Other loans and receivables	15	6,234	7,313
Current tax assets		204	498
Deferred tax assets	12	2,143	1,796
Other assets	17	43,321	52,748
Investments in subsidiary undertakings	19	27	27
Intangible assets	20	256	184
Property and equipment	21	275	375
Total assets		**580,160**	**984,462**
Liabilities			
Deposits	22	2,195	1,586
Securities sold under resale agreements and securities lending transactions	13	4,120	9,432
Trading financial liabilities at fair value through profit or loss	14	437,986	756,934
Financial liabilities designated at fair value through profit or loss	14	42,727	37,152
Short term borrowings	23	28,300	90,167
Other liabilities	17	41,012	69,083
Provisions	24	40	14
Long term debt	25	12,788	10,636
Total liabilities		**569,168**	**975,004**
Shareholders' equity			
Called-up share capital	26	9,125	8,542
Share premium account	26	4,868	4,126
Retained earnings		(3,147)	(3,401)
Share-based payment reserve		146	191
Total shareholders' equity		**10,992**	**9,458**
Total liabilities and shareholders' equity		**580,160**	**984,462**

The notes on pages 20 to 105 form an integral part of the Financial Statements.

Approved by the Board of Directors on 21 April 2010 and signed on its behalf by:



Costas P Michaelides

CREDIT SUISSE INTERNATIONAL

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2009

	Share Capital	Share Premium	Retained Earnings	Share-based payment reserve	Total
	US$M	US$M	US$M	US$M	US$M
Balance at 1 January 2009	**8,542**	**4,126**	**(3,286)**	**191**	**9,573**
Share-based compensation, pre-tax	-	-	-	(69)	(69)
Share-based compensation, tax	-	-	-	24	24
Net loss recognised directly in equity	**-**	**-**	**-**	**(45)**	**(45)**
Profit for the period and total recognised income and expense for the period	-	-	182	-	182
Issue of shares	958	742	-	-	1,700
Redemption of shares	(375)	-	-	-	(375)
Balance at 31 December 2009	**9,125**	**4,868**	**(3,104)**	**146**	**11,035**

	Share Capital	Share Premium	Retained Earnings	Share-based payment reserve	Total
	US$M	US$M	US$M	US$M	US$M
Balance at 1 January 2008	**5,621**	**3,647**	**1,986**	**218**	**11,472**
Share-based compensation, pre-tax	-	-	-	10	10
Share-based compensation, tax	-	-	-	(37)	(37)
Net loss recognised directly in equity	**-**	**-**	**-**	**(27)**	**(27)**
Loss for the period and total recognised income and expense for the period	-	-	(5,272)	-	(5,272)
Issue of shares	2,921	479	-	-	3,400
Redemption of shares	-	-	-	-	-
Balance at 31 December 2008	**8,542**	**4,126**	**(3,286)**	**191**	**9,573**

There were no dividends paid during 2009 (2008: Nil).

The notes on pages 20 to 105 form an integral part of the Financial Statements.

CREDIT SUISSE INTERNATIONAL

BANK STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2009

	Share Capital	Share Premium	Retained Earnings	Share-based payment reserve	Total
	US$M	US$M	US$M	US$M	US$M
Balance at 1 January 2009	**8,542**	**4,126**	**(3,401)**	**191**	**9,458**
Share-based compensation, pre-tax	-	-	-	(69)	(69)
Share-based compensation, tax	-	-	-	24	24
Net loss recognised directly in equity	**-**	**-**	**-**	**(45)**	**(45)**
Profit for the period and total recognised income and expense for the period	-	-	254	-	254
Issue of shares	958	742	-	-	1,700
Redemption of shares	(375)	-	-	-	(375)
Balance at 31 December 2009	**9,125**	**4,868**	**(3,147)**	**146**	**10,992**

	Share Capital	Share Premium	Retained Earnings	Share-based payment reserve	Total
	US$M	US$M	US$M	US$M	US$M
Balance at 1 January 2008	**5,621**	**3,647**	**1,892**	**218**	**11,378**
Share-based compensation, pre-tax	-	-	-	10	10
Share-based compensation, tax	-	-	-	(37)	(37)
Net loss recognised directly in equity	**-**	**-**	**-**	**(27)**	**(27)**
Loss for the period and total recognised income and expense for the period	-	-	(5,293)	-	(5,293)
Issue of shares	2,921	479	-	-	3,400
Redemption of shares	-	-	-	-	-
Balance at 31 December 2008	**8,542**	**4,126**	**(3,401)**	**191**	**9,458**

There were no dividends paid during 2009 (2008: Nil).

The notes on pages 20 to 105 form an integral part of the Financial Statements.

CREDIT SUISSE INTERNATIONAL
GROUP STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2009

Cash flows from operating activities	Note	2009 US$M	2008 US$M
Profit/(Loss) before tax for the period		(132)	(7,164)
Adjustments to reconcile net income to net cash provided by/(used in) operating activities			
Non-cash items included in net income/(loss) before tax and other adjustments:			
Impairment, depreciation and amortisation	20,21	149	142
Disposal of property, plant and equipment	21	2	3
Disposal of intangible assets	20	6	7
Interest accrued on long term debt	5	416	494
Provision for credit losses	15	125	159
(Reversal)/impairment on loan commitments		(9)	(2)
Foreign exchange gains/(losses)		89	(94)
Impairment on repossessed collateral	16	-	21
Gain on sale of long leasehold land and building	32	(91)	-
Provisions		6	5
Cash generated before changes in operating assets and liabilities		693	735
Net decrease/(increase) in operating assets:			
Interest bearing deposits with banks		94	(201)
Securities repurchased under resale agreements and securities borrowing transactions		(10,379)	13,282
Trading financial assets at fair value through profit or loss		347,447	(425,815)
Financial assets designated at fair value through profit or loss		4,770	(11,823)
Decrease in deferred tax asset due to deconsolidation		29	-
Other loans and receivables		944	3,931
Other assets		9,674	(25,346)
Net decrease/(increase) in operating assets		352,579	(445,972)
Net (decrease)/increase in operating liabilities:			
Deposits		(98)	21
Securities sold under resale agreements and securities lending transactions		(4,899)	(16,378)
Trading financial liabilities		(319,091)	465,625
Financial liabilities designated at fair value through profit or loss		2,373	(5,187)
Short term borrowings		(51,240)	32,700
Other liabilities and provisions		(28,192)	13,851
Share-based compensation		(69)	10
Net (decrease)/increase in operating liabilities		(401,216)	490,642
Net cash provided by/(used in) operating activities		**(48,076)**	**38,241**
Income taxes refund		362	425
Income taxes paid		(34)	(143)
Net cash provided by/(used in) operating activities		**(47,748)**	**38,523**
Cash flows from investing activities			
Sale proceeds of long leasehold land and building	32	152	-
Capital expenditures for property and equipment and intangible assets	20,21	(190)	(188)
Net cash used in investing activities		**(38)**	**(188)**
Cash flows from financing activities			
Issuances of long term debt (including long term debt at fair value through profit or loss)		1,723	3,030
Repayments of long term debt (including long term debt at fair value through profit or loss)		(76)	(4,531)
Interest paid on long term debt		-	(494)
Issue of shares	26	1,700	3,400
Redemption of shares	26	(375)	-
Net cash provided by financing activities		**2,972**	**1,405**
Net increase/(decrease) in Cash and due from banks		**(44,814)**	**39,740**
Cash and due from banks at beginning of period		61,717	21,977
Cash and due from banks at end of period		**16,903**	**61,717**
Cash and due from banks		19,130	63,201
Demand deposits		(2,227)	(1,484)
Cash and due from banks at end of period		**16,903**	**61,717**

The notes on pages 20 to 105 form an integral part of the Financial Statements.

CREDIT SUISSE INTERNATIONAL
BANK STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2009

Cash flows from operating activities	Note	2009 US$M	2008 US$M
Profit/(Loss) before tax for the period		(63)	(7,183)
Adjustments to reconcile net income to net cash provided by/(used in) operating activities			
Non-cash items included in net income/(loss) before tax and other adjustments:			
Impairment, depreciation and amortisation	20,21	149	142
Disposal of property, plant and equipment	21	2	3
Disposal of intangible assets	20	6	7
Interest accrued on long term debt	5	416	494
Impairment charge on other loans and receivables	15	125	159
Provision for credit losses		(9)	(2)
Foreign exchange (gain)/losses		89	(94)
Gain on sale of long leasehold land and building	32	(91)	-
Provisions		6	5
Cash generated before changes in operating assets and liabilities		693	714
Net (increase)/decrease in operating assets:			
Interest bearing deposits with banks		94	(184)
Securities purchased under resale agreements and securities borrowing transactions		(11,189)	13,538
Trading financial assets at fair value through profit or loss		359,227	(440,406)
Financial assets designated at fair value through profit or loss		1,685	(10,283)
Other loans and receivables		954	3,926
Other assets		9,427	(25,143)
Net increase in operating assets		360,198	(458,552)
Net increase/(decrease) in operating liabilities:			
Deposits		(98)	21
Securities sold under resale agreements and securities lending transactions		(5,312)	(15,965)
Trading financial liabilities		(318,948)	465,804
Financial liabilities designated at fair value through profit or loss		5,575	(4,922)
Short term borrowings		(61,867)	43,736
Other liabilities and provisions		(28,067)	13,549
Share-based compensation		(69)	10
Net increase in operating liabilities		(408,786)	502,233
Net Cash provided by/(used in) operating activities		**(47,958)**	**37,212**
Income taxes refund		327	425
Income taxes paid		(14)	(143)
Net cash provided by/(used in) operating activities		**(47,645)**	**37,494**
Investing activities			
Sale proceeds of long leasehold land and building	32	152	-
Capital expenditures for property, plant, equipment and intangible assets	20,21	(190)	(188)
Net cash flow used in investing activities		**(38)**	**(188)**
Cash flows from financing activities			
Issuances of long term debt (including long term debt at fair value through profit or loss)		1,723	3,030
Repayments of long term debt (including long term debt at fair value through profit or loss)		(76)	(4,531)
Interest paid on long term debt		-	(494)
Issue of shares	26	1,700	3,400
Redemption of shares	26	(375)	-
Net cash provided by/(used in) financing activities		**2,972**	**1,405**
Net increase/(decrease) in cash and due from banks		**(44,711)**	**38,711**
Cash and due from banks at beginning of period		61,161	22,450
Cash and due from banks at end of period		**16,450**	**61,161**
Cash and due from banks		18,641	62,645
Demand deposits		(2,191)	(1,484)
Cash and due from banks at end of period		**16,450**	**61,161**

The notes on pages 20 to 105 form an integral part of the Financial Statements.

1. General

Credit Suisse International ('CSi' or the 'Bank') is a bank domiciled in the United Kingdom. The address of the Bank's registered office is One Cabot Square, London, E14 4QJ. The Consolidated Financial Statements for the year ended 31 December 2009 comprise CSi and its subsidiaries (together referred to as the 'Group').

2. Significant Accounting Policies

a) Statement of compliance

Both the parent 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 IFRSs') and the International Financial Reporting Interpretations Committee ('IFRIC'). On publishing the parent company financial statements here together with the group financial statements, the Bank is taking advantage of the exemption in s408 of the Companies Act 2006 not to present its individual Statement of Income and related notes.

b) Basis of preparation

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are 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 Bank have unrestricted and direct access to funding sources by Credit Suisse Group. After making enquiries of the Credit Suisse Group, the Directors of the bank have received confirmation that a Credit Suisse Group will ensure that the bank maintains a sound financial position and is able to meet its debt obligations for the foreseeable future. Accordingly the Directors have prepared these accounts on a going concern basis.

Standards and Interpretations effective in the current period

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

- IAS 1 Revised - Presentation of Financial Statements. Details changes to the presentation of the financial statements, specifically around non-owner changes in equity (that is, 'comprehensive income') and the presentation thereof.

- IAS 1 and IAS 32 revised - Puttable instruments and obligations arising on liquidation. The amendments provide for equity treatment, under certain circumstances, for financial instruments puttable at fair value and obligations arising on liquidation only.

- IFRS 2 Amendments - Share Based Payment. These amendments clarify the terms 'vesting conditions' and 'cancellations'.

2. Significant Accounting Policies (continued)

- IFRS 3 Business Combinations and IAS 27 Consolidated and Separate Financial Statements: Details changes to Business Combination accounting including Acquisition cost, Contingent consideration, Goodwill and noncontrolling interests, Step acquisition, Partial disposal of an investment and acquiring additional shares in the subsidiary after control was obtained.

- IFRS 8 - Operating Segments. This replaces the old IAS 14 'Segment Reporting' and gives new guidance around segmental reporting.

- IFRS 7 and IFRS 1 - Amendment to IFRS 7 Improving Disclosures about Financial Instruments. The amendments require enhanced disclosures about fair value measurements and liquidity risk and relief from comparative disclosures for amendments in IFRS 1.

- IAS 32 Amendment 'Financial instruments' Presentation: Classification of Rights Issues. The amendment provides guidance on the classification of rights issues denominated in a currency other than the functional currency of the issuer.

- IAS 39 Amendments – Financial Instruments: Recognition and Measurement and IFRS 7 – Financial Instruments: Disclosures regarding reclassification of financial assets. These amendments to IAS 39 allowed certain classifications of non-derivative financial assets out of fair value through profit or loss and also allow the reclassification of financial assets from available for sale to loans and receivables, the IFRS 7 amendments require further disclosures around these reclassifications.

- Amendments to IAS 39 and IFRIC 9 – Embedded derivatives. This clarifies the accounting treatment of embedded derivatives for entities that make use of the reclassification amendments to IAS 39.

- Amendments to IAS 39 'Financial Instruments: Recognition and Measurement' Eligible Hedged Items. These amendments clarify what can be designated as a hedged item in a hedge accounting relationship and deals with the circumstances in which an entity may designate a portion of the cash flows of a financial instrument as a hedged item.

- Improvements to IFRS. 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.

- IFRIC 17 – Distributions of Non-Cash Assets to Owners. This amendment clarifies the recognition and measurement of dividends payable.

- IFRIC 18 – Transfers of Assets from Customers. This amendment clarifies the treatment of accounting for customer contributions, being transactions in which an entity – the 'access provider' – receives an asset it uses to provide access to an ongoing supply of 'goods or services' to a customer or customers.

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.

- IAS 32 Amendment 'Financial instruments' Presentation: Classification of Rights Issues. The amendment provides guidance on the classification of rights issues denominated in a currency other than the functional currency of the issuer. (effective for annual periods beginning on or after 1 February 2010 – expected adoption date 1 February 2010)

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 Group entities.

2. Significant Accounting Policies (continued)

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 Bank and its subsidiaries (including special purpose entities). The Consolidated Financial Statements include the Statements of Income, Statements of Financial Position, Statements of Cash Flows, Statements of Changes in Equity and the related notes of the Group.

A subsidiary is an entity in which the Bank holds, directly or indirectly, more than 50% of the outstanding voting rights, or which it otherwise has the power to control. Control is achieved where the Bank has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. The Bank also consolidates entities when the substance of the relationship between the Bank and the entity indicates that it is controlled by the Bank in accordance with SIC 12 'Consolidation – Special Purpose Entities'. The effects of intercompany transactions and balances have been eliminated in preparing the Consolidated Financial Statements.

d) Foreign currency

The Bank's functional currency is United States Dollars. Transactions denominated in currencies other than the functional currency of the reporting entity are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to 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 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 and that are held or utilised for the purpose of cash management.

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

f) Securities purchased or sold under resale agreements

Securities purchased under resale agreements ('reverse repurchase agreements') and securities sold under resale agreements ('repurchase agreements') are generally treated as collateralised financing transactions. In reverse repurchase agreements, the cash advanced, including accrued interest is recognised on the Consolidated Statements of Financial Position as an asset. In repurchase agreements, the cash received, including accrued interest is recognised on the Consolidated Statements of Financial Position as a liability.

Securities received under reverse repurchase agreements and securities delivered under repurchase agreements are not recognised or derecognised unless all or substantially all the risks and rewards are obtained or relinquished. In transactions where the borrower has the right to sell or repledge securities transferred by the Group, the securities are presented on the Consolidated Statements of Financial Position as encumbered. 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 effective yield 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.

2. Significant Accounting Policies (continued)

g) Securities borrowing and lending transactions

Securities borrowing and securities lending transactions are generally entered into on a collateralised basis. The transfer of the securities themselves is not reflected on the Statement of Financial Positions unless the risks and rewards of ownership are also transferred. In transactions where the borrower has the right to sell or repledge the securities transferred by the Group, the securities are presented on the Consolidated Statements of Financial Position as encumbered. If cash collateral is advanced or received, securities borrowing and lending activities are recorded at the amount of cash collateral advanced (cash collateral on securities borrowed) or received (cash collateral on securities lent). The sale of securities received in a security borrowing transaction results in the recognition of a trading liability (short sale).

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

h) Derivative financial instruments and hedging

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

Embedded derivatives

When derivative features embedded in certain contracts that meet the definition of a derivative are not considered clearly and closely related to the host instrument, the embedded feature will be accounted for separately at fair value, with changes in fair value recorded in the Consolidated Statement of Income unless, consistent with the provisions of IAS 39, the fair value option is elected (as described in note k 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:

2. Significant Accounting Policies (continued)

- 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.

Fair value hedge accounting

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

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

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 gain or loss is recorded at inception. Such reserves are amortised to income over the life of the instrument or released into income when observable market data becomes available.

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

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'.

2. Significant Accounting Policies (continued)

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

Trading assets and 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. Transactions with a normal settlement period are recorded on a trade date basis.

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.

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'.

j) Recognition and Derecognition

Recognition

The Group recognises financial instruments on its Consolidated Statements of Financial Position when the Group becomes a party to the contractual provisions of the instrument.

Trade date accounting

Purchases and sales of financial assets and liabilities at fair value through profit or loss are recorded on a trade date basis.

Derecognition

The Group enters into transactions where it transfers assets recognised on its Statement of Financial Positions, 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 Statement of Financial Positions. 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.

2. Significant Accounting Policies (continued)

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, determining by the extent to which it is exposed to changes in the value of the transferred asset.

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

Securities
The Group securitises assets, which generally results in the sale of these assets to special purpose entities, which in turn issue securities to investors. The transferred assets may qualify for derecognition 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.

k) Other loans and receivables

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

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

Impairment (charge)/reversal on other loans and receivables

The Group assesses at each reporting 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 reporting date (a 'loss event') and that the loss event or events have had an impact on the estimated future cash flows of the financial asset or the portfolio that can be reliably estimated.

Many factors can affect the Group's estimate of the impairment losses on other loans and receivables, including volatility of default probabilities, rating migrations and loss severity. If the Group determines that no impairment exists for an individually assessed loan, whether significant or not, it includes the loan in a loan portfolio and collectively assesses them for impairment. The estimation impairment for the loan portfolio involves applying historical loss experience, adjusted to reflect current market conditions, to homogeneous loans based on risk rating and product type. To estimate this component of the impairment for loans, the Group segregates loans by risk, industry or country rating. Excluded from this estimation process are loans where a specifically identified loss has been included in the specific component of the allowance for loan losses.

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. The Group considers a loan impaired when, based on current information and events, it is probable that the Group will be unable to collect the amounts due according to the contractual terms of the loan agreement. For certain non-collateral dependent impaired loans, impairment charges are measured using the present value of estimated future cash flows

2. Significant Accounting Policies (continued)

discounted at the asset's original effective interest rate. For collateral dependant impaired loans future cash flows for determining impairment is measured taking into account the value of collateral. 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 when the credit quality has improved such that there is reasonable assurance of timely collection of principal and interest in accordance with the original contractual terms of the claim agreement.

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.

Renegotiated loans

Loans subject to collective impairment assessment whose terms have been renegotiated are no longer considered past due, but are treated as new loans for measurement purposes once the minimum number of payments required under the new arrangements has been received. Loans subject to individual impairment assessment, whose terms have been renegotiated, are subject to ongoing review to determine whether they remain impaired or should be considered past due. The carrying amount of loans that has been classified as renegotiated retain this classification until maturity or derecognition.

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; however they are assessed for impairment.

l) Netting

The Group only offsets financial assets and liabilities and presents the net amount on the Statement of Financial Positions 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.

m) Income tax

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

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

2. Significant Accounting Policies (continued)

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 principal temporary differences arise from the following: depreciation of property, plant and equipment, revaluation of certain financial assets and liabilities including derivative contracts and other employee compensation and benefits. 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 Statement of Financial Positions, using tax rates enacted or substantively enacted at the reporting date.

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.

Information as to the calculation of income tax on the profit or loss for the periods presented is included in Note 11- Income Tax.

n) Repossessed collateral

The Group holds property as a consequence of enforcement of security over loans and advances. Property is initially measured at the fair value of the property received and subsequently measured at cost less impairment.

o) Intangible assets

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

Intangible assets are stated at cost less accumulated depreciation and impairment losses, and are depreciated over an estimated useful life of 3 years using the straight-line method upon completion or utilisation. The amortisation of the intangible assets is included in the 'other expenses' in the Consolidated Statement of Income.

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

p) Property and equipment

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

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

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

2. Significant Accounting Policies (continued)

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each reporting date. Assets that are subject to depreciation 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 Consolidated Statement of Income.

q) Preference share capital

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

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

r) Retirement benefit costs

The Group has both defined contribution and defined benefit pension plans. The defined benefit plans are CS group schemes, in which the Bank is not the sponsoring entity.

Obligations for contributions to defined contribution pension plans are recognised as an expense in the Consolidated Statement of Income as incurred.

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

s) Long term debt

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

t) 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 measure with sufficient reliability. A contingent liability is not recognised as a liability but is disclosed, unless the possibility is remote. A contingent liability, acquired under a business combination, is recognised at fair value.

u) Loan commitments

Where a loan arising from a lending commitment is expected to be held for trading, the commitment to lend is recorded as a trading derivative. Where it is not the Group's intention to trade the loan, a provision is only recorded

2. Significant Accounting Policies (continued)

where it is probable that the Group will incur a loss as a result of the loan commitment. This may occur, for example, where a loss of principal is probable or the interest rate charged on the loan is lower than the cost of funding. On inception of the loan, the hold portion is recorded at its fair value. Where this fair value is lower than the cash amount advanced (for example, due to the rate of interest charged on the loan being below the market rate of interest), the write down is charged to the Consolidated Statement of Income. The write down will be recovered over the life of the loan, through the recognition of interest income using the effective interest rate method, unless the loan is impaired.

v) Provisions

Provisions are recognised if they are present obligations which can be reliably measured, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations. 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.

w) Share-based payments

IFRS 2, as interpreted by IFRIC 11, requires that when a parent entity grants rights to equity instruments of itself directly to the employees of its subsidiary, such subsidiary should classify the share-based arrangement as equity-settled. As CSG, i.e. the Bank's ultimate parent company, is the grantor of the awards, all share-based arrangements are be classified as equity-settled. Equity-settled arrangements are fair valued on grant date and subsequently amortised through the Consolidated Statement of Income. The expense for share-based payments is determined by treating each tranche as a separate grant of share awards unless the employee is eligible for early retirement or retirement before the end of the vesting period, in which case recognition of the expense would be accelerated over the shorter period.

x) 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 other financial assets or other financial liabilities designated at fair value through profit or loss. These are recorded in 'net gains/(losses) from financial assets/liabilities at fair value through profit or loss'.

y) Other liabilities

Financial Guarantees

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

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

Any increase in the liability related to financial guarantee contracts is recorded in the consolidated statements of income under provision for credit losses.

2. Significant Accounting Policies (continued)

z) Commissions and fees

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

(a) The amount of revenue can be measured reliably;

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

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

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

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

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

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

aa) Operating leases

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

ab) Subleases

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

ac) Dividends

Dividends are recognised when declared and are treated as a reduction of equity along with the corresponding liability that represents the amount payable.

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 pronouncements, 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
k) Other loans and receivables
t) Contingent liabilities
u) Loan commitments
v) Provisions

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

Fair Value

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

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 judgment depending on liquidity, concentration, pricing assumptions and 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 collaterised debt obligations (CDOs), certain asset-backed and mortgage-backed securities, non-traded equity securities, private equity and other long term investments.

For further information on the fair value hierarchy and a description of the valuation techniques, see note 34 - Financial Instruments'.

The Group does not recognise a dealer profit or unrealised gain or loss at the inception of a derivative or non-derivative transaction unless the valuation underlying the unrealised gain or loss is evidenced by quoted market prices in an active market, observable prices of other current market transactions, or other observable data supporting a valuation technique in accordance with IAS 39 'Financial Instruments Recognition and Measurement' AG 76A.

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 or 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.

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

Special Purpose Entities

As part of normal business, CSi engages in various transactions that include entities which are considered Special Purpose Entities (SPEs). An SPE is an entity that typically lacks sufficient equity to finance its activities without additional subordinated financial support or is structured such that the holders of the voting rights do not substantively participate in the risks and rewards of ownership of the entity. Such entities are required to be assessed for consolidation under IAS27 'Consolidated and separate financial instruments' and its interpretation, SIC-12. An SPE is consolidated by CSi when the substance of the relationship between CSi and the SPE indicates that the SPE is controlled by CSi. SPEs may be sponsored by CSi, unrelated third parties or clients (see Note 33-Securitisations and Special Purpose Entities and Other Structured Transactions). Application of the accounting requirements for consolidation of SPEs initially and if certain events occur that require CSi to reassess whether consolidation is required, can require the exercise of significant management judgment.

When evaluating the consolidation of SPEs, CSi considers the following four indicators:

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

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

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

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

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, seek damages of unspecified or indeterminate amounts or 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, commitments and letters of credit and as a result of counterparty risk on derivatives, foreign exchange and other transactions. Credit risk is the risk that a borrower or counterparty is unable to meet its financial obligations. In the event of a default, the Group generally incurs a loss equal to the amount owed by the counterparty, less a recovery amount

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

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 CSS (Europe) Ltd, the sponsor of the defined benefit plan, has made in arriving at the valuations of the various components of the defined benefit plan, of which the Group is a participant.

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

CSS (Europe) Ltd 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 investment and actuarial advisors. The Group 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, CSS (Europe) Ltd takes into consideration the relationship between the corporate bonds and the timing and amount of the future cash outflows on its benefit payments.

In July 2007, the International Financial Reporting Interpretations Committee ('IFRIC') issued interpretation IFRIC 14 'IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction' ('IFRIC 14'). IFRIC 14 provides general guidance on how to assess the limit in IAS 19, 'Employee Benefits' on the amount of a pension fund surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected when there is a statutory or contractual minimum funding requirement. No additional liability need be recognised by the employer under IFRIC 14 unless the contributions that are payable under the minimum funding requirement cannot be returned to the company. IFRIC 14 was endorsed by the EU in December 2008; hence CSS (Europe) Ltd adopted the new requirements on 1 January 2008. As CSS (Europe) Ltd is the settler, it will have an unconditional right to any residual surplus once all the liabilities under the fund have been met, accordingly there is no impact on CSS (Europe) Ltd's IAS19 results in respect of the scheme.

Taxes

Tax contingencies

Significant judgement is required in determining the effective tax rate and in evaluating certain tax positions. The Group accrues 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

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

accrued for any contingent tax liabilities.

Deferred tax valuation

Deferred tax assets and liabilities are recognised to reflect the estimated amounts of income tax recoverable or payable in future periods in respect of temporary differences and unused carry forward of tax losses and credits. For temporary differences, a deferred tax asset is recognised to the extent that it is probable that taxable income will be available against which the deductible temporary difference can be utilised. Similarly, a deferred tax asset is recognised on unused carry forward tax losses and credits to the extent that it is probable that future taxable profits will be available against which the unused carry forward tax losses and credits can be utilised.

Periodically, management evaluates the probability that taxable profits will be available against which the deductible temporary differences and unused carry forward tax losses and credits can be utilised. Within this evaluation process, management also considers tax planning strategies. The evaluation process requires significant management judgement, primarily with respect to projecting future taxable profits.

The deferred tax asset has been recognised in full on the basis that there is sufficient probability that future taxable profit will be available against which the Group can utilise these benefits. This is based on management's assessment that it is probable that the Group will have taxable profits against which the unused tax losses and deductible temporary differences can be utilised. Generally, in determining the amounts of deferred tax assets to be recognised, management considers available evidence including forecast operating income and, where applicable, a review of the eligible carry-forward periods, tax planning opportunities and other relevant considerations.

Share-based payments

For share-based payment transactions, the Group may receive a tax deduction related to the compensation paid in shares. The amount deductible for tax purposes may differ from the cumulative compensation expense recorded. At any reporting date, the Group must estimate the expected future tax deduction based on the current share price. If the amount deductible or expected to be deductible, for tax purposes exceeds the cumulative compensation expense, the excess tax benefit is recognised in equity. If the amount deductible or expected to be deductible, for tax purposes is less than the cumulative compensation expense, the shortfall is recognised in the Consolidated Statement of Income for the period.

Transfer Pricing

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

4. Segmental Analysis

The bank has adopted IFRS 8 – 'Operating Segments' during the year. Following changes to the internal reporting during the year, the Bank has concluded that there are three reportable segments that are regularly reviewed by the Chief Operating Decision Maker when assessing the performance and allocation of resources. These segments are based on products and services offerings of the Group:

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

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

Similarly certain revenue items are not directly allocated to the above business segments at a CSi company level. These items include transfer pricing, certain credit risk allocations, treasury and corporate centre allocations. These are not included as an operating segment as they are not separate business activities from which CSi may earn revenues. The 2008 numbers have been adjusted to align with the implementation of IFRS 8.

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

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

	2009 US$M	2008 US$M
Revenues		
Fixed Income	2,207	(3,910)
Equities	1,046	(1,207)
Investment banking	402	530
Total	**3,655**	**(4,587)**

The following table shows the Group's revenue from by managed region which generates the revenue:

	2009 US$M	2008 US$M
Revenues		
EMEA	2,970	(2,983)
Americas	520	(1,095)
Switzerland	9	29
Asia	156	(538)
Total	**3,655**	**(4,587)**

Group Assets:
Non current assets, other than financial instruments, deferred tax assets, post employment benefit assets and rights arising under insurance contacts, consist of Property Plant and Equipment, Investments and Intangible assets totalling US$531M (2008 :US$559M), all of which are located in EMEA.

4. Segmental Analysis (continued)

Reconciliation of reportable segment revenues

	2009 US$M	2008 US$M
Reconciliation		
IFRS statement of income		
Net interest expense	(136)	(1,188)
Net revenues	1,480	(3,876)
Group revenues	**1,344**	**(5,064)**
Total revenues for reportable segments – MIS	3,655	(4,587)
Revenue sharing agreement expense	(756)	(925)
Expansion of market credit risk adjustment[1]	(692)	-
Treasury funding	(529)	206
Other corporate items	(126)	(126)
Provisions for credit losses	(125)	(159)
CS Group to Primary reporting reconciliations[2]	(83)	527
Group Revenues	**1,344**	**(5,064)**

Notes:
(1) Market credit risk provisions introduced against investment grade counterparties driven by market conditions
(2) This is the difference between the monthly board summaries which are prepared on a US GAAP basis and the CSi accounts prepared in accordance with IFRS.

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

5. Net Interest Expense

Group	2009 US$M	2008 US$M
Loans and receivables	820	727
Securities purchased under resale agreements and securities borrowing transactions	113	597
Cash Collateral paid on OTC derivatives transactions	251	956
Interest Income on cash, cash equivalents and loans	357	1,503
Interest and dividend income	**1,541**	**3,783**
Deposits	(5)	(11)
Short term borrowings	(859)	(2,424)
Securities sold under resale agreements and securities lending transactions	(78)	(502)
Long term debt	(416)	(494)
Cash Collateral received on OTC derivatives transactions	(319)	(1,540)
Interest expense	**(1,677)**	**(4,971)**
Net interest expense	**(136)**	**(1,188)**

Interest income accrued on impaired financial assets during the year was US$4.5M (2008: US$6.1M).

6. Commissions and Fee Income

Group	2009 US$M	2008 US$M
Lending business	37	71
Other customer services	(177)	(65)
Net commission and fee income	**(140)**	**6**
Total commission and fee income	44	100
Total commission and fee expense	(184)	(94)
Net commission and fee income	**(140)**	**6**

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

Group	2009 US$M	2008 US$M
Interest rate	1,275	(1,121)
Foreign exchange	123	274
Equity	1,209	(292)
Commodity	209	298
Credit	(332)	(1,914)
Other	17	(43)
Total net gains/(losses) from financial assets/liabilities at fair value through profit or loss	**2,501**	**(2,798)**

Of which:	2009 US$M	2008 US$M
Net gains/(losses) from financial assets/liabilities designated at fair value through profit or loss		
Securities purchased under resale agreements and securities borrowing transactions	(244)	203
Loans	2,376	(2,801)
Other financial assets designated at fair value through profit or loss	40	155
Deposits	(40)	437
Securities sold under repurchase agreements and securities lending transactions	(128)	(306)
Short term borrowings	(385)	77
Long term debt	(1,748)	4,935
Other financial liabilities designated at fair value through profit or loss	(211)	51
Total net gains/(losses) from financial assets/liabilities designated at fair value through profit or loss	**(340)**	**2,751**

Included in this total is US$53M gain (2008: US$100M gain) of fair value changes of financial liabilities due to changes in the Group's own creditworthiness. The cumulative effect thereon is a gain of US$230M (2008: gain US$177M).

8. Revenue Sharing Agreements

Revenue sharing agreements expense of US$756M (2008: US$925M) principally relates to amounts allocated to CSi from other companies in the CS group.

9. Compensation and Benefits

Group	2009 US$M	2008 US$M
Salaries and variable compensations	648	528
Social security	84	17
Pensions	26	33
Other	3	6
Compensation and benefits	**761**	**584**

Included in the above table are amounts relating to Directors' remuneration. Further details are disclosed in Note 29-Related Parties. Staff costs and staff numbers do not differ between Bank and Group.

10. General and Administrative Expenses

Group	Note	2009 US$M	2008 US$M
Occupancy expenses		12	13
IT and machinery		38	78
Amortisation expenses	20	60	39
Depreciation expenses	21	86	86
Provisions	24	1	5
Litigation		30	278
Commission expenses		319	413
Travel and entertainment		10	14
Audit fees of the Group		2	3
Professional services		59	90
Impairment of intangible assets	20	3	17
Impairment (reversal)/charge on loan commitments		-	(2)
Net overheads allocated from other CS group entities		172	454
Other		14	28
Other expenses		**806**	**1,516**

The 2009 litigation charge relates to settlement of the class actions brought by the Parmalat Bondholders in Italy. The 2008 litigation charges of US$267M relate to an agreement with the Parmalat Group to settle all claims between the parties in Italy and a fine of US$11M to the FSA for systems and controls failings related to the mismark and pricing errors.

Expenses incurred on behalf of the Group are recharged through 'Net overheads allocated from other CS group entities'.

11. Income Tax

	Group 2009 US$M	Group 2008 US$M	Bank 2009 US$M	Bank 2008 US$M
Current tax				
Current (charge)/credit on profits/(losses) for the period	(3)	227	-	223
Adjustments in respect of previous periods	(6)	47	(6)	47
Total current tax credit/(charge)	**(9)**	**274**	**(6)**	**270**
Deferred tax				
Origination and reversal of temporary differences	143	(47)	143	(45)
Current year tax losses	(67)	1,728	(67)	1,728
Adjustments in respect of previous periods	(16)	37	(16)	37
FX movement on losses carried forward	246	(246)	246	(246)
Effect of changes in tax rate or the imposition of new taxes	5	102	5	102
Other	12	44	12	44
Total deferred tax credit	**323**	**1,618**	**323**	**1,620**
Income tax credit	**314**	**1,892**	**317**	**1,890**

Further information about deferred income tax is presented in Note 12-Deferred Taxes. The income tax charge for the year can be reconciled to the profit per the statement of income as follows:

	Group 2009 US$M	Group 2008 US$M	Bank 2009 US$M	Bank 2008 US$M
(Loss) before tax	(132)	(7,164)	(63)	(7,182)
(Loss) before tax multiplied by the UK statutory rate of corporation tax at the rate of 28% (2008: 28.5%)	37	2,046	18	2,047
Other permanent differences	43	(120)	58	(121)
Effect of different tax rates of operations/subsidiaries operating in other jurisdictions	(2)	134	5	134
Adjustments to current tax in respect of previous periods	(6)	48	(6)	48
Adjustments to deferred tax in respect of previous periods	(16)	37	(16)	37
Effect on deferred tax resulting from changes to tax rates	-	(33)	-	(33)
FX movement on losses carried forward	246	(246)	246	(246)
Other	12	26	12	24
Income tax credit	**314**	**1,892**	**317**	**1,890**

12. Deferred Taxes

Deferred taxes are calculated on all temporary differences under the liability method using an effective tax rate of 28% (2008: 28%). The UK corporation tax rate was reduced from 30% to 28% from 1 April 2008.

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

12. Deferred Taxes (continued)

	Group 2009 US$M	Group 2008 US$M	Bank 2009 US$M	Bank 2008 US$M
Deferred tax assets	2,143	1,825	2,143	1,796
Net position	**2,143**	**1,825**	**2,143**	**1,796**
Balance at 1 January	1,825	213	1,796	213
Transfers	(29)	33	-	-
Credit to income for the year	323	1,618	323	1,620
Movement in share-based payment reserve	24	(37)	24	(37)
Other	-	(2)	-	-
At end of the year	**2,143**	**1,825**	**2,143**	**1,796**

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

Deferred tax assets

	Group 2009 US$M	Group 2008 US$M	Bank 2009 US$M	Bank 2008 US$M
Derivative financial instruments	30	35	30	35
Share-based compensation	104	58	104	58
Decelerated tax depreciation	120	81	120	81
Other provisions	15	7	15	7
Unpaid interest	153	29	153	29
Deferred tax impact on losses carried forward	1,721	1,615	1,721	1,586
At end of the year	**2,143**	**1,825**	**2,143**	**1,796**

The deferred tax credit in the statement of income comprises the following temporary differences:

	Group 2009 US$M	Group 2008 US$M	Bank 2009 US$M	Bank 2008 US$M
Derivative financial instruments	(5)	(5)	(5)	(5)
Share-based compensation	21	(51)	21	(51)
Decelerated tax depreciation	39	68	39	68
Other provisions	8	(5)	8	(5)
Other short term temporary differences	-	(2)	-	-
Unpaid interest	125	29	125	29
Deferred tax impact on losses carried forward	135	1,584	135	1,584
Total deferred tax credit in the statement of income	**323**	**1,618**	**323**	**1,620**

The deferred tax asset has been recognised in full on the basis that there is sufficient probability that future taxable profit will be available against which the Group can utilise these benefits. This is based on management's assessment that it is probable that the Group will have taxable profits against which the unused tax losses and deductible temporary differences can be utilised. Generally, in determining the amounts of deferred tax assets to be recognised, management considers available evidence including forecast operating income and, where applicable, a review of the eligible carry-forward periods, tax planning opportunities and other relevant considerations.

13. Securities Borrowed, Lent and Subject to Resale Agreements

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

	Group 2009 US$M	Group 2008 US$M	Bank 2009 US$M	Bank 2008 US$M
Securities purchased under resale agreements	6,039	7,177	6,039	6,367
Deposits paid for securities borrowed	13,298	1,781	13,298	1,781
Total	**19,337**	**8,958**	**19,337**	**8,148**

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

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

	Group 2009 US$M	Group 2008 US$M	Bank 2009 US$M	Bank 2008 US$M
Securities sold under resale agreements	296	5,522	296	5,935
Deposits received for securities lent	3,824	3,497	3,824	3,497
Total	**4,120**	**9,019**	**4,120**	**9,432**
Other liabilities (Refer to Note 17)	1,268	2,969	1,274	2,953
Total	**5,388**	**11,988**	**5,394**	**12,385**

Repurchase and reverse repurchase agreements represent collateralised financing transactions used to earn net interest income, increase liquidity or facilitate trading activity. These instruments are collateralised principally by government securities and money market instruments and generally have terms ranging from overnight to a longer or unspecified period of maturity. The 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.

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 on a daily basis and additional collateral is obtained as necessary.

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

In the event of counterparty default, the repurchase agreement or securities lending agreement provides the Group with the right to liquidate the collateral held. In the Group's normal course of business, substantially all of the collateral received that may be sold or repledged has been sold or repledged as of 31 December 2009.

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

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

	Group 2009 US$M	Group 2008 US$M	Bank 2009 US$M	Bank 2008 US$M
Trading financial assets at fair value through profit or loss				
Debt securities	26,515	25,384	25,485	26,053
Equity securities	16,607	19,482	16,779	19,780
Derivative instruments	409,873	756,315	410,736	756,561
Other	6,525	5,786	6,560	16,393
Trading financial assets at fair value through profit or loss	**459,520**	**806,967**	**459,560**	**818,787**
Financial assets designated at fair value through profit or loss				
Debt securities	2,931	3,841	2,931	3,841
Loans	15,812	18,414	15,812	15,572
Securities purchased under resale agreements and securities borrowing transactions	10,938	12,196	11,181	12,196
Total financial assets designated at fair value through profit or loss	**29,681**	**34,451**	**29,924**	**31,609**

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

Trading financial assets and financial assets designated at fair value through profit or loss include US$24,692M (2008: US$23,319M) 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.

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

For loans designated at fair value through profit or loss, the maximum fair value exposure to credit risk as at 31 December 2009 was US$15.8BN (2008: US$18.4BN). To mitigate this credit risk, securities are held as collateral, and credit default swaps with a notional value of US$5.7BN (2008: US$9.2BN) have been transacted to transfer this risk into the capital markets.

The fair value movement attributable to counterparty credit on loans designated at fair value through profit or loss is calculated using credit spreads applicable to specific points in time. All other risk variables are held constant and the credit spreads are moved based on current market conditions. During the year ended 31 December 2009, this fair value movement was an increase of US$1BN (2008: decrease US$2.6BN). The cumulative effect thereon at the year end was a decrease of US$1.9BN (2008: decrease US$2.9BN). The corresponding decrease in fair value of the swaps and securities in place to mitigate this risk was US$444M (2008: increase US$2.1BN). The cumulative effect thereon at the year end was an increase of US$1.8BN (2008: increase US$2.2BN).

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

The debt instruments measured at fair value through profit or loss are government securities and thus exposure to credit risk is minimal.

14. Trading Financial Assets and Liabilities at Fair Value Through Profit or Loss (continued)

	Group 2009 US$M	Group 2008 US$M	Bank 2009 US$M	Bank 2008 US$M
Trading financial liabilities at fair value through profit or loss				
Short positions	17,585	10,284	17,585	10,284
Derivative instruments	420,068	746,460	420,401	746,650
Trading financial liabilities at fair value through profit or loss	**437,653**	**756,744**	**437,986**	**756,934**
Financial liabilities designated at fair value through profit or loss				
Subordinated debt	531	627	531	627
Structured notes	24,586	26,106	24,242	22,560
Deposits	3,567	4,249	3,567	4,249
Securities sold under repurchase agreements and securities lending transactions	14,387	9,716	14,387	9,716
Total financial liabilities designated at fair value through profit or loss	**43,071**	**40,698**	**42,727**	**37,152**

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

Of the other financial liabilities designated at fair value through profit or loss, subordinated debt, bonds and repurchase agreements were primarily elected to alleviate an accounting mismatch, while structured notes and deposits were mainly elected because they are managed on a fair value basis. The carrying amount is US$1.7BN lower than the amount that the Group would be contractually required to pay to the holder of these financial liabilities at maturity (2008: US$4.2BN lower).

15. Other Loans and Receivables

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

	Group 2009 US$M	Group 2008 US$M	Bank 2009 US$M	Bank 2008 US$M
Banks	457	1,151	457	1,151
Customer	4	64	4	74
Domestic	**461**	**1,215**	**461**	**1,225**
Banks	542	265	542	265
Customer	5,354	6,098	5,354	6,098
Foreign	**5,896**	**6,363**	**5,896**	**6,363**
Other loans and receivables, gross	**6,357**	**7,578**	**6,357**	**7,588**
Banks	(5)	(10)	(5)	(10)
Customer	(118)	(265)	(118)	(265)
Allowances for impairment losses	**(123)**	**(275)**	**(123)**	**(275)**
Other loans and receivables, net	**6,234**	**7,303**	**6,234**	**7,313**

Other loans and receivables due within one year for the Group, amounts to US$1,656M (2008: US$3,258M) and for the Bank amounts to US$1,656M (2008: US$3,268M).

15. Other Loans and Receivables (continued)

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

Group and Bank	2009 US$M	2008 US$M
Allowance for loan losses	(142)	(159)
Provisions for off-balance sheet exposure	17	-
Provision for Credit Losses	**(125)**	**(159)**

Group and Bank	Banks US$M	Customers US$M	Total US$M
Balance at 1 January 2009	(10)	(265)	(275)
Additional allowances for impairment losses	(1)	(233)	(234)
Reversal of allowances for impairment losses	6	86	92
Movement recognised in Consolidated Statement of Income	5	(147)	(142)
Net Write backs	-	294	294
Balance at 31 December 2009	**(5)**	**(118)**	**(123)**
Balance at 1 January 2008	(4)	(112)	(116)
Additional allowances for impairment losses	(7)	(244)	(251)
Reversal of allowances for impairment losses	1	91	92
Movement recognised in Consolidated Statement of Income	(6)	(153)	(159)
Balance at 31 December 2008	**(10)**	**(265)**	**(275)**

16. Repossessed Collateral

The Group holds property as a consequence of enforcement of security over loans and advances. Property is initially measured at the fair value of the property received and subsequently measured at cost less impairment. The fair value of the property is US$34M (2008: US$34M).

During the year there was no material impairment write-down on the property (2008: US$21M). The rental income earned and depreciation from this investment was insignificant.

The property is to be sold as soon as practicable, with the proceeds used to reduce the outstanding indebtedness.

17. Other Assets and Other Liabilities

	Group 2009 US$M	Group 2008 US$M	Bank 2009 US$M	Bank 2008 US$M
Other assets				
Derivative instruments used for hedging (refer to Note 31)	33	126	33	126
Brokerage receivables (refer to Note 18)	5,108	5,927	5,108	5,927
Interest and fees receivable	125	231	1,600	1,502
Cash collateral on derivative instruments				
- Banks	16,141	19,678	16,141	19,678
- Customers	20,153	25,150	20,153	25,150
Other	296	418	286	365
Total other assets	**41,856**	**51,530**	**43,321**	**52,748**

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

17. Other Assets and Other Liabilities (continued)

	Group 2009 US$M	Group 2008 US$M	Bank 2009 US$M	Bank 2008 US$M
Other liabilities				
Derivative instruments used for hedging	6	19	6	19
Brokerage payables (refer to Note 18)	5,120	2,095	4,902	2,095
Interest and fees payable	1,054	1,306	2,336	2,322
Cash collateral on derivative instruments				
- Banks	22,973	44,299	22,973	44,299
- Customers	8,749	16,854	8,749	16,854
Failed sales	1,268	2,969	1,274	2,953
Other	799	623	772	541
Total other liabilities	**39,969**	**68,165**	**41,012**	**69,083**

18. Brokerage Receivables and Brokerage Payables

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

	Group 2009 US$M	Group 2008 US$M	Bank 2009 US$M	Bank 2008 US$M
Due from customers	870	14	870	14
Due from banks, brokers and dealers	4,238	5,913	4,238	5,913
Total brokerage receivables	**5,108**	**5,927**	**5,108**	**5,927**

	Group 2009 US$M	Group 2008 US$M	Bank 2009 US$M	Bank 2008 US$M
Due to customers	64	211	65	211
Due to banks, brokers and dealers	5,056	1,884	4,837	1,884
Total brokerage payables	**5,120**	**2,095**	**4,902**	**2,095**

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

19. Investments in Subsidiary Undertakings

Bank	2009 US$M	2008 US$M
Investments in Subsidiary Undertakings	27	27

19. Investments in Subsidiary Undertakings (continued)

The subsidiary undertakings, direct and indirect, of the Bank at 31 December 2009, all of which are consolidated in these financial statements, are as follows:

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

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

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

20. Intangible Assets

Group and Bank

	Internally Developed Software 2009 US$M	Internally Developed Software 2008 US$M
Cost:		
Cost as at 1 January	436	336
Additions	141	111
Disposals	(21)	(11)
Cost as at 31 December	**556**	**436**
Accumulated amortisation:		
Accumulated amortisation as at 1 January	(252)	(200)
Amortisation for the period	(60)	(39)
Impairment	(3)	(17)
Disposals	15	4
Accumulated amortisation as at 31 December	(300)	(252)
Net book value as at 1 January	**184**	**136**
Net book value as at 31 December	**256**	**184**

21. Property and Equipment

Group and Bank
2009

	Leasehold Land and Buildings US$M	Leasehold Improvements US$M	Computer Equipment US$M	Office Equipment US$M	Total US$M
Cost:					
Cost as at 1 January 2009	78	538	536	96	1,248
Additions	-	14	32	3	49
Disposals	(78)	(79)	(1)	(1)	(159)
Cost as at 31 December 2009	-	473	567	98	1,138
Accumulated depreciation:					
Accumulated depreciation as at 1 January 2009	(16)	(334)	(448)	(75)	(873)
Charge for the period	(1)	(38)	(41)	(6)	(86)
Disposals	17	79	-	-	96
Accumulated depreciation as at 31 December 2009	-	(293)	(489)	(81)	(863)
Net book value as at 1 January 2009	**62**	**204**	**88**	**21**	**375**
Net book value as at 31 December 2009	**-**	**180**	**78**	**17**	**275**

Group and Bank
2008

	Leasehold Land and Buildings US$M	Leasehold Improvements US$M	Computer Equipment US$M	Office Equipment US$M	Total US$M
Cost:					
Cost as at 1 January 2008	78	518	504	85	1,185
Additions	-	20	46	11	77
Disposals	-	-	(14)	-	(14)
Cost as at 31 December 2008	78	538	536	96	1,248
Accumulated depreciation:					
Accumulated depreciation as at 1 January 2008	(14)	(292)	(421)	(71)	(798)
Charge for the period	(2)	(42)	(38)	(4)	(86)
Disposals	-	-	11	-	11
Accumulated depreciation as at 31 December 2008	(16)	(334)	(448)	(75)	(873)
Net book value as at 1 January 2008	**64**	**226**	**83**	**14**	**387**
Net book value as at 31 December 2008	**62**	**204**	**88**	**21**	**375**

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

No interest has been capitalised within property, plant and equipment (2008: US$Nil).

22. Deposits

	Group 2009 US$M	Group 2008 US$M	Bank 2009 US$M	Bank 2008 US$M
Non-interest bearing demand deposits	971	810	971	810
Interest-bearing demand deposits	1,256	674	1,220	674
Time deposits	4	102	4	102
Total deposits	**2,231**	**1,586**	**2,195**	**1,586**
Of which due to banks	1,969	1,475	1,933	1,475
Of which due to customers	262	111	262	111

23. Short Term Borrowings

	Group 2009 US$M	Group 2008 US$M	Bank 2009 US$M	Bank 2008 US$M
Short term borrowings:				
from banks	28,030	79,278	28,029	79,278
from customers	8	-	271	10,889
Total short term borrowings	**28,038**	**79,278**	**28,300**	**90,167**

24. Provisions

Group and Bank	Property US$M	Litigation US$M	Total 2009 US$M
Balance at 1 January 2009	5	9	14
Charges during the year	1	30	31
Utilised during the year	-	(5)	(5)
Balance at the end of the year	**6**	**34**	**40**

Group and Bank	Property US$M	Litigation US$M	Total 2008 US$M
Balance at 1 January 2008	9	7	16
Charges during the year	-	5	5
Utilised during the year	(4)	(3)	(7)
Balance at the end of the year	**5**	**9**	**14**

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

The litigation provision relates to legal cases that the Bank is defending. The exact timing of outflow of economic benefits cannot be ascertained at 31 December 2009.

25. Long Term Debt

Group and Bank	2009 US$M	2008 US$M
Senior debt	2,238	453
Subordinated debt	10,550	10,183
Total long term debt	**12,788**	**10,636**

26. Called-up Share Capital and Share Premium

Group and Bank

Authorised:	2009 US$	2008 US$
Ordinary voting shares of US$1 each	125	125
Participating non-voting shares of US$1 each	7,224,999,375	5,724,999,375
Class A Participating non-voting shares of US$1 each	500	500
Preference Shares of US$25,000,000 each	275,000,000	275,000,000
Class A Preference Shares of US$1 each	250,000,000	250,000,000
Class B Preference Shares of US$1 each	600,000,000	600,000,000
Class C Preference Shares of US$1 each	800,000,000	800,000,000
Class D Preference Shares of US$1 each	600,000,000	600,000,000
Class E Preference Shares of US$1 each	700,000,000	700,000,000
Class F Preference Shares of US$1 each	750,000,000	750,000,000
Class G Preference Shares of US$1 each	800,000,000	800,000,000
Class H Preference Shares of US$1 each	700,000,000	700,000,000
Class I Preference Shares of US$1 each	1,500,000,000	1,500,000,000
Class J Preference Shares of US$1 each	1,400,000,000	1,400,000,000
Class K Preference Shares of US$1 each	200,000,000	-
	15,800,000,000	**14,100,000,000**

Group and Bank

Allotted, called-up and fully paid:	2009 US$	2008 US$
Ordinary voting shares of US$1 each	125	125
Participating non-voting shares of US$1 each	3,889,568,088	3,131,992,330
Class A Participating non-voting shares of US$1 each	200	200
Class A Preference Shares of US$1 each	250,000,000	250,000,000
Class B Preference Shares of US$1 each	-	375,000,000
Class C Preference Shares of US$1 each	350,000,000	350,000,000
Class D Preference Shares of US$1 each	300,000,000	300,000,000
Class E Preference Shares of US$1 each	535,000,000	535,000,000
Class H Preference Shares of US$1 each	700,000,000	700,000,000
Class I Preference Shares of US$1 each	1,500,000,000	1,500,000,000
Class J Preference Shares of US$1 each	1,400,000,000	1,400,000,000
Class K Preference Shares of US$1 each	200,000,000	-
	9,124,568,413	**8,541,992,655**

Group and Bank

Share premium:	2009 US$	2008 US$
Balance at 1 January	4,125,682,045	3,646,515,378
Issuance of Participating non-voting shares	742,424,242	479,166,667
Balance at the end of the year	**4,868,106,287**	**4,125,682,045**

26. Called-up Share Capital and Share Premium (continued)

As part of a restructuring of CSi's capital structure, the following issuances and redemptions occurred during the year:

- On 20 January 2009, the total authorised share capital of the Bank was increased from US$14,100,000,000 to US$15,800,000,000 by the creation of a further 1,500,000,000 Participating Shares of which 757,575,758 shares were issued at a share premium of 742,424,242 to Credit Suisse (International) Holding AG ('IHAG'), and the creation of a new class of shares being 200,000,000 Class K Preference Shares of US$1 each, all of which were issued to Credit Suisse Investments (UK).
- On 27 February 2009, Class B Preference Shares for US$375,000,000 were redeemed out of the proceeds of the January issuance.

On 27 November 2009, all Preference Shares held by IHAG were transferred to a new entity Credit Suisse PSL GMbH. This was part of a new business proposal to restructure the Credit Suisse parent corporate structure, thereby resulting in a deduction in capital investments in subsidiaries from the Credit Suisse parent regulatory capital and achieving tax benefits. The following shareholdings were transferred as part of the first stage of this restructure:

Class C Preference Shares	148,000,000 shares of US$1 each
Class D Preference Shares	300,000,000 shares of US$1 each
Class E Preference Shares	535,000,000 shares of US$1 each
Class H Preference Shares	700,000,000 shares of US$1 each
Class I Preference Shares	800,000,000 shares of US$1 each
Class J Preference Shares	1,250,000,000 shares of US$1 each

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

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

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

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

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

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

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

26. Called-up Share Capital and Share Premium (continued)

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

Class B Preference shares	6.43%
Class C Preference shares	6.299%
Class D Preference shares	7%
Class E Preference shares	6.8195%
Class H Preference shares	7.625%
Class I Preference shares	7.85%
Class J Preference shares	7.53%
Class K Preference shares	14.918%

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

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

Class B Preference shares	27 February 2009
Class C Preference shares	8 November 2009
Class D Preference shares	17 November 2010
Class E Preference shares	15 March 2011
Class H Preference shares	10 August 2012
Class I Preference shares	16 November 2012
Class J Preference shares	29 April 2013
Class K Preference shares	21 January 2014

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

27. Retirement Benefit Obligations

The following disclosures contain the balances for the entire defined benefit plan sponsored by CSS (Europe) Ltd, of which the Bank is one of many participants, who are all related parties under common control. The Bank accounts for its share of the plan using defined contribution accounting. During 2009 the Bank expensed US$19M (2008: US$18M) in respect of its contributions to the UK defined benefit scheme.

The following table shows the changes in the defined benefit obligation and the fair value of plan assets during 2009 and 2008, and the amounts included in the Consolidated Statement of Financial Positions for the Group's defined benefit pension and other post-retirement defined benefit plans as at 31 December 2009 and 2008 respectively:

27. Retirement Benefit Obligations (continued)

	Defined benefit pension plans	
	2009	**2008**
	US$M	**US$M**
Defined benefit obligation – 1 January	886	1,381
Current service cost	4	8
Interest cost	60	76
Plan amendments	-	1
Curtailments	-	(2)
Actuarial gains – assumptions	197	(256)
Actuarial losses/(gains) – experience	(59)	40
Benefit payments	(16)	(18)
Exchange rate (gains)/losses	108	(344)
Defined benefit obligation – 31 December	**1,180**	**886**
Fair value of plan assets – 1 January	1,015	1,371
Actual return on plan assets	(69)	(97)
Contributions	140	145
Benefit payments	(16)	(18)
Exchange rate losses	116	(386)
Fair value of plan assets – 31 December	**1,186**	**1,015**

CSS (Europe) Ltd 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 CSS (Europe) Ltd of £2m in April 2009 and £80m in December 2009. Additional contributions are due to be paid as follows: £90m by 31 January 2011, £50m by 31 January 2012, £51m by 31 January 2013, £3m payable by 31 January each year from 2011 to 2018 and finally £3m by 31 December 2018. In addition to these amounts, contributions will be paid to cover administrative expenses, administration rebates and death in service pensions.

Assumptions

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

	2009	**2008**
31 December	**%**	**%**
Benefit obligations		
Discount rate	6.00	6.25
Inflation	3.50	2.85
Pension increases *	3.40	2.85
Salary increases	4.75	4.10
Net periodic pension cost		
Discount rate	6.25	5.80
Salary increases	4.10	4.95
Expected long term rate of return on plan assets	7.75	7.75

* Pension earned before 6 April 1997 is subject to pension increases on a discretionary basis.

Mortality Assumptions

The assumptions for life expectancy in the 2009 benefit obligation calculations pursuant to IAS 19 are based on '00' series year of birth mortality tables with a scaling factor of 85% projected to date with allowance for the medium cohort and then projected forwards with allowance for the medium cohort but subject to an underpin to longevity improvement rates of 0.5% p.a. for females and 1% p.a. for males.

27. Retirement Benefit Obligations (continued)

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

	2009	**2008**
Life expectancy at age 60 for current pensioners aged 60 (years)		
Males	28	28
Females	30	30
Life expectancy at age 60 for future pensioners currently aged 40 (years)		
Males	31	31
Females	32	32

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		**Decrease**	
	US$M	**%**	**US$M**	**%**
Benefit obligation				
One-percentage point change				
- Discount rate	340	29	(260)	(22)
- Inflation	282	24	(227)	(19)
- Salary increases	17	1	(16)	(1)
1 year to life expectancy at 60	23	2	(24)	(2)
Net periodic pension cost				
One-percentage point change				
- Expected return on assets	11	58	11	(58)

Plan assets and investment strategy

CSS (Europe) Ltd 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, CSS (Europe) Ltd pension plans follow defined strategic asset allocation guidelines. Depending on the market conditions, these guidelines are even more limited on a short term basis.

CSS (Europe) Ltd 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 31 December 2009.

27. Retirement Benefit Obligations (continued)

	Fair value 2009	% of total fair value of scheme assets 2009	Fair value 2008	% of total fair value of scheme assets 2008
	US$M	%	US$M	%
Equity securities	990	83.5	488	48.1
Debt securities	185	15.5	253	25.0
Alternative Investments (primarily Hedge funds)	(125)	(10.5)	272	26.7
Cash	136	11.5	2	0.2
Fair value of plan assets	**1,186**	**100**	**1,015**	**100**

Defined Contribution Pension Plans

The Bank also contributes to various defined contribution pensions primarily in the United Kingdom. The contributions in these plans during 2009 and 2008 were US$7M and US$15M respectively.

28. Employee Share-based Compensation and Other Compensation Benefits

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

Compensation and benefits for a given year include fixed components, such as salaries, benefits and the expense from share-based and other deferred compensation from prior-year awards, and a variable component. The variable component reflects the performance-based and retention compensation for the current year. 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 vesting and other conditions.

Share-based compensation is an important part of the overall compensation package for selected employees and senior executives. Share-based compensation is designed to promote employees' focus on long term performance, align the interests of employees and shareholders and foster retention. The majority of share-based compensation is granted as part of the annual incentive performance bonus subsequent to the fiscal year to which the incentive performance bonus relates. Share-based compensation is generally subject to restrictive features such as vesting, forfeiture and blocking rules.

Total compensation expense for equity-settled share based plans recognised during 2009 and 2008 was US$88M and US$157M respectively. The average weighted fair value of awards granted in 2009 was CHF 30.68 (2008:CHF65.59).

Incentive Share Unit ('ISU')/Scaled Incentive Share Unit ('SISU')

Since 2007, CSG has granted ISUs as the main form of share-based deferred variable compensation. An ISU is a unit that is similar to shares, 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) and could receive additional CSG shares (ISU Leverage Unit) if the monthly average CSG share price increases during the three-year contractual term of the award as compared to the baseline CSG share price determined on the grant date. The number of ISU Leverage Units to be converted to CSG shares will be determined by multiplying the total number of ISU Base Units granted, less forfeitures, by the leverage payout ratio defined in the terms and conditions of the award. Each ISU Base Unit will vest at a rate of one-third of a share per year over three years, with the ISU Leverage Units vesting on the third anniversary of the grant date, depending on the development of the CSG share price. Settlement of ISUs is subject to continued employment at CSG and certain retirement arrangements.

28. Employee Share-based Compensation and Other Compensation Benefits (continued)

In 2010, CSG has granted SISU awards to certain employees. SISUs are similar to the ISUs with a new element that increases or decreases the value of any additional shares based on the Group's average ROE. As with ISUs, SISUs deliver at least one Credit Suisse Group share but over a four-year period. Additional shares may be due if the average Credit Suisse Group share price increases over a four-year period. SISUs contain a further feature that link the final number of additional shares to an additional factor. If the Group's average ROE over the four-year period is higher than a pre-set target, the number of additional shares calculated by reference to the average share price increase will be adjusted upwards, and if it is below the target, the number of additional shares will decrease.

Movements in the number of ISUs outstanding were as follows:

Group and Bank	Base 2009 Millions	Leverage 2009 Millions	Base 2008 Millions	Leverage 2008 Millions
ISU Awards				
As at 1 January	3.8	4.12	1.49	1.49
Granted	1.19	1.19	3.63	3.63
Share transferred out	(0.25)	(0.27)	(0.54)	(0.54)
Delivered	(2.71)	-	(0.51)	0.00
Forfeited	(0.04)	(0.56)	(0.27)	(0.46)
As at 31 December	**1.99**	**4.48**	**3.80**	**4.12**

Performance Incentive Plan units ('PIPs')

As part of its annual incentive performance bonus process for 2004 and 2005, CSG granted PIP share units during 2005 and 2006, respectively. PIP units are long term retention incentive awards requiring continued employment with CSG, subject to restrictive covenants and cancellation provisions, and vesting 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 will determine the multiplier, ranging between zero and three, for the final number of PIP units. The market conditions will determine the number of CSG shares that each PIP unit will convert into at settlement.

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

Group and Bank	2009 Millions	2008 Millions
PIP Units		
As at 1 January	0.69	0.80
Granted	-	-
Shares transferred out	-	(0.04)
Delivered	-	-
Forfeited	-	(0.07)
As at 31 December	**0.69**	**0.69**

Share Awards

CSG's share-based compensation as part of the yearly discretionary performance bonus in prior years included three different types of share awards: phantom shares, LPA and special awards. These share awards entitle the holder to receive one registered CSG share subject to continued employment with CSG, restrictive covenants and cancellation provisions, and generally vest between zero and three years. In 2007, CSG 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 installments on each of the first, second and third anniversaries of the grant date and convert to registered CSG shares. 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.

28. Employee Share-based Compensation and Other Compensation Benefits (continued)

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

Group and Bank	**2009 Millions**	**2008 Millions**
Share awards		
As at 1 January	1.27	2.07
Granted	0.95	0.49
Shares transferred out	0.03	(0.29)
Delivered	(0.79)	(0.91)
Forfeited	(0.08)	(0.09)
As at 31 December	**1.38**	**1.27**

Partner Asset Facility ('PAF')

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

The contractual term of the PAF award is eight years. 66.7% of the PAF awards were fully vested upon grant and attributed to services performed in 2008 and 33.3% of the PAF awards vested over the first three months of 2009. All PAF awards remain subject to non-compete/non-solicit provisions that expire in respect of one-third of the awards on each of the three anniversaries of the grant date. Each PAF holder will receive a semi-annual cash interest payment of LIBOR plus 250 basis points applied to the notional value of the PAF award granted throughout the contractual term of the award. Beginning in the fifth year after the date of grant, the PAF holders will receive an annual cash payment equal to 20% of the notional value of the PAF awards if the fair market value of the Asset Pool in that year has not declined below the initial fair market value of the Asset Pool. In the final year of the contractual term, the PAF holders will receive a final settlement in cash equal to the notional value, less all previous cash payments made to the PAF holder, plus any related gains or less any related losses on the liquidation of the Asset Pool. Total compensation expense for PAF recognised during 2009 was US$70M (2008: US$49M).

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 2009 was US$66M (2008: US$Nil).

Adjustable Performance Plan Awards ('APPAS')

APPAs are a new form of deferred cash award granted in 2010, subject to a three-year, pro-rata vesting schedule. In the event that the division in which the employee worked at the time of grant generates profits, outstanding awards will be adjusted upward on an annual basis using the Group's ROE in the respective year as a multiplier. However, should a business area in which an employee worked at the time of grant incur a loss (before charges for current year variable compensation and tax) outstanding APPAs held by employees of that business area will be adjusted downwards. Expense for the APPA award will be recognised over 3 years from year 2010 onwards.

29. Related Parties

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

The Group has significant related party balances with subsidiaries and affiliates of CSG. These transactions largely comprise derivative trades, as the Bank is the principal risk taker for derivatives within the CS group, as well as funding trades via the use of loans or deposits, repurchase or resale agreements. In addition, the ordinary, preference and participating shares are issued to CSG and subsidiaries of CSG, as outlined in Note 26-Called-up Share Capital and Share Preimum. The Bank is also charged for operating costs that mainly relate to employee-related services and other business expenses. Further, these transactions also include transfer pricing income/charges with CS group entities that provide services in respect of the global derivatives business which is centrally booked in the Bank.

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

29. Related Parties (continued)

a) Related party assets and liabilities

Group		**31 December 2009**			**31 December 2008**	
Assets	**Parent**	**Fellow group companies**	**Total**	**Parent**	**Fellow group companies**	**Total**
	US$M	**US$M**	**US$M**	**US$M**	**US$M**	**US$M**
Cash and due from banks	424	16,521	16,945	106	59,275	59,381
Interest-bearing deposits with banks	-	22	22	-	52	52
Securities purchased under resale agreements and securities borrowing transactions	-	19,259	19,259	-	8,335	8,335
Trading assets	1,948	47,958	49,906	5,041	87,994	93,035
Other financial assets designated at fair value through profit or loss	574	8,926	9,500	-	4,876	4,876
Other loans and receivables	1	2,171	2,172	-	1,139	1,139
Other assets	2	4,134	4,136	-	7,568	7,568
Current Tax Asset	-	-	-	-	30	30
Total assets	**2,949**	**98,991**	**101,940**	**5,147**	**169,269**	**174,416**

Liabilities

	Parent	**Fellow group companies**	**Total**	**Parent**	**Fellow group companies**	**Total**
Deposits	7	1,145	1,152	7	798	805
Securities sold under repurchase agreements and securities lending transactions	-	4,119	4,119	-	6,734	6,734
Trading liabilities	1,142	55,671	56,813	3,855	102,044	105,899
Other financial liabilities designated at fair value through profit or loss	27	12,475	12,502	-	244	244
Short term borrowings	-	27,563	27,563	4	78,860	78,864
Long term debt	-	12,729	12,729	-	10,198	10,198
Other liabilities	9	5,340	5,349	4	6,827	6,831
Share Capital	564	8,561	9,125	564	7,978	8,542
Share Premium	108	4,760	4,868	108	4,018	4,126
Total liabilities	**1,857**	**132,363**	**134,220**	**4,542**	**217,701**	**222,243**

29. Related Parties (continued)

Bank	**31 December 2009**				**31 December 2008**			
Assets	**Parent**	**Fellow group companies**	**Subsidiaries and SPEs**	**Total**	**Parent**	**Fellow group companies**	**Subsidiaries and SPEs**	**Total**
	US$M	**US$M**	**US$M**	**US$M**	**US$M**	**US$M**	**US$M**	**US$M**
Cash and due from banks	423	16,520	-	16,943	104	59,271	-	59,375
Interest-bearing deposits with banks	-	5	-	5	-	35	-	35
Securities purchased under resale agreements and securities borrowing transactions	-	19,259	-	19,259	-	7,884	-	7,884
Trading assets	1,948	48,138	683	50,769	5,041	98,568	2,532	106,141
Other financial assets designated at fair value through profit or loss	574	9,168	-	9,742	-	2,033	-	2,033
Other loans and receivables	1	2,171	-	2,172	-	1,148	-	1,148
Other assets	2	4,140	1,463	5,605	-	7,496	1,273	8,769
Investments in subsidiary undertakings	-	1	26	27	-	-	725	725
Current Tax Assets	-	-	-	-	-	30	-	30
Total assets	**2,948**	**99,402**	**2,172**	**104,522**	**5,145**	**176,465**	**4,530**	**186,140**
Liabilities								
Deposits	7	1,145	-	1,152	7	798	-	805
Securities sold under repurchase agreements and securities lending transactions	-	4,119	-	4,119	-	6,734	-	6,734
Trading liabilities	1,142	55,671	309	57,122	3,855	102,045	206	106,106
Other financial liabilities designated at fair value through profit or loss	27	13,179	222	13,428	-	244	-	244
Short term borrowings	-	27,563	263	27,826	4	89,496	253	89,753
Long term debt	-	12,729	-	12,729		10,173	-	10,173
Other liabilities	9	5,334	1,290	6,633	3	6,821	1,188	8,012
Share Capital	564	8,561	-	9,125	564	7,978	-	8,542
Share Premium	108	4,760	-	4,868	108	4,018	-	4,126
Total liabilities	**1,857**	**133,061**	**2,084**	**137,002**	**4,541**	**228,307**	**1,647**	**234,495**

29. Related Parties (continued)

b) Related party off-balance sheet transactions

Group	**31 December 2009**				**31 December 2008**			
	Parent	**Fellow group companies**	**Subsidiaries and SPEs**	**Total**	**Parent**	**Fellow group companies**	**Subsidiaries and SPEs**	**Total**
	US$M	**US$M**	**US$M**	**US$M**	**US$M**	**US$M**	**US$M**	**US$M**
Guarantees	-	41,195	-	41,195	-	100,600	-	100,600
Total	**-**	**41,195**	**-**	**41,195**	**-**	**100,600**	**-**	**100,600**

Bank	**31 December 2009**				**31 December 2008**			
	Parent	**Fellow group companies**	**Subsidiaries and SPEs**	**Total**	**Parent**	**Fellow group companies**	**Subsidiaries and SPEs**	**Total**
	US$M	**US$M**	**US$M**	**US$M**	**US$M**	**US$M**	**US$M**	**US$M**
Guarantees	-	41,195	-	41,195	-	100,600	-	100,600
Total	**-**	**41,195**	**-**	**41,195**	**-**	**100,600**	**-**	**100,600**

29. Related Parties (continued)

c) Related party revenues and expenses

Group	2009			2008		
	Parent	Fellow group companies	Total	Parent	Fellow group companies	Total
	US$M	US$M	US$M	US$M	US$M	US$M
Interest income	1	709	710	-	1,909	1,909
Interest expense	-	(1,286)	(1,286)	-	(3,277)	(3,277)
Net interest expense	**1**	**(577)**	**(576)**	**-**	**(1,368)**	**(1,368)**
Commissions and fees	-	(184)	(184)	-	(89)	(89)
Other charges	(8)	(742)	(750)	(5)	(922)	(927)
Total non interest revenues	**(8)**	**(926)**	**(934)**	**(5)**	**(1,011)**	**(1,016)**
Net operating income	**(7)**	**(1,503)**	**(1,510)**	**(5)**	**(2,379)**	**(2,384)**
Total operating expenses	**0**	**(167)**	**(167)**	**-**	**(592)**	**(592)**

29. Related Parties (continued)

d) Related Party Averages

The table below provides the average balances during the year which are indicative of the volume of transactions that the Group has with related parties during the year.

	2009 Average US$M	2008 Average US$M
Assets		
Securities purchased under resale agreements and securities borrowing transactions	25,375	16,069
Trading assets	76,058	41,033
Other assets	6,227	7,158
Liabilities		
Securities sold under repurchase agreements and securities lending transactions	18,083	21,810
Trading liabilities	80,730	50,241
Short term borrowing	45,289	56,939
Other liabilities	5,810	11,479
Off-balance sheet		
Guarantees	53,749	160,200

The averages above have been calculated using month end balances.

Refer to the Note 32-Guarantees and Commitments for details of the Sale and Leaseback transaction with related parties.

e) Remuneration

Remuneration of Directors

	2009 US$'000	2008 US$'000
Emoluments	249	1,107
Long term incentive schemes	448	7,360
Compensation for loss of office	-	347
Total	**697**	**8,814**
Bank's contributions to defined contribution plan	4	88
Total	**701**	**8,902**

In 2009 the Bank revised the methodology used to calculate the amounts disclosed in the Remuneration of Directors and Key Management Personnel in order to align to CS group disclosures and peers. The revised methodology is based on the 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. This revision does not impact the amounts recognised in the Consolidated Financial Statements.

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.

29. Related Parties (continued)

The aggregate value of compensation provided in the accounts for 2009 for Directors was US$739,000 (2008: US$6,895,000).

Included in the long term incentive schemes is US$206,000 (2008: US$1,174,000) relating to the expense of cash schemes and the remainder relates to the awarded amounts in connection with share based schemes.

The aggregate of emoluments and amounts accrued under long term incentive schemes provided in the accounts for the highest paid director was US$735,000 (2008: US$4,627,000). The director was also a member of a defined contribution pension plan and the contribution paid during the year into the plan was US$4,000 (2008: US$12,000). 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 2009	**Number of Directors 2008**
Retirement benefits are accruing to the following number of Directors under:		
Defined contribution schemes	9	11
Defined benefit schemes	-	-
Both defined contribution and defined benefit	-	2
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**	**13**

Remuneration of Key Management Personnel

	2009 US$'000	**2008 US$'000**
Emoluments	3,517	1,574
Long term incentive schemes	8,934	12,294
Compensation for loss of office	-	347
Total	**12,451**	**14,215**
Bank's contributions to defined contribution plan	25	140
Total	**12,476**	**14,355**

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 EMEA Operating Committee. Prior to the revision in methodology as aforementioned, key management personnel also included significant management responsible for Designated Investment Business.

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 2009 (2008: US$Nil).

30. Employees

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

Group and Bank	2009 Number	2008 Number
Front office	192	525
Back office	760	789
Total	**952**	**1,314**

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 Bank and Group.

31. Derivatives and Hedging Activities

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

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

On the date the derivative contact is entered into, the Bank 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 Bank is active in most of the principal trading markets and transacts in many popular trading and hedging products. As noted above, this includes the use of swaps, futures, options and structured products (custom transactions using combinations of derivatives) in connection with its sales and trading activities. Trading activities include market-making, positioning and arbitrage activities. The majority of the Banks derivatives held as at 31 December 2009 were used for trading activities.

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

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

The Bank also uses cross currency swaps to convert foreign currency denominated fixed rate assets or liabilities to floating rate functional currency assets or liabilities.

31. Derivatives and Hedging Activities (continued)

The following table sets forth details of fair value hedges:

Group and Bank	**2009 US$M**	**2008 US$M**
Gains on the hedging instruments	53	133
Losses on the hedge item attributable to the hedged risk	(43)	(122)
Fair value of derivative transactions used as fair value hedges	27	107

Hedge effectiveness assessment

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

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

31 December 2009	**Trading**		**Hedging**	
Group	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	3,515	3,456	-	-
Swaps	467,715	459,284	-	6
Options bought and sold (OTC)	42,363	44,798	-	-
Interest rate products	**513,593**	**507,538**	**-**	**6**
Forwards and forward rate agreements	4,915	6,081	-	-
Swaps	30,289	34,090	-	-
Options bought and sold (OTC)	9,789	10,420	-	-
Foreign exchange products	**44,993**	**50,591**	**-**	**-**
Forwards and forward rate agreements	1,377	977	-	-
Options bought and sold (OTC)	404	928	-	-
Precious metals products	**1,781**	**1,905**	**-**	**-**
Forwards and forward rate agreements	12	1	-	-
Swaps	4,858	6,044	-	-
Options bought and sold (OTC)	16,776	20,662	-	-
Equity/indexed-related products	**21,646**	**26,707**	**-**	**-**
Swaps	82,361	80,226	33	-
Options bought and sold (OTC)	7	6	-	-
Credit products	**82,368**	**80,232**	**33**	**-**
Forwards and forward rate agreements	396	764	-	-
Swaps	4,855	5,931	-	-
Options bought and sold (OTC)	1,093	1,130	-	-
Other products	**6,344**	**7,825**	**-**	**-**
Total derivative instruments	**670,725**	**674,798**	**33**	**6**

31. Derivatives and Hedging Activities (continued)

31 December 2008	**Trading**		**Hedging**	
Group	Positive replacement value	Negative replacement value	Positive replacement value	Negative replacement value
	US$M	**US$M**	**US$M**	**US$M**
Forwards and forward rate agreements	10,692	11,525	-	-
Swaps	618,003	610,314	-	19
Options bought and sold (OTC)	56,297	59,470	-	-
Interest rate products	**684,992**	**681,309**	**-**	**19**
Forwards and forward rate agreements	8,127	8,189	-	-
Swaps	38,805	44,007	-	-
Options bought and sold (OTC)	15,478	16,274	-	-
Foreign exchange products	**62,410**	**68,470**	**-**	**-**
Forwards and forward rate agreements	2,504	3,016	-	-
Options bought and sold (OTC)	853	704	-	-
Precious metals products	**3,357**	**3,720**	**-**	**-**
Swaps	14,498	11,185	-	-
Options bought and sold (OTC)	27,785	27,987	-	-
Equity/indexed-related products	**42,283**	**39,172**	**-**	**-**
Swaps	213,896	205,294	126	-
Options bought and sold (OTC)	453	62	-	-
Credit products	**214,349**	**205,356**	**126**	**-**
Forwards and forward rate agreements	2,255	2,407	-	-
Swaps	6,496	6,384	-	-
Options bought and sold (OTC)	3,174	2,646	-	-
Other products	**11,925**	**11,437**	**-**	**-**
Total derivative instruments	**1,019,316**	**1,009,464**	**126**	**19**

	2009		**2008**	
	Positive replacement value	Negative replacement value	Positive replacement value	Negative replacement value
	US$M	**US$M**	**US$M**	**US$M**
Replacement values (trading and hedging) before netting	670,755	674,804	1,019,442	1,009,483
Replacement values (trading and hedging) after netting	409,905	420,074	756,397	746,438

31. Derivatives and Hedging Activities (continued)

31 December 2009	**Trading**		**Hedging**	
Bank	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	3,515	3,456	-	-
Swaps	467,730	459,295	-	6
Options bought and sold (OTC)	42,467	44,804	-	-
Interest rate products	**513,712**	**507,555**	**-**	**6**
Forwards and forward rate agreements	4,915	6,081	-	-
Swaps	30,854	34,409	-	-
Options bought and sold (OTC)	9,789	10,420	-	-
Foreign exchange products	**45,558**	**50,910**	**-**	**-**
Forwards and forward rate agreements	1,377	977	-	-
Options bought and sold (OTC)	404	928	-	-
Precious metals products	**1,781**	**1,905**	**-**	**-**
Forwards and forward rate agreements	12	1	-	-
Swaps	4,858	6,044	-	-
Options bought and sold (OTC)	16,776	20,662	-	-
Equity/indexed-related products	**21,646**	**26,707**	**-**	**-**
Swaps	82,539	80,223	33	-
Options bought and sold (OTC)	7	6	-	-
Credit products	**82,546**	**80,229**	**33**	**-**
Forwards and forward rate agreements	396	764	-	-
Swaps	4,855	5,931	-	-
Options bought and sold (OTC)	1,093	1,130	-	-
Other products	**6,344**	**7,825**	-	-
Total derivative instruments	**671,587**	**675,131**	**33**	**6**

31. Derivatives and Hedging Activities (continued)

31 December 2008	**Trading**		**Hedging**	
Bank	Positive replacement value	Negative replacement value	Positive replacement value	Negative replacement value
	US$M	**US$M**	**US$M**	**US$M**
Forwards and forward rate agreements	10,936	11,728	-	-
Swaps	618,038	610,313	-	19
Options bought and sold (OTC)	56,297	59,470		
Interest rate products	**685,271**	**681,511**	**-**	**19**
Forwards and forward rate agreements	8,127	8,189	-	-
Swaps	38,805	44,007	-	-
Options bought and sold (OTC)	15,478	16,274	-	-
Foreign exchange products	**62,410**	**68,470**	**-**	**-**
Forwards and forward rate agreements	2,504	3,016	-	-
Options bought and sold (OTC)	853	704	-	-
Precious metals products	**3,357**	**3,720**	**-**	**-**
Swaps	14,498	11,185	-	-
Options bought and sold (OTC)	27,785	27,987	-	-
Equity/indexed-related products	**42,283**	**39,172**	**-**	**-**
Swaps	213,896	205,281	126	-
Options bought and sold (OTC)	453	62	-	-
Credit products	**214,349**	**205,343**	**126**	**-**
Forward rate agreements	2,223	2,407	-	-
Swaps	6,496	6,384	-	-
Options bought and sold (OTC)	3,174	2,646	-	-
Other products	**11,893**	**11,437**	-	-
Total derivative instruments	**1,019,563**	**1,009,653**	**126**	**19**

	2009		**2008**	
	Positive replacement value	Negative replacement value	Positive replacement value	Negative replacement value
	US$M	**US$M**	**US$M**	**US$M**
Replacement values (trading and hedging) before netting	671,620	675,137	1,019,689	1,009,672
Replacement values (trading and hedging) after netting	410,768	420,406	756,644	746,627

32. Guarantees and Commitments

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

Group and Bank 31 December 2009	**Maturity <1 year**	**Maturity 1-3 years**	**Maturity 3-5 years**	**Maturity >5 years**	**Total gross amount**	**Collateral received**	**Net of collateral**
	US$M	**US$M**	**US$M**	**US$M**	**US$M**	**US$M**	**US$M**
Credit guarantees and similar instruments	59	91	863	-	1,013	886	127
Performance guarantees and similar instruments	-	7	21	-	28	28	-
Derivatives	115,222	278,915	330,692	141,215	866,044	-	866,044
Total guarantees	**115,281**	**279,013**	**331,576**	**141,215**	**867,085**	**914**	**866,171**

32. Guarantees and Commitments (continued)

31 December 2009	Maturity <1 year	Maturity 1-3 years	Maturity 3-5 years	Maturity >5 years	Total gross amount	Collateral received	Net of collateral
	US$M	US$M	US$M	US$M	US$M	US$M	US$M
Irrevocable commitments under documentary credit	15	136	418	200	769	15	754
Loan commitments	5,802	3,520	812	22	10,156	4,324	5,832
Total other commitments	**5,817**	**3,656**	**1,230**	**222**	**10,925**	**4,339**	**6,586**

Group and Bank 31 December 2008	Maturity <1 year	Maturity 1-3 years	Maturity 3-5 years	Maturity >5 years	Total gross amount	Collateral received	Net of collateral
	US$M	US$M	US$M	US$M	US$M	US$M	US$M
Credit guarantees and similar instruments	5	90	12	3	110	36	74
Performance guarantees and similar instruments	-	-	31	2	33	33	-
Derivatives	106,596	235,117	567,784	180,569	1,090,066	-	1,090,066
Total guarantees	**106,601**	**235,207**	**567,827**	**180,574**	**1,090,209**	**69**	**1,090,140**

31 December 2008	Maturity <1 year	Maturity 1-3 years	Maturity 3-5 years	Maturity >5 years	Total gross amount	Collateral received	Net of collateral
	US$M	US$M	US$M	US$M	US$M	US$M	US$M
Irrevocable commitments under documentary credit	11	17	816	13	857	21	836
Loan commitments	3,043	3,632	2,283	721	9,679	4,670	5,009
Total other commitments	**3,054**	**3,649**	**3,099**	**734**	**10,536**	**4,691**	**5,845**

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

Performance guarantees and similar instruments are arrangements that require contingent payments to be made when certain performance-related targets or covenants are not met. Such covenants may include a customer's obligation to deliver certain products and services or to perform under a construction contract. Performance-related guarantees are frequently executed as part of project finance transactions.

Derivatives disclosed as guarantees are issued in the ordinary course of business, generally in the form of written put options and credit default swaps. For derivative contracts executed with counterparties which generally act as financial intermediaries, such as investment banks, hedge funds and securities dealers, the Group has concluded that there is no basis on which to assume that these counterparties hold the underlying instruments related to the derivative contracts, and therefore does not report such contracts as guarantees.

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

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

32. Guarantees and Commitments (continued)

Lease Commitments

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

Group and Bank

Operating lease commitments	2009 US$M	2008 US$M
No later than 1 year	80	46
Later than 1 year and no later than 5 years	310	182
Later than 5 years	639	555
Future operating lease commitments	**1,029**	**783**
Less minimum non-cancellable sublease rentals	(70)	(167)
Total net future minimum operating lease commitments	**959**	**616**

The future operating lease commitments include service charges of US$6.7M (2008: US$3.3M).

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

	2009 US$M	2008 US$M
Minimum rentals	81	46
Sublease rental income	(75)	(40)
Total net rental expenses	**6**	**6**

On 11 November 2009, CSS (Europe) Ltd completed a sale leaseback transaction on the land and building comprising 20 Columbus Courtyard, London to M1 Group for £155m (US$257M). The property had been owned by CSS (Europe) Ltd on its own behalf (40%) and in trust for CSi (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 £55.1M (US$91M) was recognised as a gain on sale by CSi. 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. CSi has related party commitments to CSS (Europe) Ltd for 60% of the lease payments under the trust agreement which represents an arms length transaction.

Contingent Liabilities and Other Commitments

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

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

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

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

32. Guarantees and Commitments (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

The Bank registered a charge to Fondazione Enasarco under a Euroclear Pledge Agreement entered into between Fondazione Enasarco and Credit Suisse London Branch, acting as the Pledgee's representative for all present and

32. Guarantees and Commitments (continued)

future liabilities and obligations (whether actual or contingent) pursuant to the Investment Certificate due 2023 linked to the Anthracite Rated Investments (Cayman) Limited Series 26 Principal Protected Notes due 2023.

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

The Bank registered a charge to Commonwealth Bank of Australia in relation to a security assignment. The amounts secured by the charge are all obligations (present, future or contingent) to deliver the Shares in accordance with the terms of the 1992 ISDA Master Agreement (Multicurrency-Cross Border) and any claims, awards and judgments against CSi as a result of a breach by CSi of any of those obligations.

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

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

The Bank registered a charge to Credito Emiliano SpA in relation to a securities account. CSi is obligated to pay the Secured Party the forward sale price and any other payment to be made on the forward sale date in accordance with the terms of the forward sale agreement dated 29 July 2008.

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

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

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

The Bank registered a charge to Credit Suisse Solutions (Lux) for obligations under the Credit Support Deed and the 1992 ISDA Master Agreement dated as of 18 March 2008 for a US$13M Swap due in 2023 linked to the performance of the Credit Suisse Tremont All Hedge Index.

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

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

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

32. Guarantees and Commitments (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

32. Guarantees and Commitments (continued)

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

The Bank has granted charges over a revolving credit facility to Credit Suisse, London Branch, against a failure of the Bank to meet certain intra-group obligations.

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

The Bank has granted charges to the Apothekerversorgung Niedersachsen Einrichtung der Apothekerkammer Niedersachsen Korperschaft des Offentlichen Rechts over certain property. This is a first fixed charge over the property and a floating charge over derivatives of the asset. The charges are secured to a limit of EUR35m.

The Bank has granted charges to the Arzteversorgung Niedersachsen Einrichtung der Arztekammer Niedersachsen Korperschaft des Offentlichen Rechts over certain property. This is a first fixed charge over the property and a floating charge over derivatives of the asset. The charges are secured to a limit of EUR65m.

The Bank has granted a fixed charge to Credito Emiliano S.p.A. over a charge account with Clearstream Banking S.A. for the purpose of maintaining collateral in favour of Credito Emiliano S.p.A.

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

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

33. Securitisations and Special Purpose Entities and Other Structured Transactions

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.

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

Group	**2009 US$M**	**2008 US$M**
Assets		
Cash and due from banks	233	554
Repossessed Collateral	34	34
Securities purchased under resale agreements and securities borrowing transactions	-	1,224
Other financial assets designated at fair value through profit or loss	683	893
Trading assets	2,239	14,606
Current Tax Assets	20	35
Deferred Tax Assets	-	29
Other assets	1	61
Total assets	**3,210**	**17,436**
Liabilities		
Deposits	207	369
Securities sold under resale agreements and securities lending transactions	703	-
Trading liabilities	935	440
Short term borrowings	-	311
Other financial liabilities designated at fair value through profit or loss	933	15,430
Share Capital	413	633
Other liabilities	19	253
Total liabilities	**3,210**	**17,436**

34. Financial Instruments

Fair value of financial instruments carried at fair value

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Quoted market prices in active markets, when available, are used as the measure of fair value. In cases where quoted market prices in active markets are not available, fair values are determined, where possible, using other observable current market transactions in the same instrument (i.e. without modification or repackaging) or using a valuation technique whose variables include only data from observable markets. For certain instruments, the valuation technique may incorporate in whole or part assumptions that are not supported by prices from observable current market transactions in the same instruments (i.e. without modification or repackaging) and that are not based on available observable market data. Valuation techniques include a range of methodologies, including present value estimates or other valuation techniques such as, for example, the present value of estimated expected future cash flows using discount rates commensurate with the risks involved, option-pricing models, matrix pricing, option-adjusted spread models, and fundamental analysis. Fair value estimation techniques normally incorporate assumptions that market participants would use in their estimates of values, future revenues, and future expenses, including assumptions about interest rates, default, prepayment and volatility. Because assumptions are inherently subjective in nature, the estimated fair values cannot be substantiated by

34. Financial Instruments (continued)

comparison to independent market quotes and, in many cases, the estimated fair values would not necessarily be realised in an immediate sale or settlement of the instrument.

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

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

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

Trading securities

The Group's trading securities consist of interest-bearing securities and rights and equity securities. Interest-bearing securities and rights include debt securities, RMBS, CMBS, other ABS and CDOs. Equity securities include common equity shares, convertible bonds and separately managed funds.

For debt securities for which market prices are not available, valuations are based on yields reflecting the perceived risk of the issuer and the maturity of the security, recent disposals in the market or other modelling techniques, which may involve judgment.

Values of RMBS, CMBS and other ABS are generally available through quoted prices, which are often based on the prices at which similarly structured and collateralised securities trade between dealers 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.

CDOs, 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 the Group's positions in equity securities are traded on public stock exchanges for which quoted prices are readily and regularly available. Fair values of preferred shares are determined by their yield and the subordination relative to the issuer's other credit obligations. Convertible bonds are generally valued using observable pricing sources. For a small number of convertible bonds, no observable prices are available, and valuation is determined using internal and external models, for which the key inputs include stock price, dividend rates, credit spreads, foreign exchange rates, prepayment rates and equity market volatility.

Derivatives

Positions in derivatives held for trading purposes include both OTC and exchange-traded derivatives. The fair values of exchange-traded derivatives are typically derived from observable exchange prices and/or observable inputs. The fair values of OTC derivatives are determined on the basis of internally developed proprietary models using various inputs. The inputs include those characteristics of the derivatives that have a bearing on the economics of the instruments.

The determination of the fair value of many derivatives involves only a limited degree of subjectivity because the required inputs are observable in the marketplace. Other more complex derivatives are valued using models which incorporate one or more significant unobservable inputs. Specific unobservable inputs include long-dated volatility assumptions on OTC option transactions and recovery rate assumptions for credit derivative transactions. Uncertainty of pricing inputs and liquidity are also considered as part of the valuation process.

34. Financial Instruments (continued)

Other trading assets

Other trading assets primarily include residential mortgage loans that are purchased with intent to securitise or sell as loans. Valuations for traded residential mortgage loans are determined based on a transaction price.

Loans

The Group's loans include consumer, mortgage, corporate and emerging market loans. The fair value of corporate and emerging market loans within the Investment Banking segment is based on quoted prices, where available. Where quoted prices are not available, fair values are calculated using implied credit spreads derived from credit default swaps for the specific borrower. Where credit default swaps for a particular borrower are not available, a matrix of similar entity implied credit spreads from credit default swaps is constructed to derive an implied credit spread for that particular borrower. Alternatively, fair value is determined utilising a discounted cash flow analysis incorporating one or more significant unobservable assumptions. Consumer, mortgage and corporate loans within the Private Banking segment are not held at fair value.

For non-impaired loans where quoted market prices are available, fair value is based on such prices. For variable rate loans which are repriced within three months, the book value is used as a reasonable estimate of fair value. For other non-impaired loans, the fair value is estimated by discounting contractual cash flows using the market interest rates for loans with similar characteristics. For impaired loans, the book value, net of valuation adjustments, approximates to fair value.

Deposits

For deposit instruments with no stated maturity and those with original maturities of less than three months, the book value is assumed to approximate to fair value due to the short term nature of these liabilities. For deposit instruments with a stated maturity exceeding three months, fair value is calculated using a discounted cash flow analysis.

Short term borrowings and long term debt

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 these debt instruments is based on quoted prices, where available. Where quoted prices are not available, fair values are calculated using yield curves for similar maturities, taking into consideration the impact of the Group's own credit spread on these instruments.

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

The Group's financial assets and liabilities designated at fair value include hybrid instruments, private equity, other alternative capital investments and mortgage loans held in conjunction with securitisation activities.

Private equity and other long term investments include direct investments and investments in partnerships that make private equity and related investments in various portfolio companies and funds. Private equity investments and 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 follow analyses.

Internally managed funds, which are substantially all of the Group's private equity 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

34. Financial Instruments (continued)

Financial assets and liabilities by categories

The following table details the fair value of financial instruments for which it is practicable to estimate that value, whether or not this is reported in the Group's financial statements. All non-financial instruments such as lease transactions, fixed assets, equity method investments and pension and benefit obligations are excluded.

31 December 2009

Group	**Fair value**	**Carrying value**			
		Held for trading	Designated at fair value	Other loans and receivables	Total
	US$M	**US$M**	**US$M**	**US$M**	**US$M**
Financial Assets					
Cash and due from banks	19,130	-	-	19,130	19,130
Interest-bearing deposits with banks	255	-	-	255	255
Securities purchased under resale agreements and securities borrowing transactions	19,337	-	-	19,337	19,337
Trading financial assets at fair value through profit or loss	459,520	459,520	-	-	459,520
Financial assets designated at fair value through profit or loss	29,681	-	29,681	-	29,681
Other loans and receivables	6,188	-	-	6,234	6,234
Other financial assets	41,588	-	-	41,856	41,856
Total financial assets	**575,699**	**459,520**	**29,681**	**86,812**	**576,013**

	Fair value	**Carrying value**			
		Held for trading	Designated at fair value	Other amortised cost	Total
	US$M	**US$M**	**US$M**	**US$M**	**US$M**
Financial Liabilities					
Deposits	2,231	-	-	2,231	2,231
Securities sold under repurchase agreements and securities lending transactions	4,120	-	-	4,120	4,120
Trading financial liabilities at fair value through profit or loss	437,653	437,653	-	-	437,653
Financial liabilities designated at fair value through profit or loss	43,071	-	43,071	-	43,071
Short term borrowings	28,036	-	-	28,038	28,038
Long term debt	11,258	-	-	12,788	12,788
Other liabilities	39,969	-	-	39,969	39,969
Total financial liabilities	**566,338**	**437,653**	**43,071**	**87,146**	**567,870**

34. Financial Instruments (continued)

31 December 2008

Group	**Fair value**	**Carrying value**			
		Held for trading	Designated at fair value	Other loans and receivables	Total
	US$M	**US$M**	**US$M**	**US$M**	**US$M**
Financial Assets					
Cash and due from banks	63,201	-	-	63,201	63,201
Interest-bearing deposits with banks	349	-	-	349	349
Securities purchased under resale agreements and securities borrowing transactions	8,958	-	-	8,958	8,958
Trading financial assets at fair value through profit or loss	806,967	806,967	-	-	806,967
Financial assets designated at fair value through profit or loss	34,451	-	34,451	-	34,451
Other loans and receivables	6,901	-	-	7,303	7,303
Other financial assets	51,530	-	-	51,530	51,530
Total financial assets	**972,357**	**806,967**	**34,451**	**131,341**	**972,759**

Group	**Fair value**	**Carrying value**			
		Held for trading	Designated at fair value	Other amortised cost	Total
	US$M	**US$M**	**US$M**	**US$M**	**US$M**
Financial Liabilities					
Deposits	1,586	-	-	1,586	1,586
Securities sold under repurchase agreements and securities lending transactions	9,016	-	-	9,019	9,019
Trading financial liabilities at fair value through profit or loss	756,744	756,744	-	-	756,744
Financial liabilities designated at fair value through profit or loss	40,698	-	40,698	-	40,698
Short term borrowings	79,377	-	-	79,278	79,278
Long term debt	8,629	-	-	10,636	10,636
Other financial liabilities	68,165	-	-	68,165	68,165
Total financial liabilities	**964,215**	**756,744**	**40,698**	**168,684**	**966,126**

34. Financial Instruments (continued)

31 December 2009

Bank	**Fair value**	**Carrying value**			
		Held for trading	Designated at fair value	Other loans and receivables	Total
	US$M	**US$M**	**US$M**	**US$M**	**US$M**
Financial Assets					
Cash and due from banks	18,641	-	-	18,641	18,641
Interest-bearing deposits with banks	238	-	-	238	238
Securities purchased under resale agreements and securities borrowing transactions	19,337	-	-	19,337	19,337
Trading financial assets at fair value through profit or loss	459,560	459,560	-	-	459,560
Financial assets designated at fair value through profit or loss	29,924	-	29,924	-	29,924
Other loans and receivables	6,188	-	-	6,234	6,234
Other financial assets	43,053	-	-	43,321	43,321
Total financial assets	**576,941**	**459,560**	**29,924**	**87,771**	**577,255**

	Fair value	**Carrying value**			
		Held for trading	Designated at fair value	Other amortised cost	Total
	US$M	**US$M**	**US$M**	**US$M**	**US$M**
Financial Liabilities					
Deposits	2,195	-	-	2,195	2,195
Securities sold under repurchase agreements and securities lending transactions	4,120	-	-	4,120	4,120
Trading financial liabilities at fair value through profit or loss	437,986	437,986	-	-	437,986
Financial liabilities designated at fair value through profit or loss	42,727	-	42,727	-	42,727
Short term borrowings	28,299	-	-	28,300	28,300
Long term debt	11,258	-	-	12,788	12,788
Other financial liabilities	41,012	-	-	41,012	41,012
Total financial liabilities	**567,597**	**437,986**	**42,727**	**88,415**	**569,128**

34. Financial Instruments (continued)

31 December 2008

Bank	**Fair value**	**Carrying value**			
		Held for trading	Designated at fair value	Other loans and receivables	Total
	US$M	**US$M**	**US$M**	**US$M**	**US$M**
Financial Assets					
Cash and due from banks	62,645	-	-	62,645	62,645
Interest-bearing deposits with banks	332	-	-	332	332
Securities purchased under resale agreements and securities borrowing transactions	8,148	-	-	8,148	8,148
Trading financial assets at fair value through profit or loss	818,787	818,787	-	-	818,787
Financial assets designated at fair value through profit or loss	31,609	-	31,609	-	31,609
Other loans and receivables	6,911	-	-	7,313	7,313
Other financial assets	52,748	-	-	52,748	52,748
Total financial assets	**981,180**	**818,787**	**31,609**	**131,186**	**981,582**

	Fair value	**Carrying value**			
		Held for trading	Designated at fair value	Other amortised cost	Total
	US$M	**US$M**	**US$M**	**US$M**	**US$M**
Financial Liabilities					
Deposits	1,586	-	-	1,586	1,586
Securities sold under repurchase agreements and securities lending transactions	9,430	-	-	9,432	9,432
Trading financial liabilities at fair value through profit or loss	756,934	756,934	-	-	756,934
Financial liabilities designated at fair value through profit or loss	37,152	-	37,152	-	37,152
Short term borrowings	90,265	-	-	90,167	90,167
Long term debt	69,083	-	-	69,083	69,083
Other financial liabilities	8,629	-	-	10,636	10,636
Total financial liabilities	**973,079**	**756,934**	**37,152**	**180,904**	**974,990**

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

34. Financial Instruments (continued)

Fair value hierarchy

The following table presents the carrying value of the financial instruments held at fair value across the three levels of the fair value hierarchy. 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 2009 Group	Quoted Prices in active markets for the same instruments (Level1)	Valuation techniques observable inputs (Level 2)	Valuation techniques unobservable inputs (Level 3)	Impact of netting	Total at fair value
	US$M	US$M	US$M	US$M	US$M
Trading financial assets at fair value through profit or loss	16,649	687,147	16,576	(260,852)	459,520
Other financial assets designated at fair value through profit or loss	2,765	20,192	6,724	-	29,681
Total assets at fair value	**19,414**	**707,339**	**23,300**	**(260,852)**	**489,201**
Trading financial liabilities at fair value through profit or loss	14,580	665,877	11,927	(254,731)	437,653
Financial liabilities designated at fair value through profit or loss	-	30,042	13,029	-	43,071
Total liabilities at fair value	**14,580**	**695,919**	**24,956**	**(254,731)**	**480,724**

As at 31 December 2009 Bank	Quoted Prices in active markets for the same instruments (Level 1)	Valuation techniques observable inputs (Level 2)	Valuation techniques unobservable inputs (Level 3)	Impact of netting	Total at fair value
	US$M	US$M	US$M	US$M	US$M
Trading financial assets at fair value through profit or loss	16,578	686,826	17,008	(260,852)	459,560
Financial assets designated at fair value through profit or loss	2,765	20,896	6,263	-	29,924
Total assets at fair value	**19,343**	**707,722**	**23,271**	**(260,852)**	**489,484**
Trading financial liabilities at fair value through profit or loss	14,581	666,210	11,926	(254,731)	437,986
Financial liabilities designated at fair value through profit or loss	-	30,419	12,308	-	42,727
Total liabilities at fair value	**14,581**	**696,629**	**24,234**	**(254,731)**	**480,713**

34. Financial Instruments (continued)

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 2009	**Trading revenues US$M**	**Other revenues US$M**	**Total revenues US$M**
Group			
Net realised/unrealised gains/(losses) included in net revenues	1,117	(71)	1,046
Whereof:			
Changes in unrealised gains or losses relating to assets and liabilities still held as of the reporting date	(1,107)	-	(1,107)

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.

34. Financial Instruments (continued)

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

As at 31 December 2009 Group	Balance at beginning of period	Transfers in	Transfers out	Purchases	Sales	Issuances	Settlement	Trading revenues			Other revenues			Balance at end of period
Assets								**On transfers in**	**On transfers out**	**On all others**	**On transfers in**	**on transfers out**	**On all others**	
Trading financial assets at fair value through profit or loss	43,427	5,392	(14,336)	2,795	(12,188)	1,588	(11,174)	(1,828)	927	1,973	-	-	-	16,576
Financial assets designated at fair value through profit or loss	9,498	144	(1,024)	2,122	(3,094)	6,404	(8,349)	(18)	142	899	-	-	-	6,724
Total assets at fair value	**52,925**	**5,536**	**(15,360)**	**4,917**	**(15,282)**	**7,992**	**(19,523)**	**(1,846)**	**1,069**	**2,872**	**-**	**-**	**-**	**23,300**
Liabilities														
Trading financial liabilities at fair value through profit or loss	26,804	3,859	(10,056)	(1,093)	606	2,593	(11,290)	(1,446)	825	1,054	-	-	71	11,927
Financial liabilities designated at fair value through profit or loss	21,073	585	(2,882)	(5,875)	4,957	7,094	(12,468)	54	746	(255)	-	-	-	13,029
Total liabilities at fair value	**47,877**	**4,444**	**(12,938)**	**(6,968)**	**5,563**	**9,687**	**(23,758)**	**(1,392)**	**1,571**	**799**	**-**	**-**	**71**	**24,956**
Net assets/liabilities at fair value	**5,048**	**1,092**	**(2,422)**	**11,885**	**(20,845)**	**(1,695)**	**4,235**	**(454)**	**(502)**	**2,073**	**-**	**-**	**(71)**	**(1,656)**

34. Financial Instruments (continued)

As at 31 December 2009 Bank	Balance at beginning of period	Transfers in	Transfers out	Purchases	Sales	Issuances	Settlement	Trading revenues			Other revenues			Balance at end of period
Assets								**On transfers in**	**On transfers out**	**On all others**	**On transfers in**	**On transfers out**	**On all others**	
Trading financial assets at fair value through profit or loss	43,427	5,392	(14,336)	3,194	(11,763)	1,588	(11,174)	(1,847)	927	1,600	-	-	-	17,008
Financial assets designated at fair value through profit or loss	9,498	144	(1,024)	1,661	(3,094)	6,404	(8,349)	(18)	142	899	-	-	-	6,263
Total assets at fair value	**52,925**	**5,536**	**(15,360)**	**4,855**	**(14,857)**	**7,992**	**(19,523)**	**(1,865)**	**1,069**	**2,499**	**-**	**-**	**-**	**23,271**
Liabilities														
Trading financial liabilities at fair value through profit or loss	26,804	3,859	(10,056)	(1,071)	584	2,593	(11,290)	(1,446)	825	1,054	-	-	71	11,927
Financial liabilities designated at fair value through profit or loss	21,073	585	(2,882)	(7,198)	5,055	5,430	(10,287)	54	746	(268)	-	-	-	12,308
Total liabilities at fair value	**47,877**	**4,444**	**(12,938)**	**(8,269)**	**5,639**	**8,023**	**(21,577)**	**(1,392)**	**1,571**	**786**	**-**	**-**	**71**	**24,235**
Net assets/liabilities at fair value	**5,048**	**1,092**	**(2,422)**	**13,124**	**(20,496)**	**(31)**	**2,054**	**(473)**	**(502)**	**1,713**	**-**	**-**	**(71)**	**(964)**

34. Financial Instruments (continued)

Sensitivity of fair values to reasonably possible alternative assumptions

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

As at 31 December 2009 **Group**	Impact on net income/(loss)	
	Favourable changes	Unfavourable changes
Derivative assets and liabilities	400	(250)
Asset backed securities, loans and derivatives	200	(130)
Debt and equity securities	150	(120)
Loans	50	(50)
Total	**800**	**(550)**

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

Derivative assets and liabilities include equity and credit derivatives. Asset backed securities, loans and derivatives include CMBS, RMBS and ABS CDOs positions. Debt and equity securities include equity fund linked products, corporate and emerging market bonds. Loans is principally emerging markets loans and to a lesser extent corporate loans.

The sensitivities applied to the unobservable parameters are in all cases dependent upon management judgment 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. Some of the parameters that were subjected to sensitivity analysis include correlation between underlying equity positions, correlation between underlying asset backed collateral, longer-dated volatility, and longer-dated credit spreads, recovery rates and debt and loan prices.

Recognition of trade date profit

Any initial gain or loss on financial instruments, where valuation is dependent on unobservable parameters, is deferred over the life of the contract or until the instrument is redeemed, transferred or sold or the fair value becomes observable. The table below sets out the aggregate difference yet to be recognised in profit or loss at the beginning and end of year with a reconciliation of the changes of the balance during the year for trading assets and liabilities:

Group and Bank	**2009** **US$M**	**2008** **US$M**
Deferred trade date profit		
Balance at the beginning of period	585	536
Increase due to new trades	321	360
Reduction due to passage of time	(65)	(48)
Reduction due to redemption, sales, transfers or improved observability	(336)	(263)
Total	**505**	**585**

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

34. Financial Instruments (continued)

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 credit default swap prices.

Transfers between Level 1 and 2

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

As at 31 December 2009	Group 2009 US$M	Bank 2009 US$M
Assets		
Trading financial assets at fair value through profit or loss	161	161
Total transfers in assets at fair value	**161**	**161**
Liabilities		
Trading financial liabilities at fair value through profit or loss	3	3
Total transfers in liabilities at fair value	**3**	**3**

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

As at 31 December 2009	Group 2009 US$M	Bank 2009 US$M
Assets		
Trading financial assets at fair value through profit or loss	26	26
Total transfers in assets at fair value	**26**	**26**
Liabilities		
Trading financial liabilities at fair value through profit or loss	-	-
Total transfers in liabilities at fair value	**-**	**-**

35. Assets Pledged or Assigned

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

Group and Bank

Assets pledged or assigned	Group 2009 US$M	Group 2008 US$M	Bank 2009 US$M	Bank 2008 US$M
Trading financial assets at fair value through profit or loss	36,637	29,131	36,637	28,086
Collateral received				
Fair value of collateral received with the right to resell or repledge	36,637	29,131	36,637	28,086
Of which sold or repledged	21,044	19,753	21,044	18,708

As at 31 December 2009 and 2008, 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.

35. Assets Pledged or Assigned (continued)

CSi is obliged to return the securities under conditions that are customary in the market place for such transactions.

Additional charges are included in Note 32-Guarantees and Commitments.

36. Derecognition

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.

Group and Bank	**2009 US$M**	**2008 US$M**
Carrying amount of transferred assets		
Financial assets not derecognised due to the following transactions:		
Repurchase agreements	14,546	16,097
Securities lending agreements	5,460	1,732
Total return swaps	1,797	2,138
Other	4,193	2,869
Total carrying amount of transferred assets not derecognised	**25,996**	**22,836**
Total carrying amount of associated liabilities	**25,829**	**22,472**

The assets not derecognised are included in Note 13-Securities Borrowed, Lent and Subject to Resale Agreements and corresponding liabilities in Note 17-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 Statement of Financial Positions.

37. Financial Instruments Risk Position

a) Risk management oversight

Overview

The Bank is part of CS group and its risks are managed as part of the global CS group of entities. The CS group risk management process is designed to ensure that there are sufficient independent controls to measure, monitor and control risks in accordance with CSG's control framework and in consideration of industry best practices. The primary responsibility for risk management lies with CSG'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

37. Financial Instruments Risk Position (continued)

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 comprehensive risk management processes and sophisticated control systems, it works to limit the impact of negative developments by carefully managing concentrations of risks.

CS groups Investment Banking business continued to focus on risk reduction initiative throughout 2009. In line with the strategy of focusing on key client businesses and reducing risk, it continued to wind down and realign certain other businesses, reducing exposures to illiquid and dislocated assets and markets and improving capital efficiency. There has been a selective increase in trading activity in line with the group's strategy to take advantage of the prevailing market conditions.

Risk organisation

Risks arise in all of CS group's business activities and cannot be completely eliminated, but they are managed through a comprehensive 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 CSG Board of Directors and its Risk Committee. On a monthly basis, the Capital Allocation and Risk Management Committee ('CARMC') of CSG's Executive Board reviews risk exposures, concentration risks and risk-related activities. CARMC is responsible for supervising and directing CS group's risk profile on a consolidated basis, recommending risk limits to the Board of Directors and its Risk Committee and for establishing and allocating risk limits within the various businesses. CARMC meetings focus on the following three areas on a rotating basis: asset and liability management/liquidity; market and credit risk; and operational risk/legal and compliance.

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

37. Financial Instruments Risk Position (continued)

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 Measurement and Management (RMM)
- Credit Risk Management (CRM)
- Bank Operational Risk Oversight (BORO)
- Business Continuity Management
- Reputational Risk Management

The Chief Risk Officer (CRO) area 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 overall risk profile on a Group-wide portfolio level and for individual businesses, and recommends corrective action, where necessary; RMM is responsible for the measurement and reporting of credit risk, market risk and economic capital, managing risk limits, and establishing policies on market risk and economic capital; CRM has a Chief Credit Officer ('CCO') for Private Banking and a Chief Credit Officer for Investment Banking and Asset Management, with responsibility 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 CRO area also addresses critical risk areas such as Business Continuity and Reputational Risk Management.

Risk limits

A sound system of risk limits is fundamental to effective risk management. The limits define CS group's maximum Statement of Financial Positions 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 level of risks incurred by the divisions is further restricted by a variety of specific limits. 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.

Economic capital and position risk

Economic Capital is the core Group-wide risk management tool. It represents good 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 economic capital 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, and in that respect a number of key enhancements have been made in the year to better reflect the impact that was witnessed during the extreme market dislocation in 2008.

37. Financial Instruments Risk Position (continued)

b) 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 comprehensively 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 its EC 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, disclosure and benchmarking with competitors, the resulting VaR figures are scaled down or calculated to a one-day holding period level. A one-day holding period and a 99% confidence level mean that, within a one-day horizon, losses exceeding the VaR figure should occur, on average under normal market conditions , not more than once every hundred days.

CS group uses a historical simulation model for the majority of risk types and businesses within its trading portfolios. Where insufficient data is available for such an approach, an 'extreme-move' methodology is used. The model is based on the profit or loss distribution resulting from historical changes in market rates, prices and volatility applied to evaluate the portfolio. This methodology also avoids any explicit assumptions on correlation between risk factors. CS group uses a three-year historical dataset to compute VaR. To ensure that VaR responds appropriately in times of market stress, CS group introduced a new scaling technique in 2008 that adjusts the level of VaR to reflect current market conditions more rapidly. This new technique, scaled VaR, adjusts VaR in cases where the short term market volatility is higher than the long term volatility from the full 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 scaled VaR model. CS group monitors VaR on both an unscaled and scaled basis for risk management purposes. The scaling factor decreased in 2009, as the short term average volatility declined below the long term average volatility.

The Bank has approval from the Financial Services Authority to use its scaled VaR model in the calculation of trading

37. Financial Instruments Risk Position (continued)

book market risk capital requirements. The Bank continues to receive regulatory approval for ongoing enhancements to the methodology, and the model is subject to regular reviews by regulators.

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. VaR also assumes that price data from the recent past can be used to predict future events. If future market conditions differ substantially from past market conditions, the risk predicted by VaR may be overestimated or underestimated.

Scenario analysis

CS group regularly 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.

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. The CSG Board of Directors and senior management are regularly provided with scenario analysis estimates, scenario analysis trend information and supporting explanations to create transparency on key risk exposures and support their management of risk

The scenario analysis framework is periodically reviewed to help ensure that it remains relevant given changes in portfolio composition and market conditions. Each primary scenario is typically run at several different levels of severity to provide information on possible losses over a range of market circumstances. In 2009, we recalibrated the parameter shocks for most types of scenarios to reflect the more volatile market conditions that occurred in the fourth quarter of 2008.

Trading portfolios

Risk measurement and management

We assume market risk in our trading portfolios primarily through the trading activities of the Investment Banking segment. Our other segments also engage in trading activities, but to a much lesser extent.

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

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

37. Financial Instruments Risk Position (continued)

Development of trading portfolio risks

Trading portfolio risk mainly resides in the Bank, consequently the table below shows the trading related market risk exposure for the Bank, as measured by one-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.

One-day, 99% VaR – trading portfolios

End of period	Interest rate and credit spread	Foreign exchange	Commodity	Equity	Diversification benefit	Total (Non-Scaled)	Total (Scaled)
2009 US$M							
Average	66	19	13	23	(62)	59	73
Minimum	36	9	4	11	1)	43	49
Maximum	97	52	28	70	1)	89	105
End of period	68	10	22	48	(97)	51	51
2008 US$M							
Average	35	14	14	29	(37)	55	78
Minimum	20	5	7	15	3)	36	46
Maximum	68	54	23	91	3)	119	178
End of period	59	40	10	21	(57)	73	109

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) All figures above are 1 Day scaled VaR (from 10 Day VaR) for trading book only positions

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

VaR results

The banks one-day, 99% scaled VaR as of 31 December 2009 decreased by 53% to US$51M, compared to 31 December 2008.

There was no difference between scaled and unscaled VaR as of 31 December 2009, as the short term average volatility declined below the long term average volatility.

Various techniques are used to assess the accuracy of the VaR model used for trading portfolios, including backtesting. In line with industry practice, the Bank 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 Bank had 4 backtesting exceptions in 2009, with 29 backtesting exceptions in 2008. The exceptions in 2008 were primarily driven by extreme movements in US mortgage markets, coupled with contagion effects across the wider credit, equity, interest rate and foreign exchange markets throughout the year.

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. Non-trading portfolio risks mainly reside in the Bank. For the purpose of this disclosure, the aggregated market risks associated with the Bank's non-trading

37. Financial Instruments Risk Position (continued)

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 and real estate risk are not included in this analysis. These risks are included in the CS group EC model. For more details of this model, please see the Risk Management section of the CSG Annual Report.

Development of non-trading portfolio risks

Foreign exchange risk related to accrued net income and net assets is centrally and systematically managed with a focus on risk reduction and diversification. Risk is monitored and managed at an entity level through the levelling of accrued profit or losses which are incurred in a currency other than the entity's functional currency.

Any non-functional currency denominated P/L of an entity (calculated on a US GAAP basis) is systematically leveled against the entity functional currency during or immediately after the month so that FX risks on accrued P&L are fully eliminated at month-end. The functional currency equivalent P/L is then translated monthly into the Group's functional currency, the USD, using global month-end exchange rates. The process ensures that month–end P/L is effectively locked into USD from an accounting perspective. The structural Net Asset positions in functional currency equivalents resulting from these activities (including net profits of earlier period) are centrally hedged by Global Treasury against the parent's functional currency on a monthly basis.

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 been an increase of US$1.3M as of 31 December 2009 compared and to an increase of US$1.3M as of 31 December 2008. 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 2009, 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$251M and a decrease of US$236M, 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.

Equity risk on non-trading positions is measured using sensitivity analysis that estimates the potential change in value resulting from a 10% decline in the equity markets of developed nations and a 20% decline in the equity markets of emerging market nations. The estimated impact of this scenario would have been a decrease of approximately US$22M in the value of the non-trading portfolio as of 31 December 2009 compared to a decrease of approximately US$24M as of 31 December 2008.

Commodity risk on non-trading positions is measured using sensitivity analysis that estimates the potential change in value resulting from a 20% weakening in commodity prices. The estimated impact of this scenario would have been a decrease of approximately US$13M in the value of the non-trading portfolio as of 31 December 2009 compared to US$28M as of 31 December 2008.

ii) Liquidity Risk

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

The 2009 operating environment continued to be characterised by on-going market dislocation during which Credit Suisse AG ('CS') further strengthened its conservative liquidity and funding management strategy and strong capital position, issuing long term debt on a non-government guaranteed basis.

The funding sourced by CS 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 CS include private, corporate and retail banking client deposits, long term debt, certificates of deposit, bank deposits, fiduciary deposits, central bank deposits and other non-bank deposits.

37. Financial Instruments Risk Position (continued)

CS subsidiaries also have the ability to access secured funding via repurchase and other secured financing markets and structured note issuance programmes. These funding streams ensure the availability of alternative financing to meet business plans and commercial commitments.

The CS Strategic Funding Plan is approved by ALM CARMC, a committee that includes the CEOs of the Credit Suisse Group and the Divisions, the CFO, the CRO and the Treasurer and is overseen by the Credit Suisse Group Board of Directors. The execution of the strategy is managed by Treasury.

Treasury operates a centralised funding model in that it grants all CS branches and regulated G10 subsidiaries full access, under all circumstances (including the event of a liquidity crisis) to the bank's global pool to meet any funding requirements. In cases where regulation severely limits ability of onshore CS entities ('closed locations') to borrow from offshore CS entities Treasury will establish a local Liquidity Guideline and Contingency Plan to adequately protect the business from liquidity risk.

The centralised funding model ensures that sufficient funds are either on hand or readily available at short notice so that in the event of liquidity dislocation CS has sufficient funds to repay maturing liabilities, be they contractual, behavioural or contingent, as they fall due for an extended period of time without having to reduce on-going franchise business activities to generate liquidity.

Substantially all of CS unsecured senior debt is issued without financial covenants that would increase the cost of financing or accelerate the maturity, including adverse changes in CS group credit ratings, cash flows, results of operations or financial ratios.

To address short term liquidity needs a portfolio of highly liquid securities is maintained. These positions are eligible for repo transactions with various central banks including the Swiss National Bank, the Federal Reserve, the European Central Bank and the Bank of England. In response to the credit crisis many Central Banks widened the range of eligible securities which they accept as collateral but CS assume that these programmes are only temporary in nature and therefore place no reliance on them as a primary source of funding.

Treasury is responsible for maintaining a contingency funding plan that details specific dealing strategies, actions and responsibilities required under distinct stages of increasing severity. Treasury supports the plan with key liquidity tools to provide a formal risk appetite and consideration of the impact of operational constraints in terms of time and ability to monetise assets, trapped liquidity and daylight collateral requirements.

Maintaining liquidity generates cost for CS in respect of generating a term funding profile and holding a buffer of highly liquid assets. Treasury ensures that the allocation of liquidity cost to the business reflects the true economic cost and is consistent with the liquidity policy. During 2009 the marginal transfer pricing rates were adjusted to promote efficient generation and usage of funding and liquidity.

The liquidity and funding profile of CS 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 as issued by various bodies over the past 24 months with Treasury being an active participant in regulatory and industry forums, including the Basel Committee on Banking Supervision, Institute of International Finance and the Joint Industry Committee on Liquidity Risk (JACLR), comprising of LIBA, ISDA and the British Bankers Association.

The liquidity risk of CSi is managed as an integral part of the overall liquidity framework.

A liquidity policy for CSi is maintained to ensure compliance with FSA regulatory policies and internal limits and guidelines.

In October 2009 FSA published PS09/16, Strengthening Liquidity Standards, which called for a significant change to liquidity management in the UK. The policy included new 'Systems and Controls' requirements which came into effect

37. Financial Instruments Risk Position (continued)

on 1 December 2009 setting out a new framework in which firms have to maintain liquidity resources and manage liquidity risk.

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

Group
31 December 2009

	On Demand	Due within 3 months	Due between 3 and 12 months	Due between 1 and 5 years	Due after 5 years	Total
	US$M	US$M	US$M	US$M	US$M	US$M
Deposits	18	2,210	3	-	-	2,231
Securities sold under repurchase agreements and securities lending transactions	-	295	-	3,824	1	4,120
Trading liabilities	437,653	-	-	-	-	437,653
Other financial liabilities designated at fair value through profit or loss	248	12,294	6,755	13,855	9919	43,071
Short term borrowings	-	27,586	452	-	-	28,038
Long term debt	-	7,959	408	1,675	2,746	12,788
Other liabilities	-	165	2	995	112	1,274
Total	**437,919**	**50,509**	**7,620**	**20,349**	**12,778**	**529,175**

Group
31 December 2008

	On Demand	Due within 3 months	Due between 3 and 12 months	Due between 1 and 5 years	Due after 5 years	Total
	US$M	US$M	US$M	US$M	US$M	US$M
Deposits	1,484	102	-	-	-	1,586
Securities sold under repurchase agreements and securities lending transactions	4,953	3,551	13	-	502	9,019
Trading liabilities	756,744	-	-	-	-	756,744
Other financial liabilities designated at fair value through profit or loss	1,084	11,364	4,625	17,924	5,701	40,698
Short term borrowings	-	73,273	6,005	-	-	79,278
Long term debt	-	8,000	-	-	2,636	10,636
Other Liabilities	-	1,548	29	394	113	2,084
	764,265	**97,838**	**10,672**	**18,318**	**8,952**	**900,045**

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 there fair value.

Projected coupon outflows on structured products designated at fair value through profit or loss have been excluded from the table above. The variability of the coupons leverages up or down based on the functionality of the embedded

37. Financial Instruments Risk Position (continued)

derivative and prevailing market conditions. The inclusion of coupons would be misleading to the users of the accounts due to the variability in the payouts of these structured products. For instruments with perpetual features, the projected coupons have also been excluded. Callable deposits, open ended positions and overnight funding will be recorded at their present value in an 'on demand' categorisation. This classification will be based on the underlying legal and contractual ability of the counterparty or CSi to put or call the positions at short notice.

iii) Currency Risk

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

The Bank manages its currency risk with the Value at Risk (VaR) methodology, a discussion of which is contained in section a) of this note.

iv) Credit Risk

Credit Risk Management (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 area's credit portfolios and allowances. CRM reports to the Chief Risk Officer of CS group.

Definition of Counterparty Risk

Credit risk is the possibility of a loss being incurred as the result of a borrower or counterparty failing to meet its financial obligations. In the event of a default, a bank 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, commitments and letters of credit, and results from counterparty exposure arising from derivatives, foreign exchange and other transactions.

Credit Risk Management Approach

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

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

Credit 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 clients' creditworthiness and the type of credit transaction.

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

37. Financial Instruments Risk Position (continued)

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

For the purposes of internal ratings, CSi 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 it is 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, CSi 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 FSA for application under the Basel II AIRB approach. This approach also allows CSi 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 out within the governing principles of CSi.

A system of individual 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. CSi regularly analyses its industry diversification and concentration in selected areas.

A rigorous credit quality review process provides an early identification of possible changes in the creditworthiness of clients and includes regular asset and collateral quality reviews, business and financial statement analysis and relevant economic and industry studies. 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

37. Financial Instruments Risk Position (continued)

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 balance sheet and off-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. For financial guarantees granted, the exposure to credit risk is the amount CSi would have to pay if the guarantees are called upon. For loan commitments and other credit related commitments that are irrevocable over the life of the respective facilities, the exposure to credit risk is the full amount of the committed facilities.

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 and off-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 2009. For financial guarantees granted and other credit-related contingencies, the maximum exposure to credit risk is the maximum amount that Credit Suisse would have to pay if the guarantees and contingencies are called upon. For loan commitments and other credit-related commitments that are irrevocable over the life of the respective facilities, the maximum exposure to credit risk is the full amount of the committed facilities.

37. Financial Instruments Risk Position (continued)

Maximum exposure to credit risk

	Group 2009 US$M	Group 2008 US$M	Bank 2009 US$M	Bank 2008 US$M
Interest bearing deposits with banks	255	349	238	332
Securities purchased under resale agreements and Securities borrowing transactions	19,337	8,958	19,337	8,148
Trading financial assets at fair value through profit or loss				
- debt securities	26,515	25,384	25,485	26,053
- derivative trading positions	409,873	756,315	410,736	756,561
- other	6,525	5,786	6,560	16,393
Financial assets designated at fair value through profit or loss				
- debt securities	2,931	3,841	2,931	3,841
- loans	15,812	18,414	15,812	15,572
- reverse repurchase agreements	10,938	12,196	11,181	12,196
Other loans and receivables				
- banks	999	1,416	999	1,416
- customers	5,358	6,162	5,358	6,172
Other assets	41,820	51,528	43,285	52,747
Maximum exposure to credit risk – total assets	**540,363**	**890,349**	**541,922**	**899,431**
Off-balance sheet items				
- financial guarantees	867,085	1,090,209	867,085	1,090,209
- loan commitments and other credit related commitments	10,925	10,536	10,925	10,536
Maximum exposure to credit risk – total off-balance sheet	**878,010**	**1,100,745**	**878,010**	**1,100,745**
Maximum exposure to credit risk	**1,418,373**	**1,991,094**	**1,419,932**	**2,000,176**

Risk Mitigation

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

Counterparty Exposure before Collateral by Rating

Bank	**31 December 2009**		**31 December 2008**	
	US$M	**%**	**US$M**	**%**
AAA	6,445	8	12,607	11
AA+ to AA-	17,779	21	36,581	33
A+ to A-	28,579	34	27,323	24
BBB+ to BBB-	14,179	17	17,199	15
BB+ to BB-	4,990	6	7,111	6
B+ and below	11,584	14	12,001	11
	83,556	**100**	**112,822**	**100**

37. Financial Instruments Risk Position (continued)

Unsecured Exposure by Rating (including provisions)

Bank	**31 December 2009**		**31 December 2008**	
	US$M	**%**	**US$M**	**%**
AAA	4,709	13	7,510	20
AA+ to AA-	6,885	19	16,915	28
A+ to A-	10,986	31	11,036	20
BBB+ to BBB-	4,499	13	6,426	12
BB+ to below	8,342	24	8,559	20
	35,421	**100**	**50,446**	**100**

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

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

v) Country Risk

Country risk is the risk of a substantial, systemic loss of value in the financial assets of a country or group of countries, which may be caused by dislocations in the credit, equity, and/or currency markets. 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 RMM 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. RMM 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.

vi) 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, CSi manages its risk through confirmation and affirmation of transaction details with counterparties. In addition, it also 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. CRM establishes and monitors limits to control the amount of settlement risk incurred to each counterparty.

vii) 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

37. Financial Instruments Risk Position (continued)

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.

viii) 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 intrinsically 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.

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.

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.

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.

37. Financial Instruments Risk Position (continued)

For CSi's own operational risk capital requirement under FSA rules the Basic Indicator Approach (BIA) is used as detailed in Note 38-Capital Adequacy below.

ix) 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.

38. Capital Adequacy

CSi's capital adequacy and capital resources are managed and monitored based on practices developed by the Basel Committee on Banking Supervision (the 'Basel Committee') and governed by European Union directives. These directives are implemented in the UK by the FSA, the UK regulator, and incorporated within its prudential sourcebooks for banks and investment firms.

Regulatory capital resources comprise a number of 'tiers'. Tier 1 capital principally comprises shareholders' equity. This is supplemented by Tier 2 and Tier 3 capital, which consist mainly of subordinated debt instruments. Total capital equals the sum of these, less deductions for such items as investments in non-consolidated subsidiaries and holdings of capital instruments issued by other credit institutions and financial institutions in excess of trading book concessions.

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

CSi received and redeemed a number of regulatory capital amounts during the course of 2009 in order to support the business as follows:

	2009 US$M	2008 US$M
Total regulatory capital less deductions at 1 January	**16,773**	**18,305**
Net capital injections during the year:		
Core Tier 1	1,500	2,000
Non Core Tier 1	(175)	1,400
Upper Tier 2	-	(560)
Lower Tier 2	-	3,025
	1,325	**5,865**
Other movements	**1,309**	**(7,397)**
Total regulatory capital less deductions at 31 December	**19,407**	**16,773**

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

38. Capital Adequacy (continued)

requirements reflect the credit, market and other risks of the Bank calculated using methodologies set out by the FSA.

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

The following table sets out details of CSi's regulatory capital resources at 31 December 2009 and 2008.

	2009 US$M	2008 US$M
Total shareholders' equity	**11,035**	**9,573**
Reconciliation to Tier 1 capital:		
Excess non-core Tier 1 capital	-	(1,857)
Regulatory deductions	(408)	(886)
Tier 1 capital less deductions	**10,627**	**6,830**
Tier 2 capital:		
Excess non-Core Tier 1 capital	-	1,857
Upper Tier 2	4,192	4,170
Lower Tier 2	6,057	6,152
Excess Tier 2 capital	(744)	(5,349)
Tier 2 capital	**9,505**	**6,830**
Tier 1 plus Tier 2 capital	**20,132**	**13,660**
Deductions	(1,318)	(896)
Tier 1 plus Tier 2 capital, less deductions	**18,814**	**12,764**
Excess Tier 2 capital	744	5,349
Tier 3 capital	-	-
Deductions from Capital	(151)	(1,340)
Total regulatory capital less deductions	**19,407**	**16,773**

39. Subsequent Events

The UK bank payroll tax on certain compensation exceeding GBP 25,000 for 2009 was enacted on 9 April 2010 and will result in additional compensation expense of approximately USD$110m in 2010 (being a preliminary estimate). No expense has been recognised in 2009.

UNAUDITED SUPPLEMENT TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

Capital adequacy: Basel 2 Pillar 3

Overview

CSi's capital adequacy and capital resources are managed and monitored based on practices developed by the Basel Committee on Banking Supervision (the 'Basel Committee') and governed by European Union directives. These directives are implemented in the UK by the FSA, the UK regulator, and incorporated within its prudential sourcebooks for banks and investment firms.

With effect from 1 January 2008, CSi was subject to the Basel 2 regime, which revised the original Basel 1 framework with the aim of making the measurement of capital adequacy more risk sensitive and representative of modern banks' risk management practices. Basel 2 was implemented in the European Union via the Capital Requirements Directive, and affected banks, building societies and certain types of investment firms.

The revised Basel framework is based upon three 'pillars':

- Pillar 1: minimum capital requirements for credit, market and operational risks. CSi has received approval from the FSA for the use of a number of models for calculating its market, counterparty and credit risk capital requirements.

- Pillar 2: supervisory review. This comprises an assessment of whether additional capital is needed over and above that determined under Pillar 1, based on a constructive dialogue between a firm and its regulator on the risks, risk management and capital requirements of the firm;

- Pillar 3: market discipline. This comprises requirements relating to public disclosure, intended to give the market a stronger role in ensuring that firms hold an appropriate level of capital. Pillar 3 information is divided into qualitative information about a bank's risk governance, risk methodologies and the management of risk and capital, and quantitative information about the components of the calculation of risk and capital resources as required under Pillar 1.

Under a waiver agreed with the FSA, certain of the Pillar 3 disclosures need not be made by CSi as a stand-alone entity on the basis that they are included in the comparable disclosures provided on a consolidated basis by CS group (these can be found at www.credit-suisse.com). This Supplement to CSi's financial statements therefore contains those quantative disclosures that are not covered by the CS group disclosures, along with more general information on the Bank's capital adequacy that is included for completeness and to provide context.

Capital resources

Regulatory capital resources comprise a number of 'tiers'. Tier 1 capital principally comprises shareholders' equity. This is supplemented by Tier 2 and Tier 3 capital, which consist mainly of subordinated debt instruments. Total capital equals the sum of these, less deductions for such items as investments in non-consolidated subsidiaries and holdings of capital instruments issued by other credit institutions and financial institutions in excess of trading book concessions.

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

CSi received a number of regulatory capital injections during the course of 2009 in order to support the business as follows:

	2009 US$M	2008 US$M
Total regulatory capital less deductions at 1 January	**16,773**	**18,305**
Net capital injections during the year:		
Core Tier 1	1,500	2,000
Non Core Tier 1	(175)	1,400
Upper Tier 2	-	(560)
Lower Tier 2	-	3,025
	1,325	**5,865**
Other movements	**1,309**	**(7,397)**
Total regulatory capital less deductions at 31 December	**19,407**	**16,773**

Under the Basel Committee guidelines, an institution must have a ratio of total eligible capital to aggregate risk-weighted assets of at least 8%, although the FSA requires this ratio to exceed the Individual Capital Guidance ('ICG') determined for each institution. This ratio can also be expressed as a capital coverage ratio, being the ratio of total eligible capital to total capital resources requirements, which must be at least 100%. The capital resources requirements reflect the credit, market and other risks of the Bank calculated using methodologies set out by the FSA.

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

The following table sets out details of CSi's regulatory capital resources at 31 December 2009 and 2008.

	2009 US$M	2008 US$M
Total shareholders' equity	**11,035**	**9,573**
Reconciliation to Tier 1 capital:		
Excess non-core Tier 1 capital	-	(1,857)
Regulatory deductions	(408)	(886)
Tier 1 capital less deductions	**10,627**	**6,830**
Tier 2 capital:		
Excess non-Core Tier 1 capital	-	1,857
Upper Tier 2	4,192	4,170
Lower Tier 2	6,057	6,152
Excess Tier 2 capital	(744)	(5,349)
Tier 2 capital	**9,505**	**6,830**
Tier 1 plus Tier 2 capital	**20,132**	**13,660**
Deductions	(1,318)	(896)
Tier 1 plus Tier 2 capital, less deductions	**18,814**	**12,764**
Excess Tier 2 capital	744	5,349
Tier 3 Capital	-	-
Deductions from Capital	(151)	(1,340)
Total regulatory capital less deductions	**19,407**	**16,773**

Capital requirements

CSi's minimum Pillar 1 capital requirements under the Basel 2 framework as implemented by the FSA are as follows:

	2009	**2008**
	Basel 2	Basel 2
	US$M	**US$M**
Trading book market risk under VaR	2,039	2,758
Trading book market risk under standard rules:		
interest rate risk	60	83
foreign currency risk	8	35
Counterparty risk – trading book	2,520	3,235
Counterparty risk – banking book	2,157	3,457
Concentration risk	620	1,132
Operational Risk (Basic Indicator Approach)	333	283
Total minimum capital requirements under Pillar 1	**7,737**	**10,983**

CREDIT SUISSE INTERNATIONAL
One Cabot Square
London E14 4QJ

www.credit-suisse.com

1327554 11.2009