

Credit Suisse International Interim Report 2009



CREDIT SUISSE INTERNATIONAL

INTERIM MANAGEMENT REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2009

The directors present their Interim Management Report and the Condensed Consolidated Interim Financial Statements for the six months ended 30 June 2009.

International Financial Reporting Standards

Credit Suisse International's 2009 Condensed Consolidated Interim Financial Statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted for use in the European Union ('EU'). The Condensed Consolidated Interim Financial Statements comprise Credit Suisse International ('CSi' or the 'Bank') and its subsidiaries – together referred to as the 'Group'.

The Condensed Consolidated Interim Financial Statements were authorised for issue by the Directors on 24 August 2009.

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. CSi 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 46,700 employees from approximately 100 different nations.

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

CSi is 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 the Group's risk management needs, including mitigation of interest rate, foreign currency and credit risk. CSi trades fixed income and equity product areas which are managed as part of the Investment Banking Division of CS group.

Principal products

CSi provides a full range of fixed income 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. CSi 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.

CSi 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.

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Economic environment

After a severe global downturn, global market sentiment began to improve in 2009, with signs of better earnings for the global banking industry and ongoing credit stabilisation programs. Surveys indicated that companies were reducing inventories, and demand stabilised. Unemployment rates continued to rise, however in the US the rate of increase was lower in Q209 than Q109. Output continued to contract in some countries, but also at a slower pace. Certain countries, such as Japan and South Korea, reported a strong rebound in exports and industrial production. Financial conditions improved, with corporate bond spreads narrowing and bond and equity issuances rebounding. The Swiss National Bank ('SNB') continued its relaxed monetary policy by keeping interest rates stable. The European Central Bank lowered interest rates to 1% and joined the Bank of England and the US Federal Reserve in announcing programs to purchase securities to support prices and financial institutions. Inflation continued to fall around the globe from the higher levels seen as a result of last year's surge in energy prices. Yields on government bonds rose sharply, reflecting improved risk appetite, less fear of deflation and reduced concern regarding public finances. Swiss franc and Euro-denominated bonds showed higher yields for all tenors.

Equity markets showed a strong performance in the first half of 2009. In emerging markets, returns of more than 20% were achieved, and most of the markets in developed countries also performed strongly. In Q209, commodity prices began to recover from the sharp losses in the previous three quarters. The stabilisation in global leading indicators, Chinese strategic buying and the general increase in risk appetite led to an upward movement in commodity prices. Prices also reflected buying activity in the derivatives markets, as market participants started to cover short positions. Precious metals traded higher, benefiting from a weaker US dollar and rising inflation expectations. Oil prices surged to over US\$70, as improving macroeconomic indicators and rising risk appetite triggered buying activity to cover short positions. The prospects of falling global grain production pushed agricultural commodity prices slightly higher as inventories remained at multi-decade lows.

The increase in equity markets, decline in volatility in currency markets and other asset classes and signs that the global economy was potentially at the bottom of the cycle all contributed to less deleveraging and demand for the US dollar. European currencies, such as the British pound, Euro and Swiss franc, appreciated against the US dollar, as the improvement in financial market conditions reduced the need for forced unwinding of US dollar liabilities. The Swiss franc weakened slightly against the Euro as a consequence of intervention by the SNB. Australian, New Zealand and Canadian dollars rose as expectations of an economic recovery later in the year boosted commodity prices. Emerging market currencies also benefited from the rise in commodity prices, improved investor sentiment and significant support by the International Monetary Fund.

The credit cycle continued its negative trend, with rising non-performing loans in retail banking and slightly higher corporate credit defaults. Provisions for loan losses increased, but coverage ratios fell. The main areas of credit risk were real estate and retail. A major rating agency changed the UK credit rating outlook to negative, and concerns about a similar move for the US emerged.

Numerous regulatory proposals were made by various governments and regulators, encompassing capital, liquidity, leverage, financial stability and corporate governance. Regulatory capital ratios improved in 2009 as a result of earnings and capital raising activities.

Performance

The Group's consolidated net loss after tax for the interim period 2009 was US\$(85)m. The Directors are of the opinion that this loss is not reflective of the inherent strength of the strategic businesses as significantly increased revenues were generated in the core business areas, but these were offset by losses in areas where the Group is exiting or realigning businesses.

Net operating income increased to a profit of US\$647m compared to a loss of US\$(738)m in the first half of 2008. Included in net operating income is US\$(934)m of losses recognised during the period in exit businesses, with the majority of this being valuation reductions in the mortgage backed securities businesses.

Excluding the impact of these losses, the Group would have reported operating income of \$1,581m. This reflects the strong performance in client and flow based businesses as market share was gained across many products, the benefit of the underlying improvement in fixed income and equity markets in 2009, and CS group's focus on implementing its client-focused and capital efficient strategy.

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The increase in core fixed income product revenues was primarily driven by significantly higher revenues from the global rates and foreign exchange businesses, as well as higher revenues from emerging markets and high grade credit businesses. 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.

The increase in equity revenues was primarily a result of higher revenues in equity derivatives, fund linked products and prime services. These businesses returned to more normalised revenue levels after the significant losses incurred during the last quarter of 2008 and benefited from increased spreads on client facilitation trades in the volatile market environment.

Included in net operating revenues is the impact of an increase in market credit risk provisions of US\$692m on OTC derivatives, as a result of the expansion of the provisions across investment grade counterparties. This was driven by market conditions. Because CSi is the global hedging entity for CS group derivative exposure, the impact of the increased CS group credit risk adjustment on OTC derivatives has been almost entirely recognised within CSi.

Included in net operating revenues are US\$226m valuation gains on issued structured notes resulting from recognition of own credit spreads previously not considered observable and therefore not previously recognised.

The Group's interim period operating expenses were US\$1,079m (2008: US\$1,250m). Compensation costs have increased due to higher accrual for variable compensation. Other expenses include increased provisions for loan losses to US\$194m (2008: US\$17m) as a consequence of the recent credit events and subsequent corporate credit defaults. Overall other expenses have decreased predominantly due to the inclusion of a litigation charge of US\$267m in 2008 in relation to the settlement of a litigation claim.

As at 30 June 2009, the Group had total assets of US\$742,399m (31 December 2008: US\$975,713m) and total shareholders' equity of US\$10,777m (31 December 2008: US\$9,573). 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 over the six month period, and a rebalancing of risk positions as part of the overall CS group Investment Bank strategy.

Repositioning Investment Banking

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 and unfunded net exposure as at 30 June 2009 was US\$328m (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 30 June 2009 was US\$2.3bn of which 65% was of investment grade quality (31 December 2008: US\$2.8bn).

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- CDO Trading Business: The Group purchases interests in CDOs and enters into derivative contracts with ABS CDOs and other counterparties. CDOs provide credit risk exposure to a portfolio of Asset Backed Securities ('ABS') (cash CDOs) or a reference portfolio of securities (synthetic CDOs) through, for example, credit default swaps. The CDO trading business had de minimis net US subprime exposure in CSi as at 30 June 2009 (31 December 2008: US\$130m).

It is expected that the global economic environment will remain challenging and erratic business conditions will persist however the directors believe the Group remains in a position to perform well.

Fair Value Measurement

Fair Value is considered the most relevant measurement for many financial instruments as it provides more transparency than historic cost based valuations and aligns the accounting for these financial instruments with how the business is managed. Per IAS39, the Group determines Fair Value using the IFRS two level hierarchy of 'Active Market' and 'No Active Market'. The No Active Market level of the IFRS fair value hierarchy includes more complex OTC derivatives, illiquid loans and certain structured bonds, these being the so-called 'Level 3' (as defined under FAS 159 US GAAP) instruments.

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

Total Level 3 assets were US\$31.1bn as at 30 June 2009 (31 December 2008: US\$52.9bn), which was equivalent to 4.2% of total fair value assets.

Total Level 3 liabilities were US\$28.9bn as at 30 June 2009 (31 December 2008: US\$47.9bn), which was equivalent to 3.9% of total fair value 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.

As the valuation models are based upon entity-specific assumptions, changing the assumptions within a reasonable range amends the resultant estimate of fair value. The potential effect of using reasonably possible alternative assumptions in valuation models lies in a range of US\$(1.07bn) and US\$1.07bn as at 30 June 2009.

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 will continue to ensure that the Bank is able to meet its debt obligations and maintain a sound financial position over the foreseeable future.

CS group continues to benefit from a conservative funding structure and a position as one of the world's best capitalised banks with a Tier 1 ratio of 15.5% as at 30 June 2009.

Issuances of medium and long term debt are set out in Note 9 to the Financial Statements.

In 2009, there was an increase 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. Also, 375,000,000 Class B Preference Shares were redeemed during the year (refer to Note 11).

The Bank must at all times monitor and demonstrate compliance with the relevant regulatory capital requirements of the FSA. The Bank has put in place processes and controls to monitor and manage its capital adequacy.

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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 that are often created with legal arrangements that impose strict limits on the decision making powers of its governing body or frequently operate in a predetermined way such that virtually all rights, obligations and aspects of activities are controlled through legal/contractual provisions determined at inception. 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 30 June 2009 is as follows:

	30 June 2009
	US\$M
Consolidated SPEs	
CDO	7,639
Financial intermediation	101
Total assets of consolidated SPEs	7,740
	30 June 2009
	US\$M
Non-consolidated SPEs	
CDO	38,332
Financial intermediation	165,915
Total assets of non-consolidated SPEs	204,247
Total maximum exposure to loss of non-consolidated SPEs	
CDO	9,091
Financial intermediation	94,871

The Group has not provided financial or other support to consolidated or unconsolidated VIEs that it was not previously contractually required to provide. The likelihood of the maximum loss as mentioned above actually occurring is close to zero.

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.

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.

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Dividends

No dividends have been paid for the period ended 30 June 2009 (2008: US\$Nil).

Directors

There have been no changes to the directorate since 31 December 2008.

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.

Subsequent events

There have been no material subsequent events.

CREDIT SUISSE INTERNATIONAL STATEMENT OF DIRECTORS' RESPONSIBILITIES

We confirm that to the best of our knowledge:

- The condensed set of financial statements has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU;
- The Interim Management Report includes a fair review of the information required by:
 - (a) DTR 4.2.7R of the *Disclosure and Transparency Rules*, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
 - (b) DTR 4.2.8R of the *Disclosure and Transparency Rules*, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

Signed on behalf of the Board of Directors on 24 August 2009:



Costas P. Michaelides
Director

CREDIT SUISSE INTERNATIONAL
CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT FOR THE
SIX MONTHS ENDED 30 JUNE 2009 (UNAUDITED)

	Note	30 June 2009 US\$M	30 June 2008 US\$M (restated) ¹
Interest income	4	899	1,887
Interest expense	4	(1,169)	(2,732)
Net interest expense		(270)	(845)
Commission and fee income	5	18	151
Commission and fee expense	5	(78)	(47)
Net commission and fee (expense)/income		(60)	104
Net trading revenues	7	1,169	428
Other charges	6	(192)	(425)
Total non-interest revenues		977	3
Net operating income/(loss)		647	(738)
Compensation and benefits	6	(501)	(321)
Impairment charge on loans and receivables	6	(194)	(17)
Other expenses	6	(384)	(912)
Total operating expenses		(1,079)	(1,250)
Loss before tax		(432)	(1,988)
Income tax credit	8	347	645
Loss after tax		(85)	(1,343)

All profits and losses for both 2009 and 2008 are from Continuing Operations.

¹ On 1 January 2008, the Group adopted IFRIC 11. Comparative information has been restated accordingly. See note 2.

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

The notes on pages 12 to 22 form an integral part of these Condensed Consolidated Interim Financial Statements.

CREDIT SUISSE INTERNATIONAL
CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION AS AT
30 JUNE 2009 (UNAUDITED)

	Note	30 June 2009 US\$M	31 December 2008 US\$M
Assets			
Cash and cash equivalents		37,950	63,201
Interest-bearing deposits with banks		48	349
Securities purchased under resale agreements and securities borrowing transactions		16,707	8,958
Trading assets	7	593,993	806,967
Other financial assets designated at fair value through profit and loss		31,030	34,451
Loans and receivables		16,713	7,303
Repossessed collateral		34	34
Current tax assets		212	536
Deferred tax assets		2,162	1,825
Other assets		43,001	51,530
Intangible assets		203	184
Property, plant and equipment		346	375
Total assets		742,399	975,713
Liabilities			
Deposits		1,937	1,586
Securities sold under repurchase agreements and securities lending transactions		8,904	9,019
Trading liabilities	7	551,599	756,744
Other financial liabilities designated at fair value through profit and loss		45,504	40,698
Short term borrowings		59,249	79,278
Other liabilities		51,809	68,165
Provisions		39	14
Long term debt	9	12,581	10,636
Total liabilities		731,622	966,140
Shareholders' equity			
Called-up share capital	11	9,125	8,542
Share premium account		4,868	4,126
Retained earnings		(3,371)	(3,286)
Share award obligations		155	191
Total shareholders' equity		10,777	9,573
Total liabilities and shareholders' equity		742,399	975,713

The notes on pages 12 to 22 form an integral part of these Condensed Consolidated Interim Financial Statements.

Approved by the Board of Directors on 24 August 2009 and signed on its behalf by:



Costas P. Michaelides

CREDIT SUISSE INTERNATIONAL
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY FOR
THE SIX MONTHS ENDED 30 JUNE 2009 (UNAUDITED)

	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	-	-	-	(36)	(36)
Share-based compensation, tax	-	-	-	-	-
Net loss recognised directly in equity	-	-	-	(36)	(36)
Loss for the period and total recognised income and expense for the period	-	-	(85)	-	(85)
Issue of shares	958	742	-	-	1,700
Redemption of shares	(375)	-	-	-	(375)
Balance at 30 June 2009	9,125	4,868	(3,371)	155	10,777

	Share Capital	Share Premium	Retained Earnings	Share- based payment reserve	Total
	US\$M	US\$M	US\$M	US\$M (restated)	US\$M
Balance at 1 January 2008	5,621	3,647	1,986	218	11,472
Share-based compensation, pre-tax	-	-	-	(51)	(51)
Share-based compensation, tax	-	-	-	44	44
Net loss recognised directly in equity	-	-	-	(7)	(7)
Loss for the period and total recognised income and expense for the period	-	-	(1,343)	-	(1,343)
Issue of shares	1,400	-	-	-	1,400
Redemption of shares	-	-	-	-	-
Balance at 30 June 2008	7,021	3,647	643	211	11,522

There were no dividends paid during the six months ended 30 June 2009 (30 June 2008 Nil).

The notes on pages 12 to 22 form an integral part of these Condensed Consolidated Interim Financial Statements.

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CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS FOR THE
SIX MONTHS ENDED 30 JUNE 2009 (UNAUDITED)

	Note	30 June 2009 US\$M	30 June 2008 US\$M (restated)
Cash flows from operating activities			
Loss before tax for the period		(432)	(1,988)
Adjustments to reconcile net loss to net cash (used in)/generated from operating activities			
Non-cash items included in loss before tax and other adjustments:			
Depreciation and amortisation on property, plant and equipment		45	41
Amortisation of intangible assets		30	28
Interest accrued on long term debt		202	306
Impairment charge on loans and receivables		194	17
(Reversal)/Impairment on loan commitments		(1)	(9)
Foreign exchange gains		(66)	-
Provisions		25	3
Cash generated before changes in operating assets and liabilities		429	386
Net decrease/(increase) in operating assets:			
Interest bearing deposits with banks		301	(353)
Securities purchased under resale agreements and securities borrowing		(7,749)	7,482
Trading assets		212,975	(102,951)
Other financial assets designated at fair value through profit and loss		3,422	(12,186)
Repossessed collateral		-	8
Loans and receivables		(9,604)	1,961
Other assets		8,529	(9,969)
Total net decrease/(increase) in operating assets		207,874	(116,008)
Net (decrease)/increase in operating liabilities:			
Deposits		(137)	952
Securities sold under resale agreements and securities lending transactions		(115)	(3,019)
Trading liabilities		(205,145)	112,201
Other financial liabilities designated at fair value through profit and loss		4,806	10,297
Short term borrowings		(20,029)	2,538
Other liabilities and provision		(16,356)	4,197
Total net (decrease)/increase in operating liabilities		(236,976)	127,166
Cash (used in)/generated from operating activities		(29,105)	9,556
Income taxes refund		333	105
Income taxes paid		-	(8)
Net cash flow (used in)/generated from operating activities		(28,772)	9,653
Investing activities			
Capital expenditure for property, plant, equipment and intangible assets		(65)	(88)
Net cash flow used in investing activities		(65)	(88)
Financing activities			
Issue of long term debt	9	1,900	5,044
Redemption of long term debt	9	(91)	(498)
Interest paid on long term debt		-	(346)
Issue of shares	11	1,700	1,400
Redemption of shares	11	(375)	-
Share award obligations		(36)	(35)
Net cash flow from financing activities		3,098	5,565
Net (decrease)/increase in cash and cash equivalents		(25,739)	15,130
Cash and cash equivalents at beginning of period		61,717	21,977
Cash and cash equivalents at end of period		35,978	37,107
Cash and due from banks		37,950	41,922
Demand deposits		(1,972)	(4,815)
Cash and cash equivalents at end of period		35,978	37,107

The notes on pages 12 to 22 form an integral part of these Condensed Consolidated Interim Financial Statements.

CREDIT SUISSE INTERNATIONAL

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2009 (UNAUDITED)

1. General

CSi is a bank domiciled in the United Kingdom. The address of the Bank's registered office is One Cabot Square, London, E14 4QJ. The Condensed Consolidated Interim Financial Statements were authorised for issue by the directors on 24 August 2009.

2. Significant Accounting Policies

a) Basis of preparation

The Group's Condensed Consolidated Interim Financial Statements are prepared in accordance with IAS 34 'Interim Financial Reporting'.

The preparation of the Condensed Consolidated Interim Financial Statements 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.

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 Condensed Consolidated Interim Financial Statements are unaudited. These Condensed Consolidated Interim Financial Statements should be read in conjunction with the Audited Annual Consolidated Financial Statements included in the Group's Annual report for 2008. The Audited Annual Consolidated Financial Statements are in accordance with IFRS, as adopted by the European Union.

The directors have prepared these accounts on a going concern basis. The Bank has unrestricted and direct access to funding sourced by Credit Suisse Group, and the directors of the Bank continue to rely on Credit Suisse Group to ensure that the Bank maintains a sound financial position and is able to meet its debt obligations.

Standards and Interpretations effective in the current period

In preparing the Condensed Consolidated Interim Financial Statements, the same accounting policies and basis of computation are applied as in the Group Annual Consolidated Financial Statements for the year ended 31 December 2008, with the adoption of the following amendments and interpretations in the current year:

- IAS1 Revised – Presentation of Financial Statements
- IAS 1 and IAS 32 Revised – Puttable instruments and obligations arising on liquidation
- IFRS 1 and IAS 27 Amendments – Cost of an Investment in a Subsidiary, Jointly-Controlled Entity or Associate
- IFRS 8 – Operating Segments
- IFRIC 15 – Agreements for the Construction of Real Estates
- IFRIC 16 – Hedges of a Net Investment in a Foreign Operation
- Annual improvements to IFRS

As a result of the adoption of the above revised accounting standards and interpretations, certain new disclosures have been made to the financial statements.

Standards and Interpretations in issue but not yet effective

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

- Revised IFRS 3 - Business Combinations and Amendments to IAS 27 Consolidated and Separate Financial Statements.

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

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2009 (UNAUDITED)

numbers in the Consolidated Financial Statements in the period of initial application. The accounting policies have been applied consistently by Group entities.

b) Share-based payments

IFRIC 11 'IFRS 2 - Group and Treasury Share Transactions' was adopted by the Bank from 1 January 2008. 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 will be classified as equity-settled from 1 January 2008. Historically these arrangements have been classified as cash-settled and because IFRIC 11 requires retrospective application, the prior year comparative financial statements have been restated to reflect the revised classification. Equity-settled arrangements are fair valued on grant date and subsequently amortised through income statements. 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. The revised accounting policy differs from the previous method as it does not require the awards to be fair valued through the income statement. Accordingly, profit before tax for the period ended 30 June 2008 has been adjusted by US\$168m.

c) Other

The financial information included in these Condensed Consolidated Interim Financial Statements does not constitute statutory accounts within the meaning of section 435 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2008 were approved by the directors on 16 April 2009 and were delivered to the Registrar of Companies following publication. The auditors' report on these accounts was unqualified and did not include a statement under sections 237(2) (accounting records or returns inadequate or accounts not agreeing with records and returns) or 237(3) (failure to obtain necessary information and explanations) of the Companies Act 2006.

3. Segmental Analysis

Following the adoption of IFRS 8 Operating Segments, the Group concluded that the Chief Operating Decision Maker when assessing the performance of CSi and determining the allocation of resources considers CSi as only one business operation, namely Investment Bank. Previously IAS 14 required the Group to disclose segments based on the different business components of the entity that were subject to different risks and returns, and three segments were disclosed for CSi. Accordingly, the segments have changed from three under IAS 14 to one under IFRS 8.

	30 June 2009 US\$M	30 June 2008 US\$M
Investment Bank	647	(738)
Total net operating Income/(loss)	647	(738)

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4. Interest Income and Interest Expense

	30 June 2009 US\$M	30 June 2008 US\$M
Loans and receivables	364	402
Securities purchased under resale agreements and securities borrowing transactions	71	304
Cash collateral paid on OTC derivatives transactions	183	482
Cash and cash equivalents	281	699
Total interest income	899	1,887
Deposits	(38)	(147)
Short term borrowings	(578)	(1,271)
Securities sold under resale agreements and securities lending transactions	(51)	(233)
Long term debt	(265)	(306)
Cash collateral received on OTC derivatives transactions	(237)	(775)
Total interest expense	(1,169)	(2,732)
Net interest Expense	(270)	(845)

US\$441m of interest expense on securities sold under resale agreements and securities lending transactions was reclassified to trading revenues for the prior year comparative.

5. Commission and fee

The following table sets forth the details of commissions and fees:

	30 June 2009 US\$M	30 June 2008 US\$M
Commissions from lending business:		
Investment and portfolio management activities	17	151
Fees for other customer services	1	-
Commission and fee income	18	151
Commissions from lending business:		
Investment and portfolio management activities	(3)	(17)
Fees for other customer services	(75)	(30)
Commission and fee expense	(78)	(47)
Net commission and fee income	(60)	104

6. Other charges and total operating expenses

Other charges includes amounts allocated to CSi from other companies in the CS group mainly due to revenue sharing arrangements of US\$192m (2008: US\$425m).

The following table sets forth the details of compensation and benefits:

	30 June 2009 US\$M	30 June 2008 US\$M (restated)
Salaries and bonuses	444	287
Social security	50	6
Pensions	6	25
Other	1	3
Compensation and benefits	501	321

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The impairment charge on loans and receivables of US\$194m (2008: US\$17m) comprises additional allowances for loan losses of US\$321m (2008: US\$48m) and a release of allowances for loan losses of US\$127m (2008: US\$31m).

The following table sets forth the details of other expenses:

	30 June 2009	30 June 2008
	US\$M	US\$M
Occupancy expenses	6	7
IT and machinery	21	32
Depreciation expenses	75	69
Provisions	-	3
Commission expenses	149	159
Travel and entertainment	4	7
Audit fees of the Bank	1	2
Professional services	13	41
Overheads allocated from other CS group entities	77	242
Litigation	28	267
Other	10	83
Other expenses	384	912

The 2008 litigation charge relates to an agreement with the Parmalat Group to settle all claims between the parties in Italy. The 2009 litigation charge relates to settlement of the class actions brought by Parmalat bondholders in Italy.

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7. Trading Activities

The following table sets forth the details of trading-related revenues:

	30 June 2009	30 June 2008
	US\$M	US\$M
Interest rate-related products	940	120
Equity/indexed-related products	841	545
Foreign exchange products	123	167
Credit related products	(860)	(783)
Energy trading and marketing products	139	372
Other products	(14)	7
Net trading revenues	1,169	428

	30 June 2009	31 December 2008
	US\$M	US\$M
Trading assets		
Debt instruments	26,430	25,384
Equity instruments	16,303	19,482
Positive replacement values of derivative trading positions	542,645	756,315
Loans and other receivables	8,615	5,786
Total trading assets	593,993	806,967

	30 June 2009	31 December 2008
	US\$M	US\$M
Trading liabilities		
Short positions	12,761	10,284
Negative replacement values of derivative trading positions	538,838	746,460
Total trading liabilities	551,599	756,744

8. Income Tax Credit

	30 June 2009	30 June 2008
	US\$M	US\$M
Current tax	(10)	181
Deferred tax	357	464
Income Tax Credit	347	645

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8. Income Tax Credit (continued)

The income tax credit for the period can be reconciled to the profit per the income statement as follows:

	30 June 2009 US\$M	30 June 2008 US\$M (restated)
Loss before tax	(432)	(1,988)
Loss before tax multiplied by the UK statutory rate of corporation tax at the rate of 28% (30 June 2008: 28.5%)	121	567
Effect of different tax rates of operations/subsidiaries operating in other jurisdictions	(9)	39
Other permanent differences	18	33
Adjustments to current tax in respect of previous periods	(17)	-
Adjustments to deferred tax in respect of previous periods	11	-
FX movements on losses carried forward	223	-
Effect on deferred tax resulting from changes to tax rates	-	6
Income Tax Credit	347	645

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.

9. Long Term Debt

	Balance as at 1 January 2009 US\$M	Issuances US\$M	Repayments and other movements US\$M	Translation FX and MTM adjustments US\$M	Balance as at 30 June 2009 US\$M
Senior debt	453	1,900	(91)	(65)	2,197
Subordinated debt	10,183	-	-	201	10,384
Total Long Term Debt	10,636	1,900	(91)	136	12,581

	Balance as at 1 January 2008 US\$M	Issuances US\$M	Repayments and other movements US\$M	Translation, FX and MTM adjustments US\$M	Balance as at 31 December 2008 US\$M
Senior debt	5,160	5	(4,531)	(181)	453
Subordinated debt	7,070	3,025	-	88	10,183
Total Long Term Debt	12,230	3,030	(4,531)	(93)	10,636

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10. Derivatives and Hedging Activities

As at 30 June 2009

	Trading			Hedging		
	Notional amount US\$M	Positive fair value US\$M	Negative fair value US\$M	Notional amount US\$M	Positive fair value US\$M	Negative fair value US\$M
Interest rate products	32,488,005	544,479	538,751	-	-	-
Foreign exchange products	1,706,379	45,750	49,624	-	-	-
Precious metals products	70,177	1,319	2,239	-	-	-
Equity/indexed-related products	1,048,835	29,041	31,372	-	-	-
Credit products	2,595,644	131,187	126,046	195	32	-
Commodity products	337,043	7,280	6,968	-	-	-
Other products	5,670	3,072	3,322	-	-	-
Total Derivative Instruments	38,251,753	762,128	758,322	195	32	-

	30 June 2009		31 December 2008	
	Positive fair value US\$M	Negative fair value US\$M	Positive fair value US\$M	Negative fair value US\$M
Fair values (trading and hedging) before netting	762,160	758,322	1,019,442	1,009,483
Fair values (trading and hedging) after netting	542,676	538,838	756,397	746,438

As at 31 December 2008

	Trading			Hedging		
	Notional amount US\$M	Positive fair value US\$M	Negative fair value US\$M	Notional amount US\$M	Positive fair value US\$M	Negative fair value US\$M
Interest rate products	29,236,415	684,992	681,309	124	-	19
Foreign exchange products	1,417,455	62,410	68,470	-	-	-
Precious metals products	66,680	3,357	3,720	-	-	-
Equity/indexed-related products	967,592	42,283	39,172	-	-	-
Credit products	3,166,006	214,349	205,356	632	126	-
Commodity products	51,838	10,068	9,716	-	-	-
Other products	8,226	1,857	1,721	-	-	-
Total Derivative Instruments	34,914,211	1,019,316	1,009,464	756	126	19

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11. Called-up Share Capital

	30 June 2009	31 December 2008
	US\$	US\$
Authorised:		
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

	30 June 2009	31 December 2008
	US\$	US\$
Allotted, called up and fully paid:		
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

On 20 January 2009, the total authorised share capital of the Bank 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 US\$742,424,242 to Credit Suisse (International) Holding AG, 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). 375,000,000 Class B Preference shares amounting were redeemed in full during the period.

Stock awards

Total compensation expense for stock awards, relating to CSG shares, recognised during the six months ended 30 June 2009 and 2008 was US\$47m and US\$77m respectively.

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12. Contingent Liabilities and Commitments

The Group has 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 following contingent liabilities and commitments were entered into since 31 December 2008:

On 17 April 2009, CSi registered a Security Deed with Ever Grace Group Limited executed over property situated outside the United Kingdom for all of its rights, title, interest and benefit in respect of the assigned rights and the assigned proceeds and all monies due or to become due from CSi to Ever Grace Group Limited under the terms of the security deed.

On 17 April 2009, CSi registered a Share Charge with Ever Grace Group Limited executed over property situated outside the United Kingdom by way of first fixed charge all its rights, title and interest in and to the participant's shares and related rights meaning dividends. This will be applicable for all of its rights, titles interest, and benefit in respect of the assigned rights and the assigned proceeds and all monies due or to become due CSi to Ever Grace Group Limited under the terms of deed.

13. Related Party Transactions

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/deposits and repurchase/resale agreements. The Group is also charged by other CS group companies for operating costs which mainly relate to employee-related services and other business expenses.

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

The nature of related party transactions remained consistent for the six months ended 30 June 2009 compared to the year ended 31 December 2008.

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14. Financial Instruments Risk Position

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

There have been no material changes in the risk management policies since the year ended 31 December 2008.

The following tables give an update on the VaR results, mark to market exposures and interest rate sensitivity position as at 30 June 2009.

Market risk in CSi trading portfolios (1-day, 99% Value-at-Risk) ¹⁾

In US\$M	6 months ended 30 June 2009				12 months ended 31 December 2008			
	Min.	Max.	Average	30.06.2009	Min.	Max.	Average	31.12.2008
Interest rate & credit spread	36	83	53	83	20	68	35	59
Foreign exchange	10	52	21	12	5	54	14	40
Equity	12	39	20	16	15	91	29	21
Commodity	4	18	9	14	7	23	14	10
Diversification Benefit	²⁾	²⁾	(48)	(53)			(37)	(57)
Total (Non-Scaled)	43	72	54	72	36	119	55	73
Total (Scaled) ³⁾	55	105	73	88	46	178	78	109

¹⁾ All figures above represent ten-day VaR scaled to a one-day holding period.

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

³⁾ To ensure that VaR responds appropriately in times of market stress, CS group introduced a new scaling technique in the fourth quarter of 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.

Interest rate sensitivity position in the non-trading portfolio

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 30 June 2009 and 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 30 June 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\$270m and a decrease of US\$44m, respectively. These amounts are significantly below the threshold of 20% of regulatory capital used by regulators to identify firms that potentially run excessive levels of non-trading interest rate risk.

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14. Financial Instruments Risk Position (continued)

Net Counterparty Exposure before Collateral by Internal Rating

	30 June 2009		31 December 2008	
	US\$M	%	US\$M	%
AAA	9,740	11	12,607	12
AA+ to AA-	17,200	20	36,581	32
A+ to A-	27,851	33	27,323	24
BBB+ to BBB-	12,433	15	17,199	15
BB+ to BB-	5,098	6	7,111	6
B+ and below	13,152	15	12,001	11
	85,474	100	112,822	100

Net Unsecured Exposure by Internal Rating (including provisions)

	30 June 2009		31 December 2008	
	US\$M	%	US\$M	%
AAA	6,793	18	7,510	15
AA+ to AA-	9,470	25	16,915	33
A+ to A-	10,682	28	11,036	22
BBB+ to BBB-	4,004	10	6,426	13
BB+ and below	7,390	19	8,559	17
	38,339	100	50,446	100



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