Credit Suisse International
Annual Report 2008

COMPANY REGISTRATION NUMBER: 2500199

CREDIT SUISSE INTERNATIONAL

BOARD OF DIRECTORS

Eric Varvel (Chairman and CEO)

James Amine

Gael de Boissard

Renato Fassbind (Non Executive)

Tobias Guldimann (Non Executive)

Costas P Michaelides

Simon D Yates

COMPANY SECRETARY

Paul E Hare

The directors present their Report and the Financial Statements for the year ended 31 December 2008.

International Financial Reporting Standards

Credit Suisse International's 2008 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 16 April 2009.

Transparency Directive

During the year Credit Suisse International has adopted the Financial Services Authority's new rules implementing the provisions of the EU Transparency Directive, as applicable. The objective of the Transparency Directive is to achieve greater harmonisation within the member states relating to the provision of periodic and ongoing information requirements for securities issuers.

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 47,800 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. The Financial Statements for the year ended 31 December 2008 comprise CSi and its subsidiaries (together referred to as the 'Group'). CSi has two principal business divisions: Fixed Income and Equities. These 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.

Economic environment

Against the backdrop of the financial crisis, 2008 was characterised by declines in economic growth, which intensified towards the end of the year. Industrial production reached a peak near the end of 2007 and employment in the US then started falling. Housing prices in several countries began to slide and banks continued to tighten lending standards. The US government implemented a US$150bn fiscal stimulus package in the summer, which consisted mainly of tax rebates, but failed to stimulate private consumption. Funding and refinancing concerns became a major issue, with LIBOR rates at very high levels, clear dislocations in the financial system, debt markets largely closed and investors' risk aversion mounting. Bond spreads and interbank interest rates spiked in October following the bankruptcy of Lehman Brothers, increasing financing costs not only for banks, but also for highly-rated non-financial borrowers. This situation improved at the end of the year following unprecedented market interventions of central banks and governments. Equity markets sold off sharply and volatility increased dramatically. Despite clear signs of an economic slowdown, commodity prices continued to rise until July, stoking inflation fears. Some commodity markets showed signs of overheating, reflecting increased demand as investors rebalanced their portfolios. Agricultural products and precious metals recorded strong price increases, as those markets were supported by tightening supply and continued strong fundamental demand. As a result, inflation rose sharply across the globe. In the Euro-zone, inflation climbed to 4.0% – double the ECB target. Several central banks reacted with interest rate hikes, while others delayed rate cuts. Higher inflation squeezed consumers' purchasing power and retail sales weakened markedly. Trade unions responded with higher wage demands and wages in the Euro-zone rose at their strongest pace in years. After reaching the mid-year peak, commodity prices subsequently fell sharply, due to deleveraging, risk reduction and the sharp slowdown in economic activity, all of which eased inflationary pressures. This gave central banks scope to use monetary policy to cushion the emerging economic weakness, with monetary authorities cutting rates aggressively. The BoE lowered rates 300 basis points, the ECB 175 basis points and the SNB 225 basis points. In the fourth quarter, the softening global economy turned into an abrupt deceleration and an unusually synchronized and severe global downturn set in. Industrial production plummeted and was down 8% year-on-year in the US, Euro-zone and Japan by November. Exports fell sharply, with Japanese exports dropping 35% year-on-year in December, the largest decline on record. During the fourth quarter, US gross domestic product contracted 4%, the sharpest drop since the early 1980s. Emerging markets also felt the blow of weaker external demand, but domestic demand largely held up.

With interest rates approaching zero in the US, the Federal Reserve ('Fed') switched to what is referred to as a "credit easing" strategy, where it provides credit directly to the private sector via the purchase of CP and mortgage-backed securities and support for the ABS market. This resulted in the doubling of the Fed's balance sheet. Many governments responded with fiscal packages and measures to shore up the banking sector, including debt guarantees and capital injections. During the most severe bouts of selling in equity and commodities markets, yields on government bonds reached the lowest levels in decades due to very high risk aversion and fears of deflation. After having traded for years at similar yields to German government bonds, non-core Euro-zone governments saw a sharp sell-off in their bonds as concerns about their budgetary situations developed and yield differentials widened to around 300 basis points.

The US dollar depreciated during the first half of 2008, especially against the Euro, as yield differentials widened due to the Fed's easing strategy. As a result, export growth in the US surged. The US dollar rebounded in the second half through mid-November, reflecting deleveraging, flight to quality, aggressive monetary easing outside the US and the forced buying of US dollars by European banks, due to currency mismatches (a consequence of write-downs of US dollar assets). The Swiss franc strongly outperformed in Europe, reflecting Switzerland's relative strength as a net creditor, the unwinding of carry trades and rate differentials with other currencies narrowing sharply. The Euro fell to an all-time low of 1.43 against the Swiss franc.

Sector environment

2008 was the most challenging year for the financial sector and capital markets in decades. Sharply lower appetite for risk constrained the willingness or ability of some market participants to maintain their existing positions. As leveraged investment strategies unwound, forced selling by hedge funds led to distressed prices in some asset classes, triggering substantial fair value reductions by banks.

Against this backdrop, banks and regulators increased their focus on capital requirements, more transparent disclosure and the effects of fair value accounting. Credit spreads on a wide range of financial instruments and markets continued to widen, especially in the second half of 2008. The stand-alone investment banking business model in the US was a casualty of severe balance sheet problems. As the US Treasury intervened to prevent systemic failures, several major banks, investment banking firms and brokerages were forced to merge.

The dysfunction in credit and financial markets resulted in significant events in the financial services industry. Bear Stearns Companies Inc. required emergency financing from the Fed to avoid insolvency and was subsequently acquired by JP Morgan Chase & Co., with additional financial support from the Fed. The US government took conservatorship of Fannie Mae and Freddie Mac, Lehman Brothers went bankrupt, Bank of America agreed to acquire Merrill Lynch and the Fed granted emergency loans to American International Group. The financial crisis spread unabated to Europe where events included the takeover of Halifax Bank of Scotland by Lloyds TSB and government interventions in Germany and Switzerland, in Belgium, the Netherlands and Luxemburg, the UK and Iceland. Additionally, the US Department of the Treasury responded to significant redemption pressure in money market funds by establishing a temporary guarantee for certain US funds. Central banks took further steps to stabilize their markets by injecting liquidity and easing collateral requirements for their lending facilities. To increase confidence, many European countries issued guarantees of bank deposits. The US Treasury announced a plan to invest up to US$250bn of Troubled Asset Relief Program funds directly into banks, and the US Federal Deposit Insurance Corporation announced an unlimited guarantee on certain bank deposits and bank debt. Other governments issued guarantees of debt securities and certain assets of eligible financial institutions and issued or increased the amount of guarantees on bank deposits. In Switzerland, bank deposit guarantees increased from CHF 30,000 to CHF 100,000.

Discussions about potential regulatory changes for the banking sector gained urgency, focusing on capital, balance sheet leverage ratios and ways to encourage increased transparency of risk positions and off-balance sheet exposures. Investor focus moved from short-term systemic credit risk to concern about the longer-term effects of the credit turmoil and the commodities price shock. After oil prices surged above US$140 per barrel at mid-year, volatility increased in the bond and equity markets and has remained elevated. Continued falling housing prices and rising non-performing loans aggravated the economic slowdown in the US, and equity markets fell sharply. The banking sector continued to raise high levels of capital, which put additional pressure on the sector's share valuations.

Both equity and fixed income trading volumes were supported by the high volatility levels. However, the emergence of new trading platforms caused major stock exchanges to lose market share. Fixed income volumes were higher in 2008 than in 2007, globally and in Europe. Equity underwriting activity slowed significantly in 2008, as investors stayed away from capital markets amid the economic and financial crisis. Announced mergers and acquisitions volumes were down 29% for the year both globally and in Europe, and completed mergers and acquisitions volumes decreased 28% globally and 24% in Europe. Global debt underwriting was down 38%, reflecting the turmoil in credit markets and more conservative credit standards applied by banks and other financial institutions.

Performance

The Group's current year consolidated net operating loss was US$4,905m (2007: profit US$2,819m). The loss attributable to shareholders for the year was US$5,272m (2007: profit US$527m). The directors are disappointed with this performance which has resulted primarily from the extreme market dislocation that has occurred in the Bank's primary trading markets. CS group and the Bank continue to actively reduce risks as part of the repositioning of investment banking, as detailed below.

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.

An analysis of net operating (loss)/income by business segment is as follows:

	2008 US$M	2007 US$M
Net operating (loss)/income		
Fixed Income Division	(3,581)	2,248
Equity Division	(1,604)	629
Other	280	(58)
Total net operating (loss)/income	**(4,905)**	**2,819**

The negative net revenues in both Fixed Income and Equities in 2008 reflect the widespread market disruption, which persisted throughout the year and intensified in the second half. Results in 2008 were negatively impacted by the dislocation in the structured products and credit markets, which led to significantly lower fixed income results compared to 2007. Severe widening of credit spreads resulted in sharp declines in fair value levels of credit instruments across most markets, and an increase in the divergence between the cash and synthetic markets. In addition, extreme volatility and the restrictions on short selling in the second half of the year adversely affected many of the fixed income and equity trading businesses.

Fixed income trading losses in 2008 primarily reflected net valuation reductions in leveraged finance and structured products businesses and losses in structured fixed income derivatives, leveraged finance trading and emerging markets trading. Solid results were reported in flow based rate products, and high grade credit trading generated considerable revenues benefiting from the dislocations in the credit markets as corporate credit spreads widened across the board.

Equity trading losses in 2008 primarily were caused by significant losses in long/short and event and risk arbitrage equity trading strategies, equity derivatives and convertibles compared to significant gains in 2007.

The Group's current year total operating expenses were US$2,259m (2007: US$2,041m). While compensation costs were significantly reduced due to lower variable compensation in 2008, this was partially offset by increased impairment charge on other loans and receivables, and the inclusion of a litigation charge of US$267m relating to an agreement with the Parmalat Group to settle all claims between the parties in Italy. Included in operating expenses in 2008 is a fine of US$11m to the FSA for systems and controls failings related to mismarks and pricing errors, detailed below.

As at 31 December 2008, the Group had total assets of US$975,713m (2007: US$491,834m) and total shareholders' equity of US$9,573m (31 December 2007: US$11,472m). The significant increase in total assets was principally driven by increased fair value of interest rate and credit derivatives as movements on yield and credit curves in the global markets led to widening of credit spreads.

Impact on results of the events in the mortgage and credit markets

In 2008, the continuing dislocation in the structured products and credit markets led to significantly lower revenues in the leveraged finance and structured products – comprising Commercial Mortgage Backed Securities ('CMBS'), Residential Mortgage Backed Securities ('RMBS') and subprime Collateralised Debt Obligation ('CDO') – businesses.

As part of the Group's overall risk management to reduce exposures from these businesses, the Group holds a portfolio of hedges, including single name hedges and index hedges in non-investment grade, cross-over credit and mortgage indices. Hedges are impacted by market movements, similar to other trading securities, and may result in gains or losses on the hedges which offset losses or gains on the portfolios they were designed to hedge.

The Group does not rely on monoline insurers in its subprime hedging. The risk in any inventory of monoline-wrapped paper is fully hedged with credit derivatives and other forms of protection.

The exposure of the leveraged finance and structured products businesses as follows reflect a risk management rather than a financial reporting perspective.

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. Leveraged finance is commonly employed to achieve a specific objective, for example to make an acquisition, to complete a buy-out or to repurchase shares.

Leveraged finance risk exposure takes the form of both funded and unfunded commitments. An unfunded commitment exists from the time a commitment is made to a client to extend a leveraged loan, to the time the loan is closed and funded. The Group typically endeavours to distribute the loan prior to the closing and funding of the loan. Once a loan has closed, whatever portion the Group continues to hold is a funded commitment. The Group's total funded and unfunded exposure was US$1bn as at the end of 2008 (2007: US$3bn).

CMBS business

CMBS are bonds backed by a pool of mortgage loans on commercial real estate properties. Cash flows generated by the underlying pool of commercial mortgages are the primary source of repayment for the principal and interest on the bonds. Various types of income-producing properties serve as collateral for the commercial mortgages. The collateral is typically sold to a special purpose entity which then issues CMBS. A typical deal will include the issuance of multiple classes of bonds. Principal payments are generally made to the bond classes on a sequential basis, beginning with the class with the highest priority and ending with the class with the lowest priority. The credit ratings on the bond classes will vary based on payment priority and can range from AAA to unrated. Most CMBS are issued by private entities and, as a result, the credit quality of the underlying commercial mortgages will have a direct bearing on the performance of the bonds. 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 loan inventory at 31 December 2008 was US$2.8bn (2007: approximately US$6bn), of which 68% was investment grade.

RMBS business

The Group's exposure to RMBS inventory is de minimis.

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 Group's cash CDO business includes warehouse financing of a portfolio of assets selected by clients for packaging and distribution as CDOs, where the Group sells the warehoused assets to the CDO vehicle for cash raised in the CDO issuance. The Group's primary CDO US subprime exposure is to bonds with ratings of AAA or AA. In synthetic CDOs, the Group may be required under credit default swaps to make payments in the event that securities in the reference portfolios default or experience other credit events such as rating agency downgrades.

In 2008 the Group completed the transfer of certain CDO positions and risks from CSi to US based CS group entities to facilitate closer oversight by Trading Management. The CDO trading business had net US subprime exposure in CSi of only US$130m as of the end of 2008 (2007: US$2.4bn).

The CDO business is managed as a trading book on a net basis, and the related gross long and short positions are monitored as part of CS group's risk management activities and price testing procedures. The Group is not currently originating significant levels of subprime CDOs.

Remediation of prior material weakness in internal control over financial reporting

As announced on 19 February 2008, in connection with ongoing internal control processes, CS group identified mismarks and pricing errors by a small number of traders in certain ABS positions in the CDO trading business in Investment Banking and immediately undertook an internal review of this business. CDO trading is part of the structured products business. These traders ran global portfolios of positions, some portions of which were entered into by CSi. Consequently findings from this review directly impact CSi.

As a result of this internal review CS group recorded total valuation reductions of CHF 2.86bn (US$2.65bn) of which CSi recorded a total valuation reduction of US$685m in 2007 and US$957m for the period 1 January 2008 to 19 February 2008, as a result of revaluing these positions.

CS group has been actively engaged in the implementation of remediation efforts to address the material weakness relating to the mismarks and pricing errors. These remediation efforts, outlined below, are specifically designed to address the material weakness identified by management. As a result of its assessment of the effectiveness of internal control over financial reporting, management determined that as of December 31, 2008, the material weakness no longer exists.

CS group's remediation efforts were governed by a Steering Committee, under the direction of the CS group's CRO and included other members of the Executive Board as well as senior management staff. The status of remediation was reviewed by the Audit Committee who was advised of issues encountered and key decisions reached by Group's management. During 2008, Group's management took the following actions to remediate this material weakness:

- Immediate internal review of this business, commissioned by the CS group Executive Board and assisted by outside counsel, commenced after the release of the CS group unaudited 2007 Condensed Consolidated Financial Statements

- Reassessed trading responsibility for the CDO trading business

- Improved the effectiveness of supervisory reviews, formalised escalation procedures, improved coordination among trading, product control and risk management

On 13 August 2008 CSi incurred a financial penalty of £5.6m (US$ 11m) levied by the FSA in connection with the mismarking and pricing errors.

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; and reducing risk limits for complex and structured products.

In addition, as part of the 2008 annual compensation process, senior employees of the Bank were awarded bonuses where a significant component references the performance of a specified pool of illiquid assets that originated in CS group's investment banking business, and/or had a portion of their variable compensation granted in the form of cash retention awards ('CRA'). These CRA payments are subject to vesting over a two year period and to other conditions. Any unvested CRA will be repaid if a clawback event such as voluntary termination of employment occurs.

CS group expects challenging market conditions to persist in the near to medium term. Accordingly, the business will continue to be managed conservatively. CS group is, however, in a strong position financially and competitively, therefore a disciplined risk management approach will enable opportunities to be seized and realised as they emerge. 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 13.3% as at 31 December 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 2008 is as follows:

	31 December 2008 US$M
Consolidated SPEs	
CDO	440
Financial intermediation	16,996
Total assets of consolidated SPEs	**17,436**

	31 December 2008 US$M
Non-consolidated SPEs	
CDO	39,375
Financial intermediation	175,631
Total assets of non-consolidated SPEs	**215,006**
Total maximum exposure to loss of non-consolidated SPEs	
CDO	9,457
Financial intermediation	94,267

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.

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, the so-called 'Level 3' Instruments.

Asset and liabilities measured at fair value on a recurring basis

As at 31 December 2008 Group	Quoted Prices in active markets (level 1) US$M	Significant other observable inputs (level 2) US$M	Significant unobservable inputs (level 3) US$M	Impact of netting US$M	Total US$M
Trading assets	14,146	1,012,396	43,427	(263,002)	806,967
Other financial assets designated at fair value through profit and loss	3,841	21,112	9,498	-	34,451
Total assets at fair value	**17,987**	**1,033,508**	**52,925**	**(263,002)**	**841,418**
Trading liabilities	(10,414)	(982,528)	(26,804)	263,002	(756,744)
Other financial assets designated at fair value through profit and loss	-	(20,359)	(20,339)	-	(40,698)
Other liabilities	-	-	(734)	-	(734)
Total liabilities at fair value	**(10,414)**	**(1,002,887)**	**(47,877)**	**263,002**	**(798,176)**

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

Group	2008 US$M
Gains and losses in net trading revenue	
Net realised/unrealised losses included in net revenues	1,832
Whereof:	
Unrealised losses relating to asset and liabilities still held as of reporting date	5,247

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$(1,298m) and US$1,298m as at the end of 2008.

For disclosure purposes, the Group has chosen to disclose fair value measurement in the tables above per the three level US GAAP hierarchy defined in SFAS 157:

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

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

Level 3: 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.

The Group records net open positions at bid prices if long, or at ask prices if short, unless the Group is a market maker in such positions, in which case mid-pricing is utilised. A bid-offer adjustment is applied to the net position.

Fair value measurements are not adjusted for transaction costs. 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 for 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.

Capital Resources

Issues of medium and long term debt are set out in Note 22 to the Financial Statements.

In 2008, there was an increase in various classes of authorised and issued share capital. Preference share capital increased by the authorisation and issuance of 1,400,000,000 Class J Preference shares. Participating share capital increased by the authorisation of 2,000,000,000 Participating shares, of which 1,520,833,333 were issued at a premium of US$479m (refer to Note 23).

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 15).

Dividends

No dividends have been paid for the year ended 31 December 2008 (2007: 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 33 to the Financial Statements.

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 2007 and up to the date of this report are as follows:

Appointment:	
Eric Varvel (Chairman and CEO)	20 February 2008
James Amine	10 March 2008
Christopher Horne (Alternate to James Amine)	10 March 2008
Eraj Shirvani (Alternate to Gael Boissard)	10 March 2008
Resignation:	
Michael G Philipp (Chairman and CEO)	20 February 2008
Osama S Abassi (Alternate to Gael de Boissard)	10 March 2008
Hamish Leslie-Melville (Alternate to Marco G Mazzucchelli)	10 March 2008
Marco G Mazzucchelli	10 March 2008
Fawzi S Kyriakos-Saad	11 June 2008
Stephen B Dainton	27 November 2008
Christopher Horne (Alternate to James Amine)	27 November 2008
Eraj Shirvani	27 November 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.

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$41,182 (2007: US$32,308) of charitable donations. There were no political donations made by the Group during the year (2007: US$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

On 20 Jan 2009, the total authorised share capital of the Bank increased from US$14,100,000,000 to US$15,800,000,000. Bank issued 757,575,758 Participating Shares of US$1 each in cash at a share premium of US$742,424,242 to IHAG.

Further to this, on the same day the Bank issued 200,000,000 Class K Preference Shares of US$1 each to CSI(UK).

On 27 Feb 2009, all 375,000,000 issued Class B Preference Shares were redeemed at par.

By Order of the Board

Paul E Hare
Company Secretary

One Cabot Square
London E14 4QJ
16 April 2009

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

The Bank and Group Financial Statements are required by law and IFRS as adopted by the EU to present fairly the financial position of the Bank and Group and the performance for that period; the Companies Act 1985 provides in relation to such Financial Statements that references in the relevant part of that Act to Financial Statements giving a true and fair view are references to their achieving a fair presentation.

In preparing each of the Bank and Group Financial Statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that its Financial Statements comply with the Companies Act 1985. They have a 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the CS group's website. Legislation in the UK governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

We confirm that to the best of our knowledge:

- the Financial Statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and
- The Directors' Report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Signed on behalf of the Board of Directors on 16 April 2009 by:

Costas P. Michaelides
Director

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CREDIT SUISSE INTERNATIONAL

We have audited the Group and Bank Financial Statements (the 'Financial Statements') of Credit Suisse International (the 'Bank') for the year ended 31 December 2008 which comprise the Group Income Statement, the Group and Bank Balance Sheets, the Group and Bank Cash Flow Statements, the Group and Bank Statements of Changes in Equity and the related notes. These Financial Statements have been prepared under the accounting policies set out therein.

This report is made solely to the Bank's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Bank's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Bank and the Bank's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditors

The directors' responsibilities for preparing the Annual Report and the Financial Statements in accordance with applicable law and International Financial Reporting Standards ('IFRS') as adopted by the EU are set out in the Statement of Directors' Responsibilities on page 13.

Our responsibility is to audit the Financial Statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Financial Statements give a true and fair view and whether the Financial Statements are properly prepared in accordance with the Companies Act 1985 and, as regards the Group Financial Statements, Article 4 of the IAS regulation. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the Financial Statements.

In addition we report to you if, in our opinion, the Bank has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited Financial Statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Financial Statements. Our responsibilities do not extend to any other information.

Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Financial Statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the Financial Statements, and of whether the accounting policies are appropriate to the Group's and Bank's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Financial Statements.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CREDIT SUISSE INTERNATIONAL

Opinion

In our opinion:

• the Group financial statements give a true and fair view, in accordance with IFRS as adopted by the EU, of the state of the Group's affairs as at 31 December 2008 and of its profit for the year then ended;

• the Bank financial statements give a true and fair view, in accordance with IFRS as adopted by the EU as applied in accordance with the provisions of the Companies Act 1985, of the state of the Bank's affairs as at 31 December 2008;

• the Financial Statements have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group Financial Statements, Article 4 of the IAS regulation; and

• the information given in the Directors' Report is consistent with the Financial Statements.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor
London
16 April 2009

CREDIT SUISSE INTERNATIONAL
CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2008

	Note	2008 US$M	2007 US$M (restated)[1]
Interest income	5	3,783	3,101
Interest expense	5	(4,971)	(5,034)
Net interest expense		**(1,188)**	**(1,933)**
Commissions and fees income	6	100	68
Commissions and fees expense	6	(94)	(137)
Net commission and fee income/(expense)	**6**	**6**	**(69)**
Net trading (loss)/revenues	7	(2,798)	5,384
Revenue sharing agreements expense	6	(925)	(563)
Total non interest revenues		**(3,717)**	**4,752**
Net operating (loss)/income		**(4,905)**	**2,819**
Compensation and benefits	6	(584)	(819)
Impairment charge on other loans and receivables	11	(159)	(36)
Other expenses	6	(1,516)	(1,186)
Total operating expenses		**(2,259)**	**(2,041)**
(Loss)/profit before tax		**(7,164)**	**778**
Income tax credit/(charge)	8	1,892	(251)
(Loss)/profit after tax		**(5,272)**	**527**

(Loss)/profit attributable to:			
Equity holders of the parent		**(5,272)**	527
		(5,272)	**527**

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

All profit and loss for both 2008 and 2007 is from Continuing Operations.

The Bank's loss after tax was US$5,293 m for the year ended 31 December 2008 (2007: profit US$516m)

The notes on pages 23 to 101 form an integral part of the Financial Statements.

CREDIT SUISSE INTERNATIONAL
CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2008

	Note	2008 US$M	2007 US$M (restated)[1]
Assets			
Cash and cash equivalents		63,201	26,713
Interest-bearing deposits with banks		349	148
Securities purchased under resale agreements and securities borrowing transactions	10	8,958	22,240
Trading assets	7	806,967	381,152
Other financial assets designated at fair value through profit and loss	7	34,451	22,628
Other loans and receivables	11	7,303	11,377
Repossessed collateral	12	34	55
Current tax assets		536	601
Deferred tax assets	9	1,825	213
Other assets	13	51,530	26,184
Intangible assets	16	184	136
Property, plant and equipment	17	375	387
Total assets		**975,713**	**491,834**
Liabilities			
Deposits	18	1,586	4,817
Securities sold under repurchase agreements and securities lending transactions	10	9,019	25,397
Trading liabilities	7	756,744	291,119
Other financial liabilities designated at fair value through profit and loss	7	40,698	45,885
Short term borrowings	19	79,278	46,578
Current tax liabilities		-	71
Other liabilities	20	68,165	54,249
Provisions	21	14	16
Long term debt	22	10,636	12,230
Total liabilities		**966,140**	**480,362**
Shareholders' equity			
Called-up share capital	23	8,542	5,621
Share premium account	23	4,126	3,647
Retained earnings		(3,286)	1,986
Share award obligations		191	218
Total shareholders' equity		**9,573**	**11,472**
Total liabilities and equity		**975,713**	**491,834**

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

The notes on pages 23 to 101 form an integral part of the Financial Statements.

Approved by the Board of Directors on 16 April 2009 and signed on its behalf by:

Costas P. Michaelides

CREDIT SUISSE INTERNATIONAL
BANK BALANCE SHEET AS AT 31 DECEMBER 2008

	Note	2008 US$M	2007 US$M (restated)[1]
Assets			
Cash and cash equivalents		62,645	25,830
Interest-bearing deposits with banks		332	148
Securities purchased under resale agreements and securities borrowing transactions	10	8,148	21,686
Trading assets	7	818,787	378,381
Other financial assets designated at fair value through profit and loss	7	31,609	21,326
Other loans and receivables	11	7,313	11,382
Current tax assets		498	601
Deferred tax assets	9	1,796	213
Other assets	13	52,748	27,605
Investments in subsidiary undertakings	15	27	27
Intangible assets	16	184	136
Property, plant and equipment	17	375	387
Total assets		**984,462**	**487,722**
Liabilities			
Deposits	18	1,586	3,461
Securities sold under resale agreements and securities lending transactions	10	9,432	25,397
Trading liabilities	7	756,934	291,130
Other financial liabilities designated at fair value through profit and loss	7	37,152	42,074
Short term borrowings	19	90,167	46,431
Current tax liabilities		-	75
Other liabilities	20	69,083	55,530
Provisions	21	14	16
Long term debt	22	10,636	12,230
Total liabilities		**975,004**	**476,344**
Shareholders' equity			
Called-up share capital	23	8,542	5,621
Share premium account	23	4,126	3,647
Retained earnings		(3,401)	1,892
Share award obligations		191	218
Total shareholders' equity		**9,458**	**11,378**
Total liabilities and shareholders' equity		**984,462**	**487,722**

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

The notes on pages 23 to 101 form an integral part of the Financial Statements.

Approved by the Board of Directors on 16 April 2009 and signed on its behalf by:

Costas P. Michaelides

CREDIT SUISSE INTERNATIONAL

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2008

	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**

	Share Capital	Share Premium	Retained Earnings	Share-based payment reserve	Total
	US$M	US$M	US$M (restated)[1]	US$M (restated)[1]	US$M (restated)[1]
Balance at 1 January 2007	**3,242**	**433**	**1,227**	**-**	**4,902**
Transition adjustment for IFRIC 11, pre-tax (Note 2 f)			297	131	428
Transition adjustment for IFRIC 11, tax	-	-	(65)	60	(5)
Balance at 1 January 2007, restated	**3,242**	**433**	**1,459**	**191**	**5,325**
Share-based compensation, pre-tax				39	39
Share-based compensation, tax	-	-	-	(12)	(12)
Net income recognised directly in equity	**-**	**-**	**-**	**27**	**27**
Profit for the period and total recognised income and expense for the period	-	-	527	-	527
Issue of shares	3,929	3,236	-	-	7,165
Redemption of shares	(1,550)	(22)	-	-	(1,572)
Balance at 31 December 2007	**5,621**	**3,647**	**1,986**	**218**	**11,472**

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

There were no dividends paid during 2008 (2007: Nil).

The notes on pages 23 to 101 form an integral part of the Financial Statements.

CREDIT SUISSE INTERNATIONAL
BANK STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2008

	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 income 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**

	Share Capital	Share Premium	Retained Earnings	Share-based payment reserve	Total
	US$M	US$M	US$M (restated)[1]	US$M (restated)[1]	US$M (restated)[1]
Balance at 1 January 2007	**3,242**	**433**	**1,144**	**-**	**4,819**
Transition adjustment for IFRIC 11, pre-tax (Note 2 f)			297	131	428
Transition adjustment for IFRIC 11, tax	-	-	(65)	60	(5)
Balance at 1 January 2007, restated	**3,242**	**433**	**1,376**	**191**	**5,242**
Share-based compensation, pre-tax	-	-	-	39	39
Share-based compensation, tax	-	-	-	(12)	(12)
Net income recognised directly in equity	**-**	**-**	**-**	**27**	**27**
Profit for the period and total recognised income and expense for the period	-	-	516	-	516
Issue of shares	3,929	3,236	-	-	7,165
Redemption of shares	(1,550)	(22)	-	-	(1,572)
Balance at 31 December 2007	**5,621**	**3,647**	**1,892**	**218**	**11,378**

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

There were no dividends paid during 2008 (2007: Nil).

The notes on pages 23 to 101 form an integral part of the Financial Statements.

CREDIT SUISSE INTERNATIONAL
CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2008

Cash flows from operating activities	**Note**	**2008 US$M**	**2007 US$M (restated)[1]**
(Loss)/profit before tax for the period		(7,164)	778
Adjustments to reconcile net profit to net cash provided by/(used in) operating activities			
Non-cash items included in profit before tax and other adjustments:			
Depreciation on property, plant and equipment	17	86	78
Disposal of property, plant and equipment	17	3	-
Amortisation of intangible assets	16	39	59
Impairment of intangible assets	16	17	4
Disposal of intangible assets	16	7	-
Interest accrued on long-term debt		494	341
Impairment charge on other loans and receivables	11	159	36
(Reversal)/impairment on loan commitments	6	(2)	18
Foreign exchange gains		(94)	(12)
Impairment on repossessed collateral	12	21	-
Provisions	21	5	13
Cash generated before changes in operating assets and liabilities		735	537
Net (increase)/decrease in operating assets:			
Interest bearing deposits with banks		(201)	382
Securities purchased under resale agreements and securities borrowing transactions		13,282	(4,902)
Trading assets		(425,815)	(163,076)
Other financial assets designated at fair value through profit and loss		(11,823)	(15,669)
Repossessed collateral		-	(55)
Other loans and receivables		3,931	1,030
Other assets		(25,346)	(8,894)
Total net increase in operating assets		(445,972)	(191,184)
Net increase/(decrease) in operating liabilities:			
Deposits		21	(455)
Securities sold under resale agreements and securities lending transactions		(16,378)	5,039
Trading liabilities		465,625	135,386
Other financial liabilities designated at fair value through profit and loss		(5,187)	17,285
Short-term borrowings		32,700	7,945
Other liabilities and provision		13,851	28,490
Total net increase in operating liabilities		490,632	193,690
Cash generated/(used in) from operating activities		**38,231**	**3,821**
Income taxes refund		425	105
Income taxes paid		(143)	(319)
Net cash flow generated/(used in) from operating activities		**38,513**	**3,607**
Investing activities			
Capital expenditures for property, plant, equipment and intangible assets	16,17	(188)	(132)
Net cash flow used in investing activities		**(188)**	**(132)**
Financing activities			
Issue of long-term debt		3,030	8,538
Redemption of long-term debt		(4,531)	(809)
Interest paid on long-term debt		(494)	(253)
Issue of shares		3,400	7,165
Redemption of shares		-	(1,572)
Share-based compensation		10	170
Net cash flow from financing activities		**1,415**	**13,239**
Net increase/(decrease) in cash and cash equivalents		**39,740**	**16,714**
Cash and cash equivalents at beginning of period		21,977	5,263
Cash and cash equivalents at end of period		**61,717**	**21,977**
Cash and due from banks		63,201	26,713
Demand deposits	18	(1,484)	(4,736)
Cash and cash equivalents at end of period		**61,717**	**21,977**

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

The notes on pages 23 to 101 form an integral part of the Financial Statements.

CREDIT SUISSE INTERNATIONAL

BANK STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2008

Cash flows from operating activities	Note	2008 US$M	2007 US$M (restated)[1]
(Loss)/profit before tax for the period		(7,183)	767
Adjustments to reconcile net profit to net cash provided by/(used in) operating activities			
Non-cash items included in profit before tax and other adjustments:			
Depreciation on property, plant and equipment	17	86	78
Disposal of property, plant and equipment	17	3	
Amortisation of intangible assets	16	39	59
Impairment of intangible assets	16	17	4
Disposal of intangible assets	16	7	-
Interest accrued on long-term debt		494	341
Impairment charge on other loans and receivables	11	159	36
Impairment on loan commitments	6	(2)	18
Foreign exchange (gain)/losses		(94)	(13)
Provisions	21	5	13
Cash generated before changes in operating assets and liabilities		714	536
Net (increase)/decrease in operating assets:			
Interest bearing deposits with banks		(184)	382
Securities purchased under resale agreements and securities borrowing transactions		13,538	(4,348)
Trading assets		(440,406)	(161,690)
Other financial assets designated at fair value through profit and loss		(10,283)	(14,862)
Other loans and receivables		3,926	1,029
Other assets		(25,143)	(9,348)
Total net increase in operating assets		(458,552)	(188,837)
Net increase/(decrease) in operating liabilities:			
Deposits		21	(455)
Securities sold under resale agreements and securities lending transactions		(15,965)	5,039
Trading liabilities		465,804	135,408
Other financial liabilities designated at fair value through profit and loss		(4,922)	15,114
Short-term borrowings		43,736	8,120
Other liabilities and provision		13,549	28,800
Total net increase in operating liabilities		502,223	192,026
Cash generated/(used in) from operating activities		**37,202**	**4,492**
Income taxes refund		425	105
Income taxes paid		(143)	(319)
Net cash flow generated/(used in) from operating activities		**37,484**	**4,278**
Investing activities			
Capital expenditures for property, plant, equipment and intangible assets	16,17	(188)	(132)
Net cash flow used in investing activities		**(188)**	**(132)**
Financing activities			
Issue of long-term debt		3,030	8,538
Redemption of long-term debt		(4,531)	(809)
Interest paid on long-term debt		(494)	(253)
Issue of shares		3,400	7,165
Redemption of shares		-	(1,572)
Share-based compensation		10	170
Net cash flow from financing activities		**1,415**	**13,239**
Net increase/(decrease) in cash and cash equivalents		**38,711**	**17,385**
Cash and cash equivalents at beginning of period		22,450	5,065
Cash and cash equivalents at end of period		**61,161**	**22,450**
Cash and due from banks		62,645	25,830
Demand deposits	18	(1,484)	(3,380)
Cash and cash equivalents at end of period		**61,161**	**22,450**

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

The notes on pages 23 to 101 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 2008 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 s230 of the Companies Act 1985 not to present its individual income statement 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.

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.

During the year the Group and Bank have incurred significant losses largely as a result of the significant market volatility in the final quarter of 2008. During 2008 the Bank received additional capital from Credit Suisse Group as required to ensure it maintained sufficient capital to meet UK regulatory requirements. In addition, in respect of liquidity risk, as explained in note 33 (ii), the Group and Bank have unrestricted and direct access to funding sourced by Credit Suisse Group. After making enquiries of the Credit Suisse Group, the directors of the Bank have received confirmation that 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 interpretations in the current year:

- IFRIC 11 'IFRS 2 - Group and Treasury Share Transactions'
- IFRIC 14 'The Limits on a Defined Benefit Asset Minimum Funding Requirements and their Interaction'
- Amendments to IAS 39 'Financial Instruments: Recognition and Measurement' and IFRS 7 'Financial Instruments: Disclosures' regarding reclassification of financial assets

As a result of the adoption of the above mentioned revised accounting standards and interpretations, certain

2. Significant Accounting Policies (continued)

reclassifications have been made to the prior year Consolidated Financial Statements of the Group to conform to the current year's presentation.

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.

- Improvements to IFRS (effective for annual periods beginning on or after 1 January 2009 except for amendments to IFRS 5, effective for annual periods on or after 1 July 2009)
- Amendments (revised presentation) to IAS 1 'Presentation of Financial Statements', - (effective for annual periods beginning on or after January 1, 2009 - expected adoption date January 1, 2009)
- Amendments to IAS 23 relating to borrowing costs (effective for annual periods on are after 1 January, 2009 - expected adoption date January 1, 2009)
- Amendment to IAS 32 'Financial Instruments: Presentation' and IAS 1 'Presentation of Financial Statement' regarding Puttable Financial Instruments and Obligations Arising on Liquidation (effective for annual periods beginning on or after 1 January 2009 - expected adoption date January 1, 2009).
- Amendment to IFRS 2 'Share-based Payment' relating to vesting conditions (effective for annual periods on are after 1 January, 2009 - expected adoption date January 1, 2009)
- IFRS 8 'Operating Segments', which replaces IAS 14 'Segment Reporting', (effective for annual periods beginning on or after 1 January 2009 - expected adoption date January 1, 2009).
- IFRIC 13 'Customer Loyalty Programmes' (effective for annual periods beginning on or after 1July 2008 - expected adoption date 1 January 2009).

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.

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 Income Statement, Balance Sheets, Cash Flow Statements, 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 results of subsidiaries acquired are included in the Consolidated Financial Statements from the date that control commences until the date that control ceases. Investments in subsidiary undertakings are accounted for at cost, in accordance with IAS27 'Consolidated and Separate Financial Statements', in the Bank's stand alone accounts.

The effects of intercompany transactions and balances have been eliminated in preparing the Consolidated Financial Statements.

2. Significant Accounting Policies (continued)

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 balance sheet date are translated to US$ at the foreign exchange rate ruling at that date. Foreign exchange differences arising from translation are recognised in the income statement. Non-monetary assets and liabilities denominated in foreign currencies at the balance sheet date are not revalued for movements in foreign exchange rates.

Assets and liabilities of Group companies with functional currencies other than US$ are translated to US$ at foreign exchange rates ruling at the balance sheet date. The revenue and expenses of these Group companies are translated to US$ at the average foreign exchange rates for the year. The resulting translation differences are recognised directly in a separate component of equity. On disposal, these translation differences are reclassified to the income statement as part of the gain or loss on disposal.

e) Segmental reporting

The Group reports the results of its operations through three business segments. They are Fixed Income Division, Equity Division and Other.

FID provides a full range of derivatives 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.

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, futures and OTC equity derivatives.

Other reflects Investment Banking Division ('IBD') activities which include financial advisory services regarding mergers and acquisitions and other matters, origination and distribution of equity and fixed income securities, leveraged finance and private equity investments. Other also includes operating income that is not specifically allocated to any business divisions.

Where possible, common costs have been allocated to the business segments on an actual usage basis. Where this is not possible, an allocation methodology has been applied.

f) Cash and cash equivalents

For the purpose of preparation and presentation of the cash flow statement, cash and cash equivalents are defined as 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. These relate to balances included as part of 'Cash and cash equivalents' and 'Deposits'.

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.

g) 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

2. Significant Accounting Policies (continued)

repurchase agreements, the cash advanced, including accrued interest, is recognised on the balance sheet as an asset. In repurchase agreements, the cash received, including accrued interest, is recognised on the balance sheet as a liability.

Securities received under reverse repurchase agreements and securities delivered under repurchase agreements are not transferred unless all or substantially all the risks and rewards are obtained or relinquished. The Group monitors the market value of the securities received or delivered on a daily basis and provides or requests additional collateral in accordance with the underlying agreements.

Interest earned on reverse repurchase agreements and interest incurred on repurchase agreements is recognised on an effective yield basis and recorded as interest income or interest expense for agreements that are not classified as other financial assets or other financial liabilities designated at fair value through profit and loss.

h) Securities borrowing and lending transactions

Securities borrowing and securities lending transactions are generally entered into on a collateralised basis. The transfer of the securities themselves is not reflected on the balance sheet unless the risks and rewards of ownership are also transferred. If cash collateral is advanced or received, securities borrowing and lending activities are recorded at the amount of cash collateral advanced (cash collateral on securities borrowed) or received (cash collateral on securities lent).

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

i) Trading assets and liabilities

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.

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 models 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.

Unrealised and realised gains and losses on trading positions, including amortisation of the premium/discount arising at acquisition of debt securities, are recorded in Trading Revenues.

j) Derivative financial instruments and hedging

All freestanding derivative contracts are carried at fair value in the balance sheet regardless of whether these instruments are held for trading or risk management purposes. 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 income statement unless, consistent with the provisions of IAS 39, the fair value option is elected (as described in note k below), in which case the entire instrument is recorded at fair value with changes in fair value recorded in the income statement. Once separated, the derivative is recorded in the same line in the consolidated balance sheet as the host instrument.

2. Significant Accounting Policies (continued)

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 Trading Revenues'. Derivative contracts, which are both designated and qualify for hedge accounting, are reported in the balance sheet 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.

Where hedge accounting is applied, the Group formally documents all relationships between hedging instruments and hedged items, including the risk management objectives and strategy for undertaking hedge transactions. At inception of a hedge and on an ongoing basis, the hedge relationship is formally assessed to determine whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items attributable to the hedged risk on both a retrospective and prospective basis. The Group discontinues hedge accounting prospectively in circumstances where:

- it is determined that the derivative is no longer effective in offsetting changes in the fair value or cash flows of a hedged item (including forecasted transactions);
- the derivative expires or is sold, terminated, or exercised;
- the derivative is no longer designated as a hedging instrument because it is unlikely that the forecasted transaction will occur; or
- the Group otherwise determines that designation of the derivative as a hedging instrument is no longer appropriate.

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 income statement as the change in fair value of the risk being hedged for the hedged assets or liabilities to the extent the hedge is effective. Hedge ineffectiveness is separately recorded in 'Net Trading Revenues'.

When the Group discontinues fair value hedge accounting the derivative will continue to be carried on the balance sheet 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 statement of income over the remaining life of the hedged item according to the effective interest method. Any unamortised fair value adjustment on an interest-bearing instrument is to be reclassified to the 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 income statement when the hedged item affects net income, which is usually when the instrument is disposed of.

2. Significant Accounting Policies (continued)

k) Financial instruments designated as held at fair value through profit and loss

IAS 39 allows an entity to designate financial assets and liabilities and be held at fair value through profit and loss at the inception of the trade and from that date forward. Financial assets and liabilities are only designated as held at fair value through profit and 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 and loss' or 'other financial liabilities designated at fair value through profit and loss' in the balance sheet. Once designated this election is irrevocable. All fair value changes related to these financial instruments held at fair value through profit and loss are recognised in 'net trading revenues'.

l) Derecognition

The Group enters into transactions where it transfers assets recognised on its balance sheet, 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 balance sheet. In transactions where the Group neither retains nor transfers substantially all risks and rewards of ownership of a financial asset, it derecognises the asset if control over the asset is lost. The rights and obligations retained in the transfer are recognised separately as assets and liabilities as appropriate. In transfers where control over the asset is retained, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

The Group derecognises 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 income statement. 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.

m) 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 yield basis, less impairment losses.

2. Significant Accounting Policies (continued)

n) Impairment (charge)/reversal on other loans and receivables

The Group assesses at each balance sheet date whether there is objective evidence that a significant loan position or a portfolio of loans is impaired. A significant individual loan position or portfolio of loans is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition of the asset and prior to the balance sheet date (a 'loss event') and that 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. The estimation of this component of the impairment for the 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 cashflows 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 amounts of the impairment charge and any subsequent reversal are recognised in the income statement.

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.

o) Netting

The Group only offsets financial assets and liabilities and presents the net amount in the balance sheet 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.

p) Income tax

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

Current tax is the expected tax payable on the taxable income for the year and includes any adjustment to tax payable in

2. Significant Accounting Policies (continued)

respect of previous years. Current tax is calculated using tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax-base. The 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 balance sheet, using tax rates enacted or substantively enacted at the balance sheet 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 and loss for the periods presented is included in Note 8.

q) Repossessed collateral

The Group holds property as a consequence of enforcement of security over loans and advances. Property is measured at cost less impairment.

r) 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 income statement.

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 profit or loss.

s) Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. 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 income statement 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:

2. Significant Accounting Policies (continued)

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

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each balance sheet 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 income statement.

t) 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.

u) 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 income statement 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 balance sheet of the Bank and defined contribution accounting is applied, as the Bank is not the sponsoring entity. The Group's share of the retirement benefit obligation is instead recognised in the balance sheet 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. The Group has no contractual agreement or stated policy for incurring any charges by the sponsoring employer for the net defined benefit cost.

v) 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.

w) Contingent liabilities

Contingent liabilities are possible obligations that arise from past events and whose existence will be confirmed only by

2. Significant Accounting Policies (continued)

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 reliablity. 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.

x) 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 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 income statement. 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.

y) 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.

z) 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 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 doesn't require the awards to be fair valued through income statement every balance sheet. A transition adjustment has been recognised in retained earnings on 1 January 2007 for the amount of US$297m and profit before tax for the year-end 31 December 2007 has been decreased by US$5m.

aa) 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 and loss. These are recorded in 'Net Trading Revenues'.

ab) Other liabilities

Guarantees
In cases where the Group acts as a guarantor, the Group recognises in Other liabilities, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing such a guarantee, including its ongoing obligation to

2. Significant Accounting Policies (continued)

perform over the term of the guarantee in the event that certain events or conditions occur. Subsequently, guarantee liabilities are measured at the higher of the initial fair value, less cumulative amortisation, and the best estimate of the expenditure required to settle the obligation.

Financial Guarantees
Liabilities under financial guarantee contracts which are not classified as insurance contracts are recorded initially at the fair value, which is generally the fee received or receivable. Subsequently, financial guarantee liabilities are measured at the higher of the initial fair value, less cumulative amortisation, and the best estimate of expenditure required to settle the obligation.

ac) 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 balance sheet 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 balance sheet date can be measured reliably; and

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

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

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

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

ad) Operating leases

The leases entered into by the Group are exclusively operating leases. The total payments made under operating leases are charged to the income statement 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.

ae) Sub leases

The sub leases entered into by the Group are exclusively operating leases. Sub-lease payments received are recognised through the income statement.

af) 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

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Fair Value

As is the normal practice in the financial services industry, the carrying values the Group reports in the consolidated financial statements with respect to financial instruments owned and financial instruments sold but not yet purchased are in most cases based on fair value, with the related unrealised gains or losses included in the income statement. Fair value may be objective, as is the case for exchange-traded instruments, for which quoted prices in active and liquid markets generally exist, or as is the case where a financial instrument's fair value is derived from actively quoted prices or pricing parameters or alternative pricing sources with a reasonable level of price transparency. For financial instruments that trade infrequently and have little price transparency, fair value may be subjective and require varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument. These instruments include certain high-yield debt securities, distressed debt securities, certain CDOs, certain OTC derivatives, certain asset-backed and mortgage-backed securities, non-traded equity securities and private equity and other long-term investments.

Uncertainty of pricing assumptions and liquidity are features of both derivative and non-derivative transactions. These features have been considered as part of the valuation process. Certain financial instrument classes have become increasingly inactive throughout 2008 resulting in reduced observability of either transactions in the instruments or inputs used to value instruments. As such, the level of judgement being applied has increased substantially, and fair values are reliant upon a greater range of assumptions, which can lie within a range.

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

For more details to the fair value of financial instruments and the assumptions on valuation models, see note 31 'Fair Value of Financial Instruments'.

In early 2008, in connection with ongoing control processes, management identified mismarks and pricing errors by a small number of traders in certain ABS positions in the CDO trading business. For further information, refer to the Director's Report - Remediation of prior material weakness in internal control over financial reporting on page 7.

Litigation Contingencies

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

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

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.

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.

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 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 balance sheet 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.

Special Purpose Entities

As part of normal business, CSi engages in various transactions that includes 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 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. 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 In substance,

(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.

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

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 recognized 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 recognized 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 settlor, 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.

Income Taxes

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.

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

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 Group's income statement for the period.

Tax contingencies

Significant judgement is required in determining the effective tax rate and in evaluating certain tax positions. The Group accrues for tax contingencies which may be adjusted due to changing facts and circumstances, such as case law, progress of tax authority audits or when an event occurs that requires a change to the tax contingency accruals. Management regularly assesses the appropriateness of provisions for income taxes. Management believes that it has appropriately accrued for any contingent tax liabilities.

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 Group has defined the primary segment reporting format as business segments and the secondary segment reporting format as geographical segments.

Primary segmental reporting

For the year ended 31 December 2008	**Note**	**Fixed Income Division US$M**	**Equity Division US$M**	**Other US$M**	**Group US$M**
Net operating (loss)/income		(3,581)	(1,604)	280	(4,905)
(Loss) before tax		(5,055)	(2,315)	206	(7,164)
Income tax credit					1,892
(Loss) after tax					**(5,272)**
Amortisation	16	(37)	(2)	-	(39)
Depreciation	17	(82)	(4)	-	(86)
Capital expenditure	16,17	179	9	-	188
Disposals	16,17	(9)	(1)	-	(10)
Impairment charge on intangible assets	16	(16)	(1)	-	(17)
Impairment reversal on loan commitments	6	2	-	-	2
Impairment charge on loans and receivables	11	(137)	(16)	(6)	(159)
Total assets excluding tax assets		924,289	49,059	4	973,352
Tax assets					2,361
Total assets					**975,713**
Total liabilities excluding tax liabilities		917,358	48,444	338	966,140
Tax liabilities					-
Shareholders' equity					9,573
Total liabilities and shareholders' equity					**975,713**

4. Segmental Analysis (continued)

For the year ended 31 December 2007 (restated)	**Note**	**Fixed Income Division US$M**	**Equity Division US$M**	**Other US$M**	**Group US$M**
Net operating income/(loss)		2,248	629	(58)	2,819
Profit/(loss) before tax		802	28	(52)	778
Income tax charge					(251)
Profit after tax					**527**
Amortisation	16	(46)	(13)	-	(59)
Depreciation	17	(61)	(17)	-	(78)
Capital expenditure	16,17	104	28	-	132
Impairment charge on intangible assets	16	(3)	(1)	-	(4)
Impairment charge on loan commitments	6	(18)	-	-	(18)
Impairment charge on loans and receivables	11	(35)	(1)	-	(36)
Total assets excluding tax assets		385,373	105,244	403	491,020
Tax assets					814
Total assets					**491,834**
Total liabilities excluding tax liabilities		376,577	103,616	98	480,291
Tax liabilities					71
Shareholders' equity					11,472
Total liabilities and shareholders' equity					**491,834**

Secondary segmental reporting

The following table sets forth the total operating income and total assets by geographical area in which the income was earned and the assets are located.

For the year ended 31 December 2008	**Note**	**Americas US$M**	**Europe US$M**	**Asia Pacific US$M**	**Group US$M**
Net operating (loss)		(1,451)	(2,379)	(1,075)	(4,905)
Capital expenditure	16,17	83	96	9	188
Total assets excluding tax assets		430,688	495,866	46,798	973,352
Tax assets					2,361
Total assets					**975,713**

4. Segmental Analysis (continued)

For the year ended 31 December 2007 (restated)	Note	Americas US$M	Europe US$M	Asia Pacific US$M	Group US$M
Net operating income/(loss)		679	2,187	(47)	2,819
Capital expenditure	16,17	19	107	6	132
Total assets excluding tax assets		69,969	399,405	21,646	491,020
Tax assets					814
Total assets					**491,834**

5. Interest Income and Interest Expense

Group	2008 US$M	2007 US$M
Loans and receivables	727	655
Securities purchased under resale agreements and securities borrowing transactions	597	1,017
Cash collateral placed on OTC derivatives transactions	956	789
Interest income on cash and cash equivalents	1,503	640
Total interest income	**3,783**	**3,101**
Deposits	(118)	(266)
Short term borrowings	(2,473)	(2,591)
Securities sold under resale agreements and securities lending transactions	(502)	(533)
Long term debt	(494)	(341)
Cash collateral received on OTC derivatives transactions	(1,384)	(1,303)
Total interest expense	**(4,971)**	**(5,034)**
Net interest expense	**(1,188)**	**(1,933)**

Interest income accrued on impaired financial assets during the year was US$6.1m (2007: US$3.2m).

6. Non-Interest Revenues and Total Operating Expenses

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

Group	2008 US$M	2007 US$M
Commissions from lending business:		
Investment and portfolio management activities	100	68
Commission and fee income	**100**	**68**
Commissions from lending business:		
Investment and portfolio management activities	(29)	(75)
Fees for other customer services	(65)	(62)
Commission and fee expense	**(94)**	**(137)**
Net commission and fee income/(expense)	**6**	**(69)**

6. Non-Interest Revenues and Total Operating Expenses (continued)

Revenue sharing agreements expense of US$925m (2007: US$563m) principally relates to amounts allocated to CSi from other companies in the CS group.

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

Group	2008 US$M	2007 US$M (restated)
Salaries and bonuses	528	710
Social security	17	52
Pensions	33	52
Other	6	5
Compensation and benefits	**584**	**819**

Included in the above table are amounts relating to directors' remuneration. Further details are disclosed in Note 26. Staff costs and staff numbers do not differ between Bank and Group.

In Q4 2008, CSG announced an acceleration of the efforts to reposition the Investment Banking in response to the challenging market environment. In particular, CSG is focused on; (a) reducing risk capital usage, including exiting certain proprietary and principal trading activities and aligning lending with customer franchises; (b) reducing volatility and improving capital efficiency, (c) increasing emphasis on client and flow-based businesses; and (d) reducing risk limits for complex and structured products. One of the key consequences of these measures was to recognise US$17m in redundancy costs in the year-end 2008 income statements.

The following table sets forth the details of other expenses:

Group	Note	2008 US$M	2007 US$M
Occupancy expenses		13	13
IT and machinery		78	71
Amortisation expenses	16	39	59
Depreciation expenses	17	86	78
Provisions	21	5	13
Litigation		278	-
Commission expenses		413	147
Travel and entertainment		14	14
Audit fees of the Group		3	4
Professional services		90	67
Impairment of intangible assets	16	17	4
Impairment (reversal)/charge on loan commitments		(2)	18
Net overheads allocated from other CS group entities		454	553
Other		28	145
Other expenses		**1,516**	**1,186**

The litigation charges above include a charge of US$267m relating 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 mismarks and pricing errors.

Expenses are incurred on behalf of the Group and these are recharged through ‘Net overheads allocated from other CS group entities’.

7. Trading Activities

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

Group	2008 US$M	2007 US$M
Interest rate products	(1,121)	4,087
Equity/indexed-related products	(292)	942
Foreign exchange products	274	173
Credit related products	(1,914)	150
Energy trading and marketing products	298	22
Other products	(43)	10
Net trading revenue	**(2,798)**	**5,384**

Net trading revenue includes revenues from trading assets and liabilities and financial assets and liabilities designated at fair value through profit and loss as detailed in accounting policy note 2(k). For the year ended 31 December 2008, the impact to the income statement relating to financial instruments designated as held at fair value through profit and loss was a gain of US$2.75bn (2007: loss US$1.9bn). Included in this total is US$100m gain (2007: US$40m loss) 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$177m (2007: gain US$77m).

	Group 2008 US$M	Group 2007 US$M	Bank 2008 US$M	Bank 2007 US$M
Trading assets				
Debt instruments	25,384	41,887	26,053	42,437
Equity instruments	19,482	43,827	19,780	40,704
Positive replacement values of derivative trading positions	756,315	279,387	756,561	279,857
Other loans and other receivables	5,786	16,051	16,393	15,383
Total trading assets	**806,967**	**381,152**	**818,787**	**378,381**

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

	Group 2008 US$M	Group 2007 US$M	Bank 2008 US$M	Bank 2007 US$M
Other financial assets designated at fair value through profit and loss				
Debt instruments	3,841	4,365	3,841	3,807
Equity instruments	-	233	-	233
Loans	18,414	17,089	15,572	16,345
Reverse repurchase agreements	12,196	941	12,196	941
Total other financial assets designated at fair value through profit and loss	**34,451**	**22,628**	**31,609**	**21,326**

Trading assets and other financial assets designated at fair value through profit and loss include US$23,319m (2007: US$31,719m) 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 other financial assets designated at fair value through profit and loss, loans and reverse repurchase agreements were primarily elected to alleviate an accounting mismatch while debt and equity instruments were primarily elected because they are managed on a fair value basis.

7. Trading Activities (continued)

For loans designated at fair value through profit and loss, the maximum fair value exposure to credit risk as at 31 December 2008 was US$18.4bn (2007: US$17bn). To mitigate this credit risk, securities are held as collateral, and credit default swaps with a notional value of US$9.2bn (2007: US$7.5bn) 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 and 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 2008, this fair value movement was a decrease of US$2.6bn (2007: decrease US$186m). The cumulative effect thereon at the year end was a decrease of US$2.94bn (2007: decrease US$174m). The corresponding increase in fair value of the swaps and securities in place to mitigate this risk was US$2.1bn (2007: increase US$183m). The cumulative effect thereon at the year end was an increase of US$2.2bn (2007: increase US$177m).

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 designated at fair value through profit and loss are mainly highly rated government securities and thus exposure to credit risk is minimal.

	Group 2008 US$M	Group 2007 US$M	Bank 2008 US$M	Bank 2007 US$M
Trading liabilities				
Short positions	10,284	14,712	10,284	14,678
Negative replacement values of derivative trading positions	746,460	276,407	746,650	276,452
Total trading liabilities	**756,744**	**291,119**	**756,934**	**291,130**
Other financial liabilities designated at fair value through profit and loss				
Subordinated debt	627	1,546	627	1,546
Structured notes	26,106	32,860	22,560	29,049
Bonds	-	144	-	144
Deposits	4,249	6,214	4,249	6,214
Repurchase agreements	9,716	5,121	9,716	5,121
Total other financial liabilities designated at fair value through profit and loss	**40,698**	**45,885**	**37,152**	**42,074**

The fair value of subordinated debt was calculated using a yield curve which reflected the Group's credit rating in the market. This was 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. The other liabilities designated at fair value through profit and loss have an insignificant fair value impact arising from own credit.

Of the other financial liabilities designated at fair value through profit and 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$4.2bn lower than the amount that the Group would be contractually required to pay to the holder of these financial liabilities at maturity (2007: US$941m higher).

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 in the balance during the year for trading assets and liabilities:

7. Trading Activities (continued)

Group and Bank	2008 US$M	2007 US$M
Balance at 1 January	548	239
Increase due to new trades	360	418
Reduction due to passage of time	(48)	(35)
Reduction due to redemption, sales, transfers or improved observability	(263)	(74)
Total	**597**	**548**

8. Income Tax

	Group 2008 US$M	Group 2007 US$M (restated)	Bank 2008 US$M	Bank 2007 US$M (restated)
Current tax				
Current (charge)/credit on profits/(losses) for the period	227	(232)	223	(232)
Adjustments in respect of previous periods	47	3	47	3
Total current tax credit/(charge)	**274**	**(229)**	**270**	**(229)**
Deferred tax				
Origination and reversal of temporary differences	(47)	(28)	(45)	(28)
Current year tax losses	1,728		1,728	
Adjustments in respect of previous periods	37	8	37	8
FX movement on losses carried forward	(246)		(246)	
Effect of changes in tax rate or the imposition of new taxes	102	(14)	102	(14)
Other	44	12	44	12
Total deferred tax credit/(charge)	**1,618**	**(22)**	**1,620**	**(22)**
Income tax credit/(charge)	**1,892**	**(251)**	**1,890**	**(251)**

Further information about deferred income tax is presented in Note 9. The income tax charge for the year can be reconciled to the profit per the income statement as follows:

	Group 2008 US$M	Group 2007 US$M (restated)	Bank 2008 US$M	Bank 2007 US$M (restated)
(Loss)/profit before tax	(7,164)	778	(7,182)	778
(Loss)/profit before tax multiplied by the UK statutory rate of corporation tax at the rate of 28.5% (2007: 30%)	2,046	(234)	2,047	(234)
Other permanent differences	(120)	(10)	(121)	(10)
Effect of different tax rates of operations/subsidiaries operating in other jurisdictions	134	(14)	134	(14)
Adjustments to current tax in respect of previous periods	48	3	48	3
Adjustments to deferred tax in respect of previous periods	37	7	37	7
Effect on deferred tax resulting from changes to tax rates	(33)	(14)	(33)	(14)
FX movement on losses carried forward	(246)	-	(246)	-
Other	26	11	24	11
Income tax credit/(charge)	**1,892**	**(251)**	**1,890**	**(251)**

The UK corporation tax rate reduced from 30% to 28% with effect from 1 April 2008.

9. Deferred Taxes

Deferred taxes are calculated on all temporary differences under the liability method using an effective tax rate of 28% (2007: 30%). The UK corporation tax rate reduced from 30% to 28% with effect from 1 April 2008. The deferred tax asset as at 31 December 2007 was adjusted to reflect this.

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

	Group 2008 US$M	Group 2007 US$M (restated)	Bank 2008 US$M	Bank 2007 US$M (restated)
Deferred tax assets	1,825	213	1,796	213
Net position	**1,825**	**213**	**1,796**	**213**
Balance at 1 January	213	247	213	247
Transfers	33			
Credit/(debit) to income for the year	1,618	(21)	1,620	(21)
Movement in share-based payment reserve	(37)	(12)	(37)	(12)
Effect of change in tax rate expensed to income statement	-	(1)	-	(1)
Other	(2)	-	-	-
At end of the year	**1,825**	**213**	**1,796**	**213**

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

Deferred tax assets

	Group 2008 US$M	Group 2007 US$M (restated)	Bank 2008 US$M	Bank 2007 US$M (restated)
Derivative financial instruments	35	40	35	40
Share-based compensation	58	146	58	146
Decelerated tax depreciation	81	13	81	13
Other provisions	7	12	7	12
Other short term temporary differences	-	-	-	-
Pensions and other post-retirement benefits	-	-	-	-
Unpaid interest	29	-	29	-
Deferred tax impact on losses carried forward	1,615	2	1,586	2
At end of the year	**1,825**	**213**	**1,796**	**213**

9. Deferred Taxes (continued)

The deferred tax (charge)/credit in the income statement comprise the following temporary differences:

	Group 2008 US$M	Group 2007 US$M (restated)	Bank 2008 US$M	Bank 2007 US$M (restated)
Derivative financial instruments	(5)	(8)	(5)	(8)
Share-based compensation	(51)	17	(51)	17
Decelerated tax depreciation	68	(16)	68	(16)
Other provisions	(5)	(4)	(5)	(4)
Other short term temporary differences	(2)	(10)	-	(10)
Unpaid interest	29	-	29	-
Pensions and other post-retirement benefits		(1)		(1)
Deferred tax impact on losses carried forward	1,584	-	1,584	-
Total deferred tax credit/(charge) in the income statement	**1,618**	**(22)**	**1,620**	**(22)**

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.

10. 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 2008 US$M	Group 2007 US$M	Bank 2008 US$M	Bank 2007 US$M
Securities purchased under resale agreements	7,177	16,586	6,367	16,032
Deposits paid for securities borrowed	1,781	5,654	1,781	5,654
Total	**8,958**	**22,240**	**8,148**	**21,686**

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 2008 US$M	Group 2007 US$M	Bank 2008 US$M	Bank 2007 US$M
Securities sold under resale agreements	5,522	16,571	5,935	16,571
Deposits received for securities lent	3,497	8,826	3,497	8,826
Total	**9,019**	**25,397**	**9,432**	**25,397**
Other liabilities (note 20)	2,969	1,130	2,953	1,144
Total	**11,988**	**26,527**	**12,385**	**26,541**

Purchase and repurchase agreements represent collateralised financing transactions used to earn net interest income, increase liquidity or facilitate trading activity. These instruments are collateralised principally by government securities

10. Securities Borrowed, Lent and Subject to Resale Agreements (continued)

and money market instruments and generally have terms ranging from overnight up to 5 years or have 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.

Included in Other liabilities above are amounts received in respect of 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.

11. Other loans and Receivables

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

	Group 2008 US$M	Group 2007 US$M	Bank 2008 US$M	Bank 2007 US$M
Banks	1,151	197	1,151	197
Customer	64	157	74	162
Domestic	**1,215**	**354**	**1,225**	**359**
Banks	265	375	265	375
Customer	6,098	10,764	6,098	10,764
Foreign	**6,363**	**11,139**	**6,363**	**11,139**
Other loans and receivables, gross	**7,578**	**11,493**	**7,588**	**11,498**
Banks	(10)	(4)	(10)	(4)
Customer	(265)	(112)	(265)	(112)
Allowances for impairment losses	**(275)**	**(116)**	**(275)**	**(116)**
Other loans and receivables, net	**7,303**	**11,377**	**7,313**	**11,382**

Other loans and receivables due within one year for the Group, amounts to US$3,258m (2007: US$7,827m) and for the Bank amounts to US$3,268m (2007: US$7,827m).

11. 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	Banks US$M	Customers US$M	Total US$M
Balance at 1 January 2008	**(4)**	**(112)**	**(116)**
Amounts recovered			
Additional allowances for impairment losses	(7)	(244)	(251)
Reversal of allowances for impairment losses	1	91	92
Net amount reversed/(charged) to income statement	(6)	(153)	(159)
Balance at 31 December 2008	**(10)**	**(265)**	**(275)**
Balance at 1 January 2007	**(5)**	**(75)**	**(80)**
Amounts recovered	-	16	16
Additional allowances for impairment losses	(2)	(94)	(96)
Reversal of allowances for impairment losses	3	41	44
Net amount reversed/(charged) to income statement	1	(37)	(36)
Balance at 31 December 2007	**(4)**	**(112)**	**(116)**

The following table analyses loans to and receivables from banks by geographical area:	Group 2008 US$M	Group 2007 US$M	Bank 2008 US$M	Bank 2007 US$M
Asia Pacific	17	231	17	231
United Kingdom	1,152	197	1,152	197
Western Europe	42	55	42	55
Africa	67	42	67	42
Eastern Europe	91	38	91	38
America	47	9	47	9
Other loans and receivables to banks, gross	**1,416**	**572**	**1,416**	**572**

The following table analyses loans to and receivables from customers by geographical area:	Group 2008 US$M	Group 2007 US$M	Bank 2008 US$M	Bank 2007 US$M
Eastern Europe	2,112	5,101	2,111	5,101
Western Europe	1,137	2,278	1,137	2,278
America	1,855	2,202	1,855	2,202
Asia Pacific	582	769	582	769
United Kingdom	63	157	74	162
Middle East	346	414	346	414
Africa	67	-	67	-
Other loans and receivables to customers, gross	**6,162**	**10,921**	**6,172**	**10,926**

11. Other loans and Receivables (continued)

The following table analyses other loans and receivables to customers by industry segment:	Group 2008 US$M	Group 2007 US$M	Bank 2008 US$M	Bank 2007 US$M
Agriculture and mining	1,157	3,569	1,159	3,569
Financial services	1,285	3,280	1,288	3,285
Other services	1,091	1,381	1,092	1,381
Manufacturing	1,217	992	1,219	992
Communication	505	830	506	830
Transportation	188	350	188	350
Public authorities	142	231	142	231
Real estate	426	198	427	198
Health and social services	36	47	36	47
Wholesale and retail	3	41	3	41
Construction	112	2	112	2
Hotels and restaurants	-	-	-	-
Other loans and receivables to customers, gross	**6,162**	**10,921**	**6,172**	**10,926**

12. Repossessed Collateral

The Group holds property as a consequence of enforcement of security over loans and advances. The fair value of the property is US$34m (2007: US$55m).

During the year there was a US$21m (2007: NIL) impairment write-down on the property. The rental income earned is used to offset administrator costs and fees.

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

13. Other Assets

	Group 2008 US$M	Group 2007 US$M	Bank 2008 US$M	Bank 2007 US$M
Positive replacement values of derivative instruments (held for hedging purposes) (refer to Note 28)	126	14	126	14
Brokerage receivables (refer to Note 14)	5,927	10,852	5,927	10,852
Interest and fees receivable	231	325	1,502	1,752
Cash collateral receivable				
- Banks	19,678	6,419	19,678	6,419
- Customers	25,150	8,350	25,150	8,350
Prepaid expenses	2	1	1	0
Other	416	223	364	218
Total other assets	**51,530**	**26,184**	**52,748**	**27,605**

Other assets, except Positive replacement values of derivative instruments, are mainly due within one year.

14. 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 2008 US$M	Group 2007 US$M	Bank 2008 US$M	Bank 2007 US$M
Due from customers	14	2,039	14	2,039
Due from banks, brokers and dealers	5,913	8,813	5,913	8,813
Total brokerage receivables	**5,927**	**10,852**	**5,927**	**10,852**

	Group 2008 US$M	Group 2007 US$M	Bank 2008 US$M	Bank 2007 US$M
Due to customers	211	707	211	707
Due to banks, brokers and dealers	1,884	12,494	1,884	12,494
Total brokerage payables	**2,095**	**13,201**	**2,095**	**13,201**

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

15. Investments in Subsidiary Undertakings

Bank	**2008 US$M**	**2007 US$M**
Investments in Subsidiary Undertakings	27	27

The subsidiary undertakings, direct and indirect, of the Bank at 31 December 2008, 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.

15. Investments in Subsidiary Undertakings (continued)

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

16. Intangible Assets

Group and Bank

	Internally Developed Software 2008	Internally Developed Software 2007
Cost:	**US$M**	**US$M**
Cost as at 1 January	336	279
Additions	111	61
Disposals	(11)	-
Impairment	(17)	(4)
Cost as at 31 December	419	336
Accumulated amortisation:		
Accumulated amortisation as at 1 January	(200)	(141)
Charge for the period	(39)	(59)
Disposals	4	-
Accumulated amortisation as at 31 December	(235)	(200)
Net book value as at 1 January	**136**	**138**
Net book value as at 31 December	**184**	**136**

17. Property, Plant and Equipment

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**

17. Property, Plant and Equipment (continued)

Group and Bank
2007

	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 2007	78	493	467	76	1,114
Additions	-	25	37	9	71
Cost as at 31 December 2007	78	518	504	85	1,185
Accumulated depreciation:					
Accumulated depreciation as at 1 January 2007	(12)	(251)	(390)	(67)	(720)
Charge for the period	(2)	(41)	(31)	(4)	(78)
Accumulated depreciation as at 31 December 2007	(14)	(292)	(421)	(71)	(798)
Net book value as at 1 January 2007	**66**	**242**	**77**	**9**	**394**
Net book value as at 31 December 2007	**64**	**226**	**83**	**14**	**387**

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 (2007: US$Nil).

18. Deposits

	Group 2008 US$M	Group 2007 US$M	Bank 2008 US$M	Bank 2007 US$M
Non-interest bearing demand deposits	-	-	-	-
from banks	810	1,721	810	354
from customers	-	-	-	-
Interest-bearing demand deposits	-	-	-	-
from banks	665	3,015	665	3,026
from customers	9	-	9	-
Demand deposits	**1,484**	**4,736**	**1,484**	**3,380**
Time deposits				
from banks	-	75	-	75
from customers	102	6	102	6
Total deposits	**1,586**	**4,817**	**1,586**	**3,461**

19. Short Term Borrowings

	Group 2008 US$M	Group 2007 US$M	Bank 2008 US$M	Bank 2007 US$M
Short term borrowings				
from banks	79,278	45,804	79,278	45,794
from customers	-	774	10,889	637
Total short term borrowings	**79,278**	**46,578**	**90,167**	**46,431**

20. Other Liabilities

	Group 2008 US$M	Group 2007 US$M (restated)	Bank 2008 US$M	Bank 2007 US$M (restated)
Negative replacement values of derivative instruments (held for hedging purposes) (refer to Note 28)	19	31	19	31
Brokerage payables (refer to Note 14)	2,095	13,201	2,095	13,201
Interest and fees payable	1,306	664	2,322	1,991
Cash collateral payable to				
- Banks	44,299	23,658	44,299	23,658
- Customers	16,854	15,241	16,854	15,241
Other	3,592	1,454	3,494	1,408
Total other liabilities	**68,165**	**54,249**	**69,083**	**55,530**

Included in Other above are amounts of US$2,969m (2007: US$1,130m) for Group and US$2,953m (2007: US$1,144m) for Bank which are also reflected in Note 10 which relates to amounts received for transferred assets which do not meet the de-recognition criteria. 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.

21. Provisions

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**

21.Provisions (continued)

Group and Bank	Property US$M	Litigation US$M	Total 2007 US$M
Balance at 1 January 2007	11	29	40
Charges during the year	-	13	13
Utilised during the year	(2)	(35)	(37)
Balance at the end of the year	**9**	**7**	**16**

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

The litigation provision relates to legal fees for cases that the Bank is defending. The exact timing of outflow of economic benefits cannot be ascertained at 31 December 2008.

22. Long Term Debt

Group and Bank	2008 US$M	2007 US$M
Senior debt	453	5,160
Subordinated debt	10,183	7,070
Total long term debt	**10,636**	**12,230**

During 2008, US$3.03bn subordinated debt was issued to Credit Suisse Finance BV and the decrease of US$4.7bn in senior debt is mainly as a result of debt issued to Credit Suisse Singapore Branch remaining in short term borrowings and not being reclassified to Long term debt.

23. Called-up Share Capital and Share Premium

Group and Bank

Authorised:	2008 US$	2007 US$
Ordinary voting shares of US$1 each	125	125
Participating non-voting shares of US$1 each	5,724,999,375	3,724,999,375
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	-
	14,100,000,000	**10,700,000,000**

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

Group and Bank

	2008	2007
Allotted, called up and fully paid:	**US$**	**US$**
Ordinary voting shares of US$1 each	125	125
Participating non-voting shares of US$1 each	3,131,992,330	1,611,158,997
Class A Participating non-voting shares of US$1 each	200	200
Preference Shares of US$25,000,000 each	-	-
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	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 F Preference Shares of US$1 each	-	-
Class G Preference Shares of US$1 each	-	-
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	-
	8,541,992,655	**5,621,159,322**

Group and Bank

	2008	2007
Share premium:	**US$**	**US$**
Balance at 1 January	3,646,515,378	432,675,000
Issuance of Participating non-voting shares	479,166,667	3,235,582,378
Redemption of Class F and G Preference Shares	-	(21,742,000)
Balance at the end of the year	**4,125,682,045**	**3,646,515,378**

On 29 April 2008, the total authorised share capital of the Bank was increased from US$10,700,000,000 to US$12,100,000,000 by the creation of a new class of shares being 1,400,000,000 Class J Preference Shares of US$1 each, all of which were issued in cash at par to Credit Suisse (International) Holding AG ('IHAG').

On 6 November 2008, the total authorized share capital of the Bank was increased from US$12,100,000,000 to US$13,100,000,000 by the creation of a further 1,000,000,000 Participating Shares of US$1 each, of which 1,000,000,000 Participating Shares of US$1 each were allotted and issued in cash at par as follows

Credit Suisse Group	96,203,972
IHAG	711,388,115
Credit Suisse	192,407,913

On 2 December 2008, the total authorised share capital of the Bank was increased from US$13,100,000,000 to US$14,100,000,000 by the creation of a further 1,000,000,000 Participating Shares of US$1 each, of which 520,833,333 Participating Shares of US$1 each were issued in cash at a share premium of 479,166,667 to IHAG.

On 3 December 2008, 150,000,000 Class J Preference Shares were transferred from IHAG to CSi (UK).

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

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

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 that 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 that 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.

The Class B, C, D, E, H, I and J 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%

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 1985, 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

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

Class I Preference shares	16 November 2012
Class J Preference shares	29 April 2013

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.

24. 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 2008 the Bank expensed US$18m (2007: US$39m) 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 2008 and 2007, and the amounts included in the consolidated balance sheets for the Group's defined benefit pension and other post-retirement defined benefit plans as at 31 December 2008 and 2007 respectively:

	Defined benefit pension plans	
	2008	**2007**
	US$M	**US$M**
Defined benefit obligation – 1 January	1,381	1,374
Current service cost	8	4
Interest cost	76	75
Plan amendments	1	-
Curtailments	(2)	-
Actuarial gains – assumptions	(256)	(68)
Actuarial losses/(gains) – experience	40	(19)
Benefit payments	(18)	(9)
Exchange rate (gains)/losses	(344)	24
Defined benefit obligation – 31 December	**886**	**1,381**
Fair value of plan assets – 1 January	1,371	999
Actual return on plan assets	(97)	79
Contributions	145	305
Benefit payments	(18)	(9)
Exchange rate losses	(386)	(3)
Fair value of plan assets – 31 December	**1,015**	**1,371**

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 2005. Lump sum contributions were paid by CSS (Europe) Ltd of £140m in March 2007 and £70m in January 2008. Additional annual tail contributions of £2m are expected in April of each year from 2009 until 2015, subject to the results of the next formal valuation, due as at 31 December 2008.

Assumptions

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

24. Retirement Benefit Obligations (continued)

31 December	2008 %	2007 %
Benefit obligations		
Discount rate	6.25	5.80
Inflation	2.85	3.20
Pension increases *	2.85	3.20
Salary increases	4.10	4.95
Net periodic pension cost		
Discount rate	5.80	5.10
Salary increases	4.95	4.60
Expected long term rate of return on plan assets	7.75	7.35

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

Mortality Assumptions

The assumptions for life expectancy in the 2008 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.

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

	2008	2007
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	30
Females	32	31

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	255	29	(194)	(22)
- Inflation	215	24	(170)	(19)
- Salary increases	14	2	(13)	(1)
1 year to life expectancy at 60	16	2	(16)	(2)
Net periodic pension cost				
One-percentage point change				
- Expected return on assets	14	57	(14)	(57)

24. Retirement Benefit Obligations (continued)

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 actual asset allocation for the Fund at the 31 December 2008.

	Fair value	% of total fair value of scheme assets	Fair value	% of total fair value of scheme assets
	2008	**2008**	**2007**	**2007**
	US$M	**%**	**US$M**	**%**
Equity securities	488	48.1	879	64.1
Debt securities	253	25.0	270	19.7
Alternative Investments (primarily Hedge funds)	272	26.7	220	16.0
Cash	2	0.2	2	0.2
Fair value of plan assets	**1,015**	**100**	**1,371**	**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 2008 and 2007 were US$15m and US$13m respectively.

25. 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

25. Employee share-based compensation and other compensation benefits (continued)

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 2008 and 2007 was US$157M and US$145M respectively. The average weighted fair value of awards granted in 2008 was CHF 65.59 (2007: CHF102.39).

Incentive Share Unit (ISU)
Since 2007, the 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 with CSG and certain retirement arrangements.

Movements in the number of ISUs outstanding were as follows:

Group and Bank	Base 2008 US$M	Leverage 2008 US$M	Base 2007 US$M	Leverage 2007 US$M
ISU Awards				
As at 1 January	1.49	1.49	0.00	0.00
Granted	3.63	3.63	1.64	1.64
Share transferred out	(0.54)	(0.54)	0.00	0.00
Delivered	(0.51)	0.00	(0.01)	0.00
Forfeited	(0.27)	(0.46)	(0.14)	(0.15)
As at 31 December	**3.80**	**4.12**	**1.49**	**1.49**

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.

25. Employee share-based compensation and other compensation benefits (continued)

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

Group and Bank	2008 US$M	2007 US$M
PIP Units		
As at 1 January	0.80	0.82
Granted	0.00	0.00
Shares transferred out	(0.04)	0.00
Delivered	0.00	0.00
Forfeited	(0.07)	(0.02)
As at 31 December	**0.69**	**0.80**

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 instalments 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.

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

Group and Bank	2008 US$M	2007 US$M
Share awards		
As at 1 January	2.07	2.98
Granted	0.49	0.43
Shares transferred out	(0.29)	0.00
Delivered	(0.91)	(1.11)
Forfeited	(0.09)	(0.23)
As at 31 December	**1.27**	**2.07**

Partner Asset Facility (PAF)

As part of the 2008 annual compensation process, the Bank awarded certain employees with a corporate title of managing director or director the majority of the deferred portion of their variable compensation in the form of PAF awards, denominated in US dollars. The PAF awards are indexed to, and represent a first-loss interest in, a specified pool of illiquid assets ('Asset Pool') that originated in CSG Investment Banking division. The notional value of the Asset Pool was based on the fair market value of the assets within the Asset Pool on 31 December 2008, and those assets will remain static throughout the contractual term of the award or until liquidated. The PAF holders will participate in the potential gains on the Asset Pool if the assets within the pool are liquidated at prices above the initial fair market value. If the assets within the Asset Pool are liquidated at prices below the initial fair market value, the PAF holders will bear the first loss on the Asset Pool. As a result, a significant portion of risk positions associated with the Asset Pool has been transferred to the employees and removed from the CSG's risk-weighted assets, resulting in a reduction in capital usage. The contractual term of the PAF award is eight years. 66.7% of the PAF awards were fully vested upon grant and attributed to services performed in 2008 and 33.3% of the PAF awards will vest 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

25. Employee share-based compensation and other compensation benefits (continued)

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 2008 was US$49M. The estimated unrecognised compensation expense as of December 31, 2008 of US$16M million will be recognised during 2009.

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. 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. The recognition of compensation expense for the CRA granted in January 2009 began in 2009 and thus had no impact on the 2008 consolidated financial statements.

26. 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 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 23. 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.

26. Related Party Transactions (continued)

a) Related party assets and liabilities

Group	31 December 2008			31 December 2007		
Assets	**Parent**	**Other CS group companies**	**Total**	**Parent**	**Other CS group companies**	**Total**
	US$M	**US$M**	**US$M**	**US$M**	**US$M**	**US$M**
Cash and due from banks	106	59,275	59,381	67	18,691	18,758
Interest-bearing deposits with banks		52	52	-	-	-
Securities purchased under resale agreements and securities borrowing transactions		8,335	8,335	-	17,868	17,868
Trading assets	5,041	87,994	93,035	2,020	24,558	26,578
Other financial assets designated at fair value through profit and loss		4,876	4,876	-	3,079	3,079
Other loans and receivables		1,139	1,139	-	380	380
Other assets		7,568	7,568	167	5,047	5,214
Current Tax Asset		30	30			
Total assets	**5,147**	**169,269**	**174,416**	**2,254**	**69,623**	**71,877**
Liabilities						
Deposits	7	798	805	289	186	475
Securities sold under repurchase agreements and securities lending transactions		6,734	6,734	-	20,082	20,082
Trading liabilities	3,855	102,044	105,899	2,107	30,532	32,639
Other financial liabilities designated at fair value through profit and loss		244	244	-	9,384	9,384
Short term borrowings	4	78,860	78,864	-	45,865	45,865
Long term debt		10,198	10,198	-	11,602	11,602
Other liabilities	4	6,827	6,831	65	13,320	13,385
Total liabilities	**3,870**	**205,705**	**209,575**	**2,461**	**130,971**	**133,432**

26. Related Party Transactions (continued)

Bank	31 December 2008				31 December 2007			
Assets	**Parent**	**Other CS group companies**	**Subsidiaries and SPEs**	**Total**	**Parent**	**Other CS 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	104	59,271	-	59,375	66	18,665	-	18,731
Interest-bearing deposits with banks	-	35	-	35	-	-	-	-
Securities purchased under resale agreements and securities borrowing transactions	-	7,884	-	7,884	-	17,397	-	17,397
Trading assets	5,041	98,568	2,532	106,141	2,020	24,559	6,347	32,926
Other financial assets designated at fair value through profit and loss	-	2,033	-	2,033	-	3,079	-	3,079
Other loans and receivables	-	1,148	-	1,148	-	380	5	385
Other assets	-	7,496	1,273	8,769	167	5,044	1,436	6,647
Investments in subsidiary undertakings	-	-	725	725	-	-	27	27
Current Tax Assets	-	30	-	30	-	-	-	-
Total assets	**5,145**	**176,465**	**4,530**	**186,140**	**2,253**	**69,124**	**7,815**	**79,192**
Liabilities								
Deposits	7	798	-	805	289	186	-	475
Securities sold under repurchase agreements and securities lending transactions	-	6,734	-	6,734	-	20,082	-	20,082
Trading liabilities	3,855	102,045	206	106,106	2,107	30,536	75	32,718
Other financial liabilities designated at fair value through profit and loss	-	244	-	244	-	9,384	230	9,614
Short term borrowings	4	89,496	253	89,753	-	45,855	245	46,100
Long term debt		10,173	-	10,173	-	11,602	-	11,602
Other liabilities	3	6,821	1,188	8,012	65	13,314	1,346	14,725
Total liabilities	**3,869**	**216,311**	**1,647**	**221,827**	**2,461**	**130,959**	**1,896**	**135,316**

26. Related Party Transactions (continued)

b) Related party off balance sheet transactions

Group	**31 December 2008**				**31 December 2007**			
	Parent	**Other CS group companies**	**Subsidiaries and SPEs**	**Total**	**Parent**	**Other CS group companies**	**Subsidiaries and SPEs**	**Total**
	US$M	**US$M**	**US$M**	**US$M**	**US$M**	**US$M**	**US$M**	**US$M**
Guarantees	-	100,600	-	100,600	1,561	172,279	-	173,840
Derivatives notional amounts	126,532	1,779,450	-	1,905,982	81,358	1,544,660	-	1,626,018
Total	**126,532**	**1,880,050**	**-**	**2,006,582**	**82,919**	**1,716,939**	**-**	**1,799,858**

Bank	**31 December 2008**				**31 December 2007**			
	Parent	**Other CS group companies**	**Subsidiaries and SPEs**	**Total**	**Parent**	**Other CS group companies**	**Subsidiaries and SPEs**	**Total**
	US$M	**US$M**	**US$M**	**US$M**	**US$M**	**US$M**	**US$M**	**US$M**
Guarantees	-	100,600	-	100,600	1,561	172,279	783	174,623
Derivatives notional amounts	126,532	1,779,450	274	1,906,256	81,674	1,544,344	4,243	1,630,261
Total	**126,532**	**1,880,050**	**274**	**2,006,856**	**83,235**	**1,716,623**	**5,026**	**1,804,884**

26. Related Party Transactions (continued)

c) Related party revenues and expenses

Group	**2008**			**2007**		
	Parent	**Other CS group companies**	**Total**	**Parent**	**Other CS group companies**	**Total**
	US$M	**US$M**	**US$M**	**US$M**	**US$M**	**US$M**
Interest income	-	1,909	1,909	-	1,546	1,546
Interest expense	-	(3,277)	(3,277)	-	(3,964)	(3,964)
Net interest expense	**-**	**(1,368)**	**(1,368)**	**-**	**(2,418)**	**(2,418)**
Commissions and fees	-	(89)	(89)	(-)	(130)	(130)
Other charges	(5)	(922)	(927)	(17)	(546)	(563)
Total non interest revenues	**(5)**	**(1,011)**	**(1,016)**	**(17)**	**(676)**	**(693)**
Net operating income	**(5)**	**(2,379)**	**(2,384)**	**(17)**	**(3,094)**	**(3,111)**
Total operating expenses	**-**	**(592)**	**(592)**	**-**	**(592)**	**(592)**

26. Related Party Transactions (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.

	2008 Average US$M	2007 Average US$M
Assets		
Securities purchased under resale agreements and securities borrowing transactions	16,069	21,775
Trading assets	41,033	16,280
Other assets	7,158	5,046
Liabilities		
Securities sold under repurchase agreements and securities lending transactions	21,810	16,344
Trading liabilities	50,241	21,022
Short term borrowing	56,939	48,135
Other liabilities	11,479	10,055
Off balance sheet		
Derivative Notional	1,966,371	1,397,494
Guarantees	160,200	140,311

The averages above have been calculated using month end balances.

e) Remuneration

Remuneration of Directors

	2008 US$M	2007 US$M
Emoluments	1	9
Share-based payment compensation	7	26
Compensation for loss of office	1	-
Total	**9**	**35**
Company contributions to defined contribution plan	-	1
Total	**9**	**36**

Where directors and key management personnel perform services for a number of companies within the CS group, the total emoluments payable to each director have been apportioned to the respective entities. This allocation is done based on a revenue of respective entity basis.

The aggregate value of compensation provided in the accounts for 2008 for directors was US$6,958,836 (2007: US$15,956,226, as restated for the impact of IFRIC 11 (see note 2z))).

Included in the amounts receivable under share based payment schemes is US$1,191,772 (2007: US$939,366) relating to cash schemes.

The aggregate of emoluments and amounts receivable under long term incentive schemes provided in the accounts for the highest paid director was US$1,667,329 (2007: US$6,273,357). He was a member of a money purchase pension scheme and the contribution paid during the year into the money purchase pension scheme was US$12,030

26. Related Party Transactions (continued)

(2007: US$17,862). During the year the highest paid director received an entitlement to shares under a long term incentive scheme.

	Number of Directors 2008	Number of Directors 2007
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	11	7
Defined benefit schemes	-	-
Both money purchase and defined benefit	2	3
The number of directors who exercised share options	-	1
Directors in respect of whom services were received or receivable under long term incentive schemes	**13**	**10**

Remuneration of Key Management Personnel

	2008 US$M	2007 US$M (restated)[1]
Emoluments	3	18
Amounts receivable under long term incentive schemes	14	13
Total	**17**	**31**
Company contributions to money purchase pension schemes	-	1
Total	**17**	**32**

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

Key management personnel include Directors, the EMEA (Europe, Middle East and Africa) Investment Banking Committee of CSG and 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 2008 (2007: US$Nil).

27. Employees

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

Group and Bank	2008 Number	2007 Number
Front office	525	452
Back office	789	650
Total	**1,314**	**1,102**

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.

28. 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 2008 were used for trading activities.

Economic Hedges

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

Fair Value Hedges

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

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

The following table sets forth details of fair value hedges:

Group and Bank	**2008 US$M**	**2007 US$M**
Gains on the hedging instruments	133	30
Losses on the hedge item attributable to the hedged risk	(122)	(31)
Fair value of derivative transactions used as fair value hedges	107	(17)

28. Derivatives and Hedging Activities (continued)

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

31 December 2008	**Trading**			**Hedging**		
Group	Notional amount	Positive replacement value	Negative replacement value	Notional amount	Positive replacement value	Negative replacement value
	US$M	**US$M**	**US$M**	**US$M**	**US$M**	**US$M**
Forwards and forward rate agreements	4,930,611	10,692	11,525	-	-	-
Swaps	19,500,606	618,003	610,314	124	-	19
Options bought and sold (OTC)	3,198,012	56,297	59,470	-	-	-
Futures	1,607,186	-	-	-	-	-
Interest rate products	**29,236,415**	**684,992**	**681,309**	**124**	**-**	**19**
Forwards	189,664	8,127	8,189	-	-	-
Swaps	746,963	38,805	44,007	-	-	-
Options bought and sold (OTC)	480,754	15,478	16,274	-	-	-
Futures	74	-	-	-	-	-
Foreign exchange products	**1,417,455**	**62,410**	**68,470**	**-**	**-**	**-**
Forwards	50,965	2,504	3,016	-	-	-
Options bought and sold (OTC)	15,715	853	704	-	-	-
Precious metals products	**66,680**	**3,357**	**3,720**	**-**	**-**	**-**
Swaps	227,788	14,498	11,185	-	-	-
Options bought and sold (OTC)	723,207	27,785	27,987	-	-	-
Futures	16,597	-	-	-	-	-
Equity/indexed-related products	**967,592**	**42,283**	**39,172**	**-**	**-**	**-**
Swaps	3,159,898	213,896	205,294	632	126	-
Options bought and sold (OTC)	6,108	453	62	-	-	-
Credit products	**3,166,006**	**214,349**	**205,356**	**632**	**126**	**-**
Forwards	11,499	2,255	2,407	-	-	-
Swaps	25,614	6,496	6,384	-	-	-
Options bought and sold (OTC)	22,951	3,174	2,646	-	-	-
Other products	**60,064**	**11,925**	**11,437**	**-**	**-**	**-**
Total derivative instruments	**34,914,211**	**1,019,316**	**1,009,464**	**756**	**126**	**19**

28. Derivatives and Hedging Activities (continued)

31 December 2007	**Trading**			**Hedging**		
Group	Notional amount	Positive replacement value	Negative replacement value	Notional amount	Positive replacement value	Negative replacement value
	US$M	**US$M**	**US$M**	**US$M**	**US$M**	**US$M**
Forward rate agreements	2,989,467	1,111	1,077	-	-	-
Swaps	16,664,837	181,660	178,334	1,116	-	28
Options bought and sold (OTC)	4,487,991	24,657	26,731	-	-	-
Futures	1,133,735	-	-	-	-	-
Interest rate products	**25,276,030**	**207,428**	**206,142**	**1,116**	**-**	**28**
Forward rate agreements	105,958	1,461	1,765	-	-	-
Swaps	703,713	25,665	21,640	-	-	-
Options bought and sold (OTC)	311,466	6,607	7,472	-	-	-
Foreign exchange products	**1,121,137**	**33,733**	**30,877**	**-**	**-**	**-**
Forward rate agreements	4,163	1,010	2,460	-	-	-
Swaps	1,248	56	16	-	-	-
Options Bought & Sold	14,520	713	710	-	-	-
Precious metals products	**19,931**	**1,779**	**3,186**	**-**	**-**	**-**
Swaps	230,212	5,604	5,735	-	-	-
Options bought and sold (OTC)	859,185	27,888	29,545	-	-	-
Futures	21,206	-	-	-	-	-
Equity/indexed-related products	**1,110,603**	**33,492**	**35,280**	**-**	**-**	**-**
Swaps	3,064,561	68,814	67,067	997	14	3
Credit products	**3,064,561**	**68,814**	**67,067**	**997**	**14**	**3**
Forward rate agreements	3,367	153	147	-	-	-
Swaps	11,515	716	707	-	-	-
Options bought and sold (OTC)	4,093	434	163	-	-	-
Other products	**18,975**	**1,303**	**1,017**	**-**	**-**	**-**
Total derivative instruments	**30,611,237**	**346,549**	**343,569**	**2,113**	**14**	**31**

	2008		**2007**	
	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	1,019,442	1,009,483	346,563	343,600
Replacement values (trading and hedging) after netting	756,397	746,438	279,401	276,438

28. Derivatives and Hedging Activities (continued)

31 December 2008	**Trading**			**Hedging**		
Bank	Notional amount	Positive replacement value	Negative replacement value	Notional amount	Positive replacement value	Negative replacement value
	US$M	**US$M**	**US$M**	**US$M**	**US$M**	**US$M**
Forwards and forward rate agreements	4,930,611	10,936	11,728	-	-	-
Swaps	19,500,606	618,038	610,313	124	-	19
Options bought and sold (OTC)	3,198,012	56,297	59,470	-	-	-
Futures	1,607,186	-	-	-	-	-
Interest rate products	**29,236,415**	**685,271**	**681,511**	**124**	**-**	**19**
Forwards	189,669	8,127	8,189	-	-	-
Swaps	746,963	38,805	44,007	-	-	-
Options bought and sold (OTC)	480,754	15,478	16,274	-	-	-
Futures	74	-	-	-	-	-
Foreign exchange products	**1,417,460**	**62,410**	**68,470**	**-**	**-**	**-**
Forwards	50,965	2,504	3,016	-	-	-
Options bought and sold (OTC)	15,715	853	704	-	-	-
Precious metals products	**66,680**	**3,357**	**3,720**	**-**	**-**	**-**
Swaps	227,788	14,498	11,185	-	-	-
Options bought and sold (OTC)	723,207	27,785	27,987	-	-	-
Futures	16,597	-	-	-	-	-
Equity/indexed-related products	**967,592**	**42,283**	**39,172**	**-**	**-**	**-**
Swaps	3,159,969	213,896	205,281	632	126	0
Options bought and sold (OTC)	6,108	453	62	-	-	-
Credit products	**3,166,077**	**214,349**	**205,343**	**632**	**126**	**0**
Forwards	11,499	2,223	2,407	-	-	-
Swaps	25,614	6,496	6,384	-	-	-
Options bought and sold (OTC)	22,951	3,174	2,646	-	-	-
Other products	**60,064**	**11,893**	**11,437**	-	-	-
Total derivative instruments	**34,914,288**	**1,019,563**	**1,009,653**	**756**	**126**	**19**

28. Derivatives and Hedging Activities (continued)

31 December 2007	**Trading**			**Hedging**		
Bank	Notional amount	Positive replacement value	Negative replacement value	Notional amount	Positive replacement value	Negative replacement value
	US$M	**US$M**	**US$M**	**US$M**	**US$M**	**US$M**
Forward rate agreements	2,989,466	1,111	1,077	-	-	-
Swaps	16,665,207	181,758	178,330	1,116	-	28
Options bought and sold (OTC)	4,487,991	24,657	26,731	-	-	-
Futures	1,133,735	-	-	-	-	-
Interest rate products	**25,276,399**	**207,526**	**206,138**	**1,116**	**-**	**28**
Forward rate agreements	107,370	1,461	1,780	-	-	-
Swaps	703,713	25,664	21,640	-	-	-
Options bought and sold (OTC)	311,466	6,607	7,472	-	-	-
Foreign exchange products	**1,122,549**	**33,732**	**30,892**	**-**	**-**	**-**
Forward rate agreements	4,163	1,010	2,460	-	-	-
Swaps	1,248	56	16	-	-	-
Options Bought & Sold	14,520	712	710	-	-	-
Precious metals products	**19,931**	**1,778**	**3,186**	**-**	**-**	**-**
Swaps	230,727	5,604	5,769	-	-	-
Options bought and sold (OTC)	859,185	27,887	29,544	-	-	-
Futures	21,206	-	-	-	-	-
Equity/indexed-related products	**1,111,118**	**33,491**	**35,313**	**-**	**-**	**-**
Swaps	3,072,142	69,189	67,067	997	14	3
Credit products	**3,072,142**	**69,189**	**67,067**	**997**	**14**	**3**
Forward rate agreements	3,367	153	147	-	-	-
Swaps	11,515	716	707	-	-	-
Options bought and sold (OTC)	4,093	434	163	-	-	-
Other products	**18,975**	**1,303**	**1,017**	**-**	**-**	**-**
Total derivative instruments	**30,621,114**	**347,019**	**343,613**	**2,113**	**14**	**31**

	2008		**2007**	
	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	1,019,689	1,009,672	347,033	343,644
Replacement values (trading and hedging) after netting	756,644	746,627	279,871	276,483

29. Guarantees and Commitments

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

Group and Bank

31 December 2008	Maturity <1 year US$M	Maturity 1-3 years US$M	Maturity 3-5 years US$M	Maturity >5 years US$M	Total gross amount US$M	Collateral received US$M	Net of collateral 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 US$M	Maturity 1-3 years US$M	Maturity 3-5 years US$M	Maturity >5 years US$M	Total gross amount US$M	Collateral received US$M	Net of collateral 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**

Group and Bank

31 December 2007	Maturity <1 year US$M	Maturity 1-3 years US$M	Maturity 3-5 years US$M	Maturity >5 years US$M	Total gross amount US$M	Collateral received US$M	Net of collateral US$M
Credit guarantees and similar instruments	21	18	70	5	114	2	112
Performance guarantees and similar instruments	-	6	39	-	45	18	27
Derivatives	130,081	241,433	503,907	248,876	1,124,297	-	1,124,297
Total guarantees	**130,102**	**241,457**	**504,016**	**248,881**	**1,124,456**	**20**	**1,124,436**

31 December 2007	Maturity <1 year US$M	Maturity 1-3 years US$M	Maturity 3-5 years US$M	Maturity >5 years US$M	Total gross amount US$M	Collateral received US$M	Net of collateral US$M
Irrevocable commitments under documentary credit	3	-	12	27	42	-	42
Loan commitments	3,419	2,736	3,273	1,092	10,520	6,598	3,922
Total other commitments	**3,422**	**2,736**	**3,285**	**1,119**	**10,562**	**6,598**	**3,964**

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.

29. Guarantees and Commitments (continued)

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 balance sheet.

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

Lease Commitments

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

Group and Bank

	2008
Year ended 31 December	**US$M**
2009	71
2010	70
2011	70
2012	70
2013	70
Thereafter	655
Future operating lease commitments	**1,006**
Less minimum non-cancellable sublease rentals	(167)
Total net future minimum lease commitments	**839**

	2007
Year ended 31 December	**US$M**
2008	96
2009	93
2010	93
2011	93
2012	93
Thereafter	978
Future operating lease commitments	**1,446**
Less minimum non-cancellable sublease rentals	(257)
Total net future minimum lease commitments	**1,189**

The future operating lease commitments include service charges of US$5.9m (2007: US$8.0m).

29. Guarantees and Commitments (continued)

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

	2008 US$M	2007 US$M
Minimum rentals	71	97
Sublease rental income	(65)	(91)
Total net rental expenses	**6**	**6**

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

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

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

The Bank registered a charge to Polychord S.A. under a security arrangement agreement date 28 November 2008. Amounts secured by the charge are all present and future 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.

29. Guarantees and Commitments (continued)

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$13.4m 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.

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.

29. Guarantees and Commitments (continued)

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 (2006: 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.

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 (2006: US$1,020m).

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 (2006: US$250m).

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 (2006: 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 (2006: 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.

30. 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 balance sheet value (including amounts held with the Bank) in relation to Consolidated SPEs is shown below.

Group	**2008**	**2007**
	US$M	**US$M**
Assets		
Cash and due from banks	554	861
Repossessed Collateral	34	55
Securities purchased under resale agreements and securities borrowing transactions	1,224	555
Other financial assets designated at fair value through profit and loss	893	1,924
Trading assets	14,606	5,381
Current Tax Assets	35	-
Deferred Tax Assets	29	-
Other assets	61	31
Total assets	**17,436**	**8,807**
Liabilities		
Deposits	369	2,756
Trading liabilities	440	894
Short term borrowings	311	382
Other financial liabilities designated at fair value through profit and loss	15,430	4,698
Share Capital	633	-
Other liabilities	253	77
Total liabilities	**17,436**	**8,807**

31. Fair Value of Financial Instruments

Quoted market prices, when available, are used as the measure of fair value. In cases where quoted market prices are not available, fair values are determined using present value estimates or other valuation techniques; 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 always be substantiated by 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.

31. Fair Value of Financial Instruments (continued)

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.

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.

The fair values of trading debt securities (including CMBS and other ABS and CDOs) and equity securities (including common equity shares, convertible bonds and separately managed funds), financial investments from the banking business, investments from the insurance business, and non-consolidated participations where available are based on quoted market prices.

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 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. CDO, collateralized 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.

Equity securities for which there are no significant observable values are determined by their yield and the subordination relative to the issuer's other credit obligations. 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.

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. Certain more complex derivatives use unobservable inputs. Specific unobservable inputs include long-dated volatility assumptions, recovery rate assumptions for credit derivative transactions. Uncertainty of pricing inputs and liquidity are also considered as part of the valuation process.

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 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.

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. Fair Value of Financial Instruments (continued)

31 December 2008

Group	**Fair value**	**Book 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 cash equivalents	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 assets	806,967	806,967	-	-	806,967
Other financial assets designated at fair value through profit and loss	34,451	-	34,451	-	34,451
Other loans and receivables	6,901	-	-	7,303	7,303
Other assets	51,530	-	-	51,530	51,530

	Fair value	**Book 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 liabilities	756,744	756,744	-	-	756,744
Other financial liabilities designated at fair value through profit and loss	40,698	-	40,698	-	40,698
Short term borrowings	79,377	-	-	79,278	79,278
Other liabilities	68,165	-	-	68,165	68,165
Long term debt	8,629	-	-	10,636	10,636

31. Fair Value of Financial Instruments (continued)

31 December 2007

Group	Fair value	Book 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 cash equivalents	26,713	-	-	26,713	26,713
Interest-bearing deposits with banks	148	-	-	148	148
Securities purchased under resale agreements and securities borrowing transactions	22,240	-	-	22,240	22,240
Trading assets	381,152	381,152	-	-	381,152
Other financial assets designated at fair value through profit and loss	22,628	-	22,628	-	22,628
Other loans and receivables	11,426	-	-	11,377	11,377
Other assets	25,946	-	-	25,946	25,946

Group	Fair value	Book 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	4,817	-	-	4,817	4,817
Securities sold under repurchase agreements and securities lending transactions	24,856	-	-	25,397	25,397
Trading liabilities	291,119	291,119	-	-	291,119
Other financial liabilities designated at fair value through profit and loss	45,885	-	45,885	-	45,885
Short term borrowings	46,578	-	-	46,578	46,578
Other liabilities	52,764	-	-	52,764	52,764
Long term debt	12,258	-	-	12,230	12,230

31. Fair Value of Financial Instruments (continued)

31 December 2008

Bank	**Fair value**	**Book 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 cash equivalents	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 assets	818,787	818,787	-	-	818,787
Other financial assets designated at fair value through profit and loss	31,609	-	31,609	-	31,609
Other loans and receivables	6,911	-	-	7,313	7,313
Other assets	52,748	-	-	52,748	52,748

	Fair value	**Book 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 liabilities	756,934	756,934	-	-	756,934
Other financial liabilities designated at fair value through profit and loss	37,152	-	37,152	-	37,152
Short term borrowings	90,265	-	-	90,167	90,167
Other liabilities	69,083	-	-	69,083	69,083
Long term debt	8,629	-	-	10,636	10,636

31. Fair Value of Financial Instruments (continued)

31 December 2007

Bank	**Fair value**	**Book 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 cash equivalents	25,830	-	-	25,830	25,830
Interest-bearing deposits with banks	148	-	-	148	148
Securities purchased under resale agreements and securities borrowing transactions	21,686	-	-	21,686	21,686
Trading assets	378,381	378,381	-	-	378,381
Other financial assets designated at fair value through profit and loss	21,326	-	21,326	-	21,326
Other loans and receivables	11,431	-	-	11,382	11,382
Other assets	27,373	-	-	27,373	27,373

	Fair value	**Book 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	3,461	-	-	3,461	3,461
Securities sold under repurchase agreements and securities lending transactions	24,856	-	-	25,397	25,397
Trading liabilities	291,130	291,130	-	-	291,130
Other financial liabilities designated at fair value through profit and loss	42,074	-	42,074	-	42,074
Short term borrowings	46,431	-	-	46,431	46,431
Other liabilities	54,091	-	-	54,091	54,091
Long term debt	12,258	-	-	12,230	12,230

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.

For the year ended 31 December 2008, the amount recognised in profit or loss during the period for financial instruments estimated using a valuation technique and specific entity inputs was a profit of US$1,832m (2007 profit of US$3,150m).

As the valuation models are based upon entity specific assumptions, changing the assumptions within a reasonable

31. Fair Value of Financial Instruments (continued)

range amends the resultant estimate of fair value. The potential effect of using reasonably possible alternative assumptions in valuations models lies between a range of (US$1,298m) and US$1,298m (2007: (US$1,299m) and US$1,299m).

Although the Group adopted the amendments to IAS 39 'Financial Instruments: Recognition and Measurement' and IFRS 7 'Financial Instruments: Disclosures' regarding reclassification of financial assets, there were no reclassifications of financial assets done during the year.

32. Assets Pledged or Assigned

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

Group and Bank

	Group 2008 US$M	Group 2007 US$M	Bank 2008 US$M	Bank 2007 US$M
Fair value of collateral received where there exists a right to resell or repledge	27,996	32,060	26,951	33,560
Fair value of collateral received which has been resold or repledged where the right to resell or repledge existed	24,155	28,253	23,110	28,253

As at 31 December 2008 and 2007, 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.

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 29 Guarantees and Commitments.

33. 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 established and continuously strengthens an independent risk function that closely interacts with the sales and trading functions to ensure the appropriate flow of information. CS group's risk management framework is based on transparency, management accountability and independent oversight. As a consequence of the increased

33. Financial Instruments Risk Position (continued)

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. Further, the business mix of Private Banking, Investment Banking and Asset Management provides a certain amount of risk diversification.

CS group's Investment Banking business has chosen a buy and sell business model to mitigate risks and limit its exposure, but the further dislocation in the structured and credit markets during 2008 affected its efficiency in reducing risk exposure. In light of this environment, CS group has further limited certain new business activities and has reduced risk exposures in its structured products and leveraged finance positions. Additional macro and single-position hedges have been purchased by CS group to further mitigate its risk exposure.

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 are closer to the daily business and established to manage risk on a divisional basis.

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

33. Financial Instruments Risk Position (continued)

CARMC; business divisions are authorised to take risks as part of their business strategies within limits set by CARMC.

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 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 balance sheet and off-balance sheet exposure given the market environment, business strategy and financial resources available to absorb losses. CS group uses an Economic Capital ('EC') limit structure to manage overall risk-taking. The 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 standardized 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.

33. 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 changes due to adverse market movements over a given time interval at a given 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 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.

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

33. Financial Instruments Risk Position (continued)

The VaR model uses assumptions and estimates that CS group believes are reasonable, but changes to assumptions or estimates could result in a different VaR measure. As a risk measure, VaR only quantifies the potential loss on a portfolio under normal market conditions. Other risk measures, such as scenario analysis, are used to estimate losses associated with unusually severe market movements. 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 for all of its businesses exposed to market risk to estimate the potential economic loss that could arise from extreme, but plausible, stress events. 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 analyze 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 risk management.

Scenario analysis estimates the impact that could arise from extreme, but plausible, stress events 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.

Scenario analysis estimates the loss that could arise if specific events in the economy or in financial markets were to occur. Seldom do past events recur in exactly the same way. Therefore, 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 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 response to the financial market turbulence experienced in 2008, the parameter shocks for most types of scenarios were updated to reflect more volatile market conditions, particularly for credit and mortgage-related positions. Several new scenarios were also introduced to focus on specific markets or risks, including underwriting, basis and regional risks. Finally, a new combination scenario was introduced that incorporated more severe market changes.

Trading portfolios

Risk measurement and management

For the purposes of this disclosure, VaR is used to quantify market risk in the trading portfolio, which includes those financial instruments treated as part of the trading book for the 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.

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-

33. Financial Instruments Risk Position (continued)

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.

The Bank's one-day, 99% scaled VaR as of 31 December, 2008 was US$109m, compared to US$58m as of 31 December, 2007. The increase in VaR was primarily due to the inclusion of increased market volatility in the historical dataset used to calculate VaR and the introduction of the scaling approach referred to in the Value at Risk section.

Credit Suisse International Value-at-Risk

End of period	Interest rate and credit spread	Foreign exchange	Commodity	Equity	Diversification benefit	Total (Non-Scaled)	Total (Scaled)
2008 US$M							
Average	35	14	14	29	(37)	55	78
Minimum	20	5	7	15	-	36	46
Maximum	68	54	23	91	-	119	178
End of period	59	40	10	21	(57)	73	109
2007 US$M							
Average	28	9	3	25	(22)	43	53
Minimum	18	2	0	14	-	31	31
Maximum	40	27	15	47	-	64	83
End of period	29	14	9	23	(32)	43	58

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

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 29 backtesting exceptions in 2008, compared with three backtesting exceptions in 2007. These exceptions were calculated using the scaled VaR model following its introduction in the fourth quarter 2008.

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 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

33. Financial Instruments Risk Position (continued)

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

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 December 31, 2008 compared to an increase of less than US$1m, as of December 31, 2007. 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 December 31, 2008, 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$478m and a decrease of US$143m, 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$24m in the value of the non-trading portfolio as of 31 December, 2008 compared to a decrease of approximately US$1m in the value of the non-trading portfolio as of 31 December, 2007.

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$28m in the value of the non-trading portfolio as of December 31, 2008 compared to a decrease of less than US$1m as of December 31, 2007.

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 and losses which are incurred in a currency other than the entity's functional currency. On a Parent level, risk management activities are designed to reduce foreign exchange volatility on reported CHF results and capital. These activities include hedging of foreign currency net assets and cash flow hedging of certain revenues and expenses to protect the Group's CHF shareholder's equity.

Additional overlay activities at the Group level are aimed at diversifying the Group's returns on invested capital into foreign currencies. These need explicit approval of the ALM CARMC and are made with various considerations in mind such as management of Tier I ratio foreign exchange induced changes.

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 of a legal entity not having CHF as its functional currency is then translated monthly into the Group's functional currency, the Swiss franc, using global month-end exchange rates. The process ensures that month–end P/L is effectively locked into CHF 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.

ii) Liquidity Risk

The operating environment was more challenging during 2008 and in particular 4Q08 than since the financial crisis began. In response, CS group further strengthened its conservative liquidity and funding management strategy and strong capital base while the financial and credit markets deteriorated.

33. Financial Instruments Risk Position (continued)

The Global Treasury department manages the liquidity position of CS group within parameters determined by the ALM-CARMC. The liquidity risk of the company is managed as an integral part of the overall CS group liquidity risk framework.

CS group manages its liquidity profile at a sufficient level such that, in the event CS group is unable to access unsecured funding, there is sufficient liquidity to sustain operations for an extended period of time.

Liquidity is managed centrally to ensure that sufficient funds are either on hand or readily available at short notice in the event that the firm experiences any impairment of its ability to borrow in the unsecured debt markets. This ensures that in the event of a liquidity dislocation CS group has sufficient funds to repay maturing liabilities, as they fall due, without requiring any balance sheet reduction. The group manages liquidity by raising funds directly by CS group and channelling these funds to business and subsidiaries, as required. As part of this central management, daily processes are undertaken to monitor and manage liquidity of the Bank and to ensure funds are sourced from CS group to meet ongoing obligations of the Bank's business. CSi has unrestricted and direct access to funding sourced by CS group.

As a global bank, CS group has access to multiple markets worldwide and has major funding operations in Zurich, New York, London, Singapore and Tokyo. A wide range of products and currencies are used to ensure that funding is efficient and well diversified across markets and investor types. Unsecured funding sources include private, corporate and retail banking client deposits (which have proven extremely stable even in stressed markets) long-term debt, certificates of deposit, bank deposits, fiduciary deposits, central bank deposits and other non-bank deposits.

Global Treasury is responsible for the development, execution and regular updating of the funding plan which reflects projected business activity, development of the balance sheet, future funding needs and maturity profiles as well as the effects of changing market conditions. CS group centralized funding provided for a controlled and flexible response to the volatile market conditions in 2008.

Substantially all of CS group's 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.

CS group additionally maintains a portfolio of trading and liquid assets readily available for additional funding needs. 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 light of the continued deterioration in the credit markets, CS group also took measures to further widen its contingent funding sources by implementing enhanced credit facilities with central banks, such as the Primary Dealer Credit Facility with the Federal Reserve. These facilities have been tested and serve as a secondary source of liquidity if necessary.

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

33. Financial Instruments Risk Position (continued)

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	3,497	3,783	374	-	1,406	9,060
Trading liabilities	756,744	-	-	-	-	756,744
Other financial liabilities designated at fair value through profit and loss	2,237	8,560	5,133	18,490	8,701	43,121
Short term borrowings	78,093	1,335	-	-	-	79,428
Long term debt	-	-	-	1	10,633	10,634
	842,055	**13,780**	**5,507**	**18,491**	**20,740**	**900,573**

Group
31 December 2007

	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	4,736	81	-	-	-	4,817
Securities sold under repurchase agreements and securities lending transactions	8,826	11,567	2,736	2,497	-	25,626
Trading liabilities	291,119	-	-	-	-	291,119
Other financial liabilities designated at fair value through profit and loss	-	8,564	5,683	24,438	9,119	47,804
Short term borrowings	10,132	36,651	-	-	-	46,783
Long term debt	-	1,058	3,719	727	10,735	16,239
	314,813	**57,921**	**12,138**	**27,662**	**19,854**	**432,388**

The balances in the above table will not agree directly to the balances in the group balance sheet as the table generally incorporates all cash flows, on an undiscounted basis, related to both principal as well as those associated with all future coupon payments. 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 and loss have been excluded from the table above. The variability of the coupons leverages up or down based on the functionality of the embedded 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.

33. Financial Instruments Risk Position (continued)

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

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

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

CS group's 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.

33. Financial Instruments Risk Position (continued)

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 FINMA for application under the Basel II A-IRB 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 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)

33. Financial Instruments Risk Position (continued)

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

	Group 2008 US$M	Group 2007 US$M	Bank 2008 US$M	Bank 2007 US$M
Interest bearing deposits with banks	349	148	332	148
Securities purchased under resale agreements and Securities borrowing transactions	8,958	22,240	8,148	21,686
Trading assets				
- debt securities	25,384	41,887	26,053	42,437
- derivative trading positions	756,315	279,387	756,561	279,857
- other	5,786	16,051	16,393	15,383
Other financial assets designated at fair value through profit and loss				
- debt securities	3,841	4,365	3,841	3,807
- loans	18,414	17,089	15,572	16,345
- reverse repurchase agreements	12,196	941	12,196	941
Other loans and receivables				
- banks	1,416	572	1,416	572
- customers	6,162	10,921	6,172	10,926
Other assets	51,528	26,184	52,747	27,605
Off balance sheet items				
- financial guarantees	1,090,209	1,124,456	1,090,209	1,124,456
- loan commitments and other credit related commitments	10,536	10,562	10,536	10,562

Risk Mitigation

CSi actively manages its credit exposure utilizing 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.

33. Financial Instruments Risk Position (continued)

Counterparty Exposure before Collateral by Rating

Bank	**31 December 2008 US$M**	**%**	**31 December 2007 US$M**	**%**
AAA	12,607	12	8,132	11
AA+ to AA-	36,581	32	20,302	29
A+ to A-	27,323	24	13,324	19
BBB+ to BBB-	17,199	15	13,509	19
BB+ to BB-	7,111	6	7,082	10
B+ and below	12,001	11	8,728	12
	112,822	**100**	**71,077**	**100**

Unsecured Exposure by Rating (including provisions)

Bank	**31 December 2008 US$M**	**%**	**31 December 2007 US$M**	**%**
AAA	7,510	15	7,117	20
AA+ to AA-	16,915	33	10,467	28
A+ to A-	11,036	22	7,138	20
BBB+ to BBB-	6,426	13	4,415	12
BB+ and below	8,559	17	7,168	20
	50,446	**100**	**36,305**	**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.

CSi has significant balances with counterparties located in the United Kingdom and United States of America.

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

33. Financial Instruments Risk Position (continued)

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 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

33. Financial Instruments Risk Position (continued)

management committees, which have senior staff representatives from all the relevant functions. CS Group utilizes 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.

For CSi's own operational risk capital requirement under FSA rules the Basic Indicator Approach (BIA) is used as detailed in note 34 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.

34. 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.

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;

34. Capital Adequacy (continued)

- 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.

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 2008 in order to support the business as follows:

	2008 US$M	2007 US$M
Total regulatory capital less deductions at 1 January	**18,305**	**9,179**
Net capital injections during the year:		
Core Tier 1	2,000	4,142
Non Core Tier 1	1,400	1,450
Upper Tier 2	(560)	2,450
Lower Tier 2	3,025	1,089
	5,865	**9,131**
Other movements	**(7,397)**	**(5)**
Total regulatory capital less deductions at 31 December	**16,773**	**18,305**

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.

34. Capital Adequacy (continued)

The following table sets out details of CSi's regulatory capital resources at 31 December 2008 and 2007. Comparative information has not been restated for the adoption of IFRIC 11.

	2008 US$M	2007 US$M
Total shareholders' equity	**9,573**	**11,015**
Reconciliation to Tier 1 capital:		
Excess non-core Tier 1 capital	(1,857)	-
Regulatory deductions	(886)	(702)
Tier 1 capital less deductions	**6,830**	**10,313**
Tier 2 capital:		
Excess non-Core Tier 1 capital	1,857	-
Upper Tier 2	4,170	4,735
Lower Tier 2	6,152	3,284
Excess Tier 2 capital	(5,349)	-
Tier 2 capital	**6,830**	**8,019**
Tier 1 plus Tier 2 capital	**13,660**	**18,332**
Deductions	(896)	(27)
Tier 1 plus Tier 2 capital, less deductions	**12,764**	**18,305**
Excess Tier 2 capital	5,349	-
Deductions from total capital	(1,340)	-
Total regulatory capital less deductions	**16,773**	**18,305**

35. Revaluing of Certain Asset-Backed Securities Positions

CSi made valuation reductions in 2008 as a result of the internal review in relation to the mismarks and pricing errors. For further information, refer to the Director's report - Remediation of prior material weakness in internal control over financial reporting on page 7.

36. Subsequent events

On 20 Jan 2009, the total authorised share capital of the Bank increased from US$14,100,000,000 to US$15,800,000,000. Bank issued 757,575,758 Participating Shares of US$1 each in cash at a share premium of US$742,424,242 to IHAG.

Further to this, on the same day the Bank issued 200,000,000 Class K Preference Shares of US$1 each to CSI(UK).

On 27 Feb 2009, all 375,000,000 issued Class B Preference Shares were redeemed at par.

UNAUDITED SUPPLEMENT TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008

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.

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	5,865	**9,131**
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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 2008 and 2007. Comparative information has not been restated for the adoption of IFRIC 11.

	2008 US$M	2007 US$M
Total shareholders' equity	**9,573**	**11,015**
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Excess Tier 2 capital	5,349	-
Deductions from total capital	(1,340)	-
Total regulatory capital less deductions	**16,773**	**18,305**

Capital requirements

CSi's minimum Pillar 1 capital requirements under the Basel 2 framework as implemented by the FSA are as follows (comparative figures are calculated under the Basel 1 regime):

	2008	**2007**
	Basel 2	Basel 1
	US$M	**US$M**
Trading book market risk under VaR	2,758	644
Trading book market risk under standard rules:		
interest rate risk	83	219
foreign currency risk	35	31
Counterparty risk – trading book	3,235	3,256
Counterparty risk – banking book	3,457	4,502
Concentration risk	1,132	0
Operational Risk (Basic Indicator Approach)	283	0
Total minimum capital requirements under Pillar 1	**10,983**	**8,652**

Analysis of historical credit outcomes versus estimates

The following table shows expected or average values and actual or realised values, for credit default loss and key credit quality parameters during the year. The parameters are probability of default ('PD'), loss given default ('LGD') and credit conversion factor ('CCF').

Losses as at 31 December 2008	**Bank Actuals**	**Bank Estimated**
Sovereigns (US$M)	**0.0**	**12.4**
Probability of default (PD) (in %)	0.0%	0.3%
Loss given default (LGD) (in %)	-	-
Credit conversion factor (CCF) (in %)	-	-
Banks (US$M)	**2,135.8**	**55.9**
PD (in %)	0.6%	0.5%
LGD (in %)	89.8%	55.0%
CCF (in %)	66.8%	65.0%
Corporate and other institutions (US$M)	**929.9**	**337.7**
PD (in %)	1.1%	2.1%
LGD (in %)	70.3%	49.5%
CCF (in %)	-	-

In the table, estimated loss is an average of the different levels of loss that the Bank could experience in a range of future economic outcomes, taking into account the possibilities of good and bad outcomes. Similarly, estimated values of PD, LGD and CCF reflect probable long run average values, allowing for possible good and bad outcomes in different years.

Because they represent long run averages, the estimated loss, PD, LGD and CCF shown are not intended to predict the outcome in any particular year, and cannot be regarded as predictions of the actual loss, PD, LGD and CCF figures shown in the table. The table shows that actual PD and actual CCF for 2008 were similar to the estimated long term averages for these parameters. LGD and actual loss were materially higher than their long - term average expectations. This is due to large losses arising on default of a small number of counterparties to which the bank had high value exposures.

Figures in the table exclude Specialised Lending exposures where the Slotting Class approach is used. For this portfolio, estimated loss was USD 18.5 million and actual loss was USD 129.7 million.

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