



# Operating and financial review

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# Operating environment

The operating environment was extremely challenging in 2008, as the financial crisis and market turmoil increasingly affected the economy. The global economy cooled rapidly in the second half of the year, and the US, Japan and most of Europe, including Switzerland, entered a recession. Following the bankruptcy of Lehman Brothers in September, credit markets deteriorated and volatility reached high levels.

## Economic environment

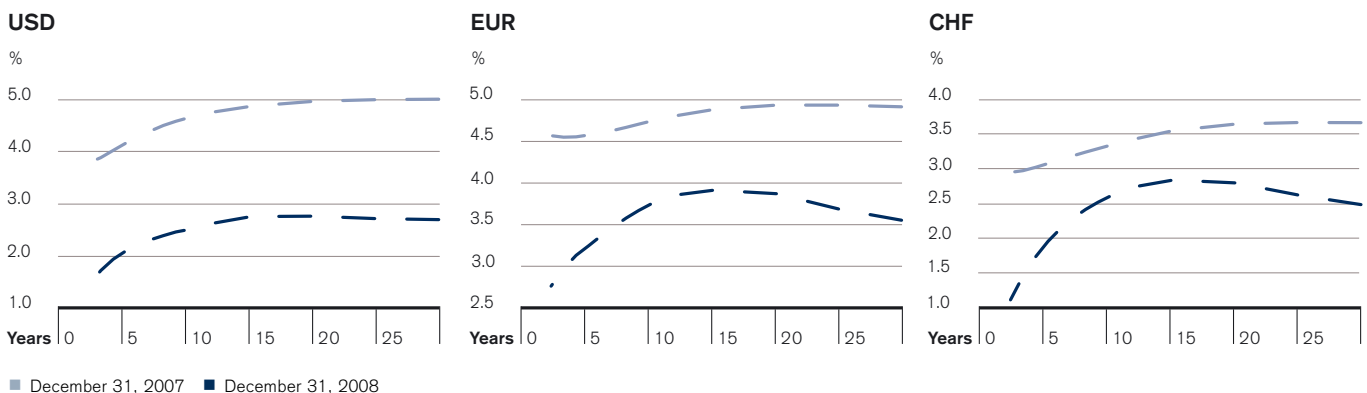
Against the backdrop of the financial crisis, 2008 was characterized by declines in economic growth, which intensified towards the end of the year. Industrial production reached a peak near the end of 2007 and employment in the US then started falling. Housing prices in several countries began to slide and banks continued to tighten lending standards. The US government implemented a USD 150 billion 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 (refer to the chart "Money markets") following unprecedented market interventions of central banks and governments. Equity markets sold off sharply and volatility increased dramatically (refer to the charts "Equity markets").

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-

## Yield curves

With high risk aversion and weak economic environment, yield levels declined significantly.

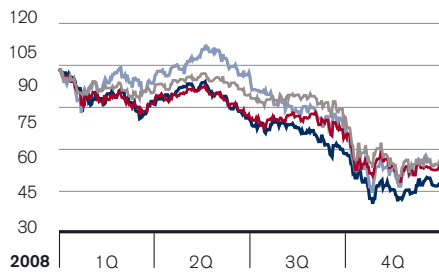


## Equity markets

2008 saw sharp declines in equities. In particular, bank stocks were hit hard by the financial crisis. Volatility was at record levels.

### Performance region

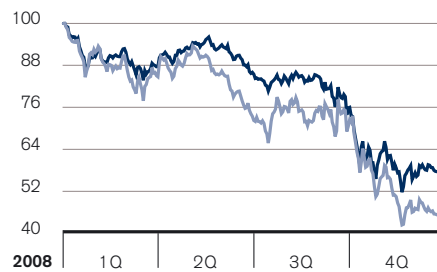
Index (December 31, 2007 = 100)



■ EM Asia ■ Europe  
■ EM Latin America ■ North America

### Performance world banks

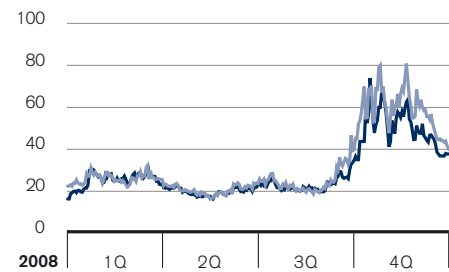
Index (December 31, 2007 = 100)



■ MSCI World banks  
■ MSCI World

### Volatility

%



■ VDAX  
■ VIX

Source: MSCI, Bloomberg, Credit Suisse / IDC

Source: MSCI, Datastream, Credit Suisse / IDC

Source: Datastream, Credit Suisse / IDC

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.

## Money markets

Increased risk aversion widened the TED spread significantly. At the end of the year, the situation improved.



■ USD 1M LIBOR ■ USD 1M T-Bill

Source: Bloomberg, Credit Suisse / IDC

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% on average year on year in the US, the euro-zone and Japan as of 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 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 (refer to the charts "Yield curves"). After having traded for years at similar

## Market volumes (growth in % year on year)

2008	Global	Europe
Equity trading volume <sup>1</sup>	(11)	(27)
Fixed income trading volume <sup>2</sup>	2	23
Announced mergers and acquisitions <sup>3</sup>	(29)	(29)
Completed mergers and acquisitions <sup>3</sup>	(28)	(24)
Equity underwriting <sup>3</sup>	(36)	(40)
Debt underwriting <sup>3</sup>	(38)	(36)
Syndicated lending – investment-grade <sup>3</sup>	(36)	–

<sup>1</sup> LSE, Borsa Italiana, Deutsche Börse, BME, SWX Europe, NYSE Euronext, NASDAQ <sup>2</sup> Deutsche Börse, Federal Reserve Bank of New York <sup>3</sup> Dealogic

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 200 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. (Bear Stearns) 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 & Co., Inc. 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 USD 250 billion of Troubled Asset Relief Program funds directly into banks, and the US FDIC 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 USD 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.

# Credit Suisse

In 2008, we recorded a net loss of CHF 8,218 million, reflecting intensified market disruption and further significant valuation reductions and negative trading revenues in Investment Banking and losses in private equity and other investments in Asset Management. Private Banking reported solid net revenues despite the challenging operating environment and diminished investor confidence. We further reduced our risk exposure and maintained a strong capital base.

## Results

	in			% change	
	2008	2007	2006	08 / 07	07 / 06
<b>Statements of operations (CHF million)</b>					
Net interest income	8,536	8,442	6,565	1	29
Commissions and fees	14,812	18,929	17,191	(22)	10
Trading revenues	(9,880)	6,146	9,427	–	(35)
Other revenues	(4,200)	5,804	4,960	–	17
<b>Net revenues</b>	<b>9,268</b>	<b>39,321</b>	<b>38,143</b>	(76)	3
<b>Provision for credit losses</b>	<b>813</b>	<b>240</b>	<b>(111)</b>	239	–
Compensation and benefits	13,254	16,098	15,520	(18)	4
General and administrative expenses	7,809	6,833	6,324	14	8
Commission expenses	2,294	2,410	2,091	(5)	15
Total other operating expenses	10,103	9,243	8,415	9	10
<b>Total operating expenses</b>	<b>23,357</b>	<b>25,341</b>	<b>23,935</b>	(8)	6
<b>Income/(loss) from continuing operations before taxes</b>	<b>(14,902)</b>	<b>13,740</b>	<b>14,319</b>	–	(4)
Income tax expense/(benefit)	(4,596)	1,248	2,394	–	(48)
Minority interests	(2,619)	4,738	3,630	–	31
<b>Income/(loss) from continuing operations</b>	<b>(7,687)</b>	<b>7,754</b>	<b>8,295</b>	–	(7)
Income/(loss) from discontinued operations	(531)	6	3,056	–	(100)
Extraordinary items	0	0	(24)	–	100
<b>Net income/(loss)</b>	<b>(8,218)</b>	<b>7,760</b>	<b>11,327</b>	–	(31)
<b>Earnings per share (CHF)</b>					
Basic earnings/(loss) per share from continuing operations	(7.33)	7.42	7.54	–	(2)
Basic earnings/(loss) per share	(7.83)	7.43	10.30	–	(28)
Diluted earnings/(loss) per share from continuing operations	(7.33)	6.95	7.20	–	(3)
Diluted earnings/(loss) per share	(7.83)	6.96	9.83	–	(29)
<b>Return on equity (%)</b>					
Return on equity	(21.1)	18.0	27.5	–	–
Return on tangible equity <sup>1</sup>	(29.3)	24.5	40.6	–	–
<b>BIS statistics <sup>2</sup></b>					
Risk-weighted assets (CHF million)	257,467	312,068	253,676	–	23
Tier 1 capital (CHF million)	34,208	34,737	35,147	–	(1)
Total eligible capital (CHF million)	46,090	45,102	46,764	–	(4)
Tier 1 ratio (%)	13.3	11.1	13.9	–	–
Total capital ratio (%)	17.9	14.5	18.4	–	–

<sup>1</sup> Based on tangible shareholders' equity, which is calculated by deducting goodwill and other intangible assets from total shareholders' equity. Management believes that the return on tangible shareholders' equity is meaningful as it allows consistent measurement of the performance of businesses without regard to whether the businesses were acquired. <sup>2</sup> Under Basel II from January 1, 2008. Prior periods are reported under Basel I and therefore are not comparable. For further information, refer to III – Treasury, Risk, Balance sheet and Off-balance sheet – Treasury management.

## Results summary

In 2008, we recorded a net loss of CHF 8,218 million, compared to net income of CHF 7,760 million in 2007. The net loss included a loss from discontinued operations of CHF 531 million relating to our agreement to sell part of our global investors business in Asset Management. Net revenues were CHF 9,268 million in 2008, down 76%, compared to 2007.

Private Banking delivered good net new assets and solid net revenues, with record results in Corporate & Retail Banking. The Private Banking results were impacted by net non-credit-related provisions of CHF 766 million relating to ARS and a CHF 190 million charge relating to the close-out of a client's account.

In Investment Banking, net revenues were negative, reflecting the intensified market disruption. The results were also negatively impacted by a severe widening of credit spreads resulting 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. The results also reflected higher credit-related exposures to certain trading counterparties. Our combined leveraged finance and structured products businesses had net valuation reductions of CHF 10,923 million in 2008 compared to CHF 3,187 million in 2007. Other areas adversely impacted by the extreme market disruption included structured fixed income derivatives, leveraged finance trading, emerging markets trading, long/short and event and risk arbitrage equity trading strategies, equity derivatives and convertibles, all of which recorded significant losses. However, Investment Banking reported good results in client-driven businesses, including flow-based rate and US and European high grade products, cash equities and prime services.

Asset Management results reflected private equity and other investment-related losses of CHF 676 million compared to gains of CHF 681 million in 2007. The vast majority of these were unrealized losses concentrated in middle-market private equity investments related to the real estate, distressed debt, financial services, commodity and energy sectors. The results also include losses on securities purchased from our money market funds of CHF 687 million, compared to losses of CHF 920 million in 2007.

Our results benefited from fair value gains of CHF 4,988 million from widening credit spreads on Credit Suisse debt. We continued to manage down our exposures to assets most significantly impacted by the dislocation in the mortgage and credit markets and to securities purchased from our money market funds. Provision for credit losses increased from CHF 240 million to CHF 813 million.

Total operating expenses decreased compared to 2007, with significantly higher general and administrative expenses, more than offset by lower performance-related compensation. The increase in general and administrative expenses primarily reflected costs of CHF 833 million related to the accelerated implementation of our strategic plan, recorded in the Corporate Center, the net provisions relating to ARS and the charge relating to the close-out of a client's account in Wealth Management.

In 2008, we recorded an income tax benefit due to the impact of the geographical mix of results in 2008 and the recognition of a tax benefit for the current period losses.

Diluted earnings per share from continuing operations in 2008 were a loss of CHF 7.33 compared to earnings of CHF 6.95 in 2007. The return on equity was (21.1)% compared to 18.0% in 2007.

## Credit Suisse reporting structure

Credit Suisse					
Core Results				Minority interests without significant economic interest	
Private Banking		Investment Banking	Asset Management		Corporate Center
Wealth Management	Corporate & Retail Banking				

## Credit Suisse and Core Results

in	Core Results			Minority interests without SEI			Credit Suisse		
	2008	2007	2006	2008	2007	2006	2008	2007	2006
<b>Statements of operations (CHF million)</b>									
<b>Net revenues</b>	<b>11,862</b>	<b>34,539</b>	<b>34,480</b>	<b>(2,594)</b>	<b>4,782</b>	<b>3,663</b>	<b>9,268</b>	<b>39,321</b>	<b>38,143</b>
<b>Provision for credit losses</b>	<b>813</b>	<b>240</b>	<b>(111)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>813</b>	<b>240</b>	<b>(111)</b>
Compensation and benefits	13,179	15,982	15,467	75	116	53	13,254	16,098	15,520
General and administrative expenses	7,739	6,767	6,274	70	66	50	7,809	6,833	6,324
Commission expenses	2,294	2,410	2,091	0	0	0	2,294	2,410	2,091
Total other operating expenses	10,033	9,177	8,365	70	66	50	10,103	9,243	8,415
<b>Total operating expenses</b>	<b>23,212</b>	<b>25,159</b>	<b>23,832</b>	<b>145</b>	<b>182</b>	<b>103</b>	<b>23,357</b>	<b>25,341</b>	<b>23,935</b>
<b>Income/(loss) from continuing operations before taxes</b>									
	<b>(12,163)</b>	<b>9,140</b>	<b>10,759</b>	<b>(2,739)</b>	<b>4,600</b>	<b>3,560</b>	<b>(14,902)</b>	<b>13,740</b>	<b>14,319</b>
Income tax expense/(benefit)	(4,596)	1,248	2,394	0	0	0	(4,596)	1,248	2,394
Minority interests	120	138	70	(2,739)	4,600	3,560	(2,619)	4,738	3,630
<b>Income/(loss) from continuing operations</b>	<b>(7,687)</b>	<b>7,754</b>	<b>8,295</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(7,687)</b>	<b>7,754</b>	<b>8,295</b>
Income/(loss) from discontinued operations	(531)	6	3,056	0	0	0	(531)	6	3,056
Extraordinary items	0	0	(24)	0	0	0	0	0	(24)
<b>Net income/(loss)</b>	<b>(8,218)</b>	<b>7,760</b>	<b>11,327</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(8,218)</b>	<b>7,760</b>	<b>11,327</b>
<b>Statement of operations metrics (%)</b>									
Compensation/revenue ratio	111.1	46.3	44.9	–	–	–	143.0	40.9	40.7
Non-compensation/revenue ratio	84.6	26.6	24.3	–	–	–	109.0	23.5	22.1
Cost/income ratio	195.7	72.8	69.1	–	–	–	252.0	64.4	62.8
Pre-tax income margin	(102.5)	26.5	31.2	–	–	–	(160.8)	34.9	37.5
Effective tax rate	37.8	13.7	22.3	–	–	–	30.8	9.1	16.7
Income margin from continuing operations	(64.8)	22.4	24.1	–	–	–	(82.9)	19.7	21.7
Net income margin	(69.3)	22.5	32.9	–	–	–	(88.7)	19.7	29.7

### Capital trends

Our consolidated BIS tier 1 ratio under Basel II was strong at 13.3% as of the end of 2008, compared to 10.0% as of the end of 2007. The increase reflected lower risk-weighted assets and increased tier 1 capital. We raised CHF 14.2 billion of tier 1 capital, net of fees, through the sale of treasury shares, the issuance of shares underlying mandatory convertible bonds and the net proceeds from the issuance of capital notes and tier 1 capital securities in 2008. The reported BIS tier 1 ratio under Basel I as of the end of 2007 was 11.1%.

At the AGM in May 2007, the shareholders approved a new share repurchase program of up to CHF 8 billion, of which CHF 4.1 billion, or 52%, was repurchased as of the end of 2008. We cancelled this buyback program in October.

Our Board of Directors will propose a cash dividend of CHF 0.10 per share for 2008 at the AGM on April 24, 2009. The proposal is subject to approval at the AGM.

For further information on capital trends, refer to III – Treasury, Risk, Balance sheet and Off-balance sheet – Treasury management.

### Accelerated implementation of our strategic plan

On December 4, 2008, we announced the accelerated implementation of our strategic plan, including the continued investment in Private Banking, the reduction of risk, volatility and costs in Investment Banking and the alignment of Asset Management. For further information, refer to I – Information on the company.

### Sale of part of global investors business in Asset Management

On December 31, 2008, we signed an agreement to sell part of our global investors business in Asset Management to Aberdeen Asset Management (Aberdeen) for up to a maximum of 24.9% of the share capital of Aberdeen, valued at GBP 250 million (CHF 381 million). The transaction is subject to regulatory approvals in various jurisdictions, and is expected to close in the second quarter of 2009. The business to be sold comprises the majority of our global investors business in

Europe (excluding Switzerland), the US and Asia Pacific. A small number of Swiss-domiciled funds will transfer to Aberdeen. The global investors business to be sold, including the costs associated with the transaction and a charge on the allocated goodwill of CHF 577 million, is presented as discontinued operations and is not included in the Asset Management results. Prior periods have been restated to conform to the current presentation.

## Core Results

Core Results include the results of our three segments and the Corporate Center and discontinued operations. Credit Suisse's results also include revenues and expenses from the consolidation of certain private equity funds and other entities in which we do not have a significant economic interest in such revenues and expenses. The consolidation of these entities does not affect net income as the amounts recorded in net revenues and total operating expenses are offset by corresponding amounts reported as minority interests. In addition, our income tax expense is not affected by these revenues and expenses. These minority interest-related revenues and expenses are reported as "Minority interests without SEI" in the "Credit Suisse and Core Results" table.

Corporate Center includes parent company operations such as Group financing, expenses for projects sponsored by the Group and certain expenses that have not been allocated to the segments. In addition, Corporate Center includes consolidation and elimination adjustments required to eliminate intercompany revenues and expenses.

Certain reclassifications have been made to prior periods to conform to the current presentation.

## Allocations and funding

### Revenue sharing and cost allocation

Responsibility for each product is allocated to a segment, which records all related revenues and expenses. Revenue-sharing and service level agreements govern the compensation received by one segment for generating revenue or providing services on behalf of another. These agreements are negotiated periodically by the relevant segments on a product-by-product basis. The aim of revenue-sharing and service level agreements is to reflect the pricing structure of unrelated third-party transactions. Corporate services and business support in finance, operations, including human resources, legal and compliance, risk management and information technology are provided by the Shared Services area. Shared Services

costs are allocated to the segments and Corporate Center based on their requirements and other relevant measures.

### Funding

We centrally manage our funding activities. New securities for funding and capital purposes are issued primarily by the Bank. The Bank lends these funds to its operating subsidiaries and affiliates on both a senior and subordinated basis, as needed, the latter typically to meet capital requirements, or as desired by management to capitalize on opportunities. Capital is distributed to the segments considering factors such as regulatory capital requirements, utilized economic capital and the historic and future potential return on capital. Transfer pricing, using market rates, is used to record interest income and expense in each of the segments for this capital and funding. Included in this allocation are gains and losses recorded on the fair value of Credit Suisse own debt.

## Remediation of certain internal control matters

Our remediation plan with respect to internal controls over the valuation of certain ABS positions in the CDO trading business within Investment Banking was fully implemented by the end of 2008. All relevant key controls have been successfully tested for operating effectiveness, and the material weakness in internal controls over the valuation of certain ABS positions in the CDO trading business within Investment Banking has been remediated.

For further information, refer to V – Consolidated financial statements – Credit Suisse Group – Controls and procedures and VII – Consolidated financial statements – Credit Suisse (Bank) – Controls and procedures.

## Differences between Group and Bank

Except where noted, the business of the Bank is substantially the same as the business of Credit Suisse Group, and substantially all of the Bank's operations are conducted through the Private Banking, Investment Banking and Asset Management segments. These segment results are included in Core Results. Certain other assets, liabilities and results of operations are managed as part of the activities of the three segments, however, since they are legally owned by the Group, they are not included in the Bank's consolidated financial statements. In 2008, these related principally to the activities of Clariden Leu, Neue Aargauer Bank and BANK-now, which are managed as part of Private Banking, and hedging activities relating to share-based compensation awards. Prior to 2007,

BANK-now was a subsidiary of the Bank and accordingly its results of operations through the end of 2006 were included in the Bank's consolidated statements of operations. Core Results also includes certain Group corporate center activities that are not applicable to the Bank.

These operations and activities vary from period to period and give rise to differences between the Bank's consolidated

assets, liabilities, revenues and expenses, including pensions and taxes, and those of the Group. For further information on the Bank refer to Note 39 – Supplementary subsidiary guarantee information in V – Consolidated financial statements – Credit Suisse Group and VII – Consolidated financial statements – Credit Suisse (Bank).

## Differences between Group and Bank businesses

Entity	Principal business activity
Clariden Leu <sup>1</sup>	Banking and securities
Neue Aargauer Bank	Banking (in the Swiss canton of Aargau)
BANK-now <sup>2</sup>	Private credit and car leasing (in Switzerland)
Financing vehicles of the Group	Special purpose vehicles for various funding activities of the Group, including for purposes of raising consolidated capital

<sup>1</sup> Formed as of January 1, 2007 by the merger of the private banks Clariden Bank, Bank Leu, Bank Hofmann and BGP Banca di Gestione Patrimoniale, and the securities dealer Credit Suisse Fides. <sup>2</sup> Formed as of January 3, 2007 as a subsidiary of Credit Suisse Group. The operations comprising BANK-now were previously recorded in the Bank.

## Comparison of consolidated statements of operations

in	Group			Bank		
	2008	2007	2006	2008	2007	2006
<b>Statements of operations (CHF million)</b>						
Net revenues	9,268	39,321	38,143	7,305	36,890	36,152
Total operating expenses	23,357	25,341	23,935	22,347	24,498	23,429
Income/(loss) from continuing operations before taxes, minority interests and extraordinary items	(14,902)	13,740	14,319	(15,839)	12,165	12,820
Income tax expense/(benefit)	(4,596)	1,248	2,394	(4,922)	844	2,141
Minority interests	(2,619)	4,738	3,630	(3,379)	5,013	3,620
Income/(loss) from continuing operations before extraordinary items	(7,687)	7,754	8,295	(7,538)	6,308	7,059
Income/(loss) from discontinued operations, net of tax	(531)	6	3,056	(531)	6	(15)
Extraordinary items, net of tax	0	0	(24)	0	0	(24)
Net income/(loss)	(8,218)	7,760	11,327	(8,069)	6,314	7,020

<sup>1</sup> Includes adjustments to the ownership interest of the Bank in a majority-owned consolidated subsidiary resulting from contributions to capital by the Bank. Group holds the remaining ownership interest in the subsidiary.

## Comparison of consolidated balance sheets

end of	Group		Bank	
	2008	2007	2008	2007
<b>Balance sheet statistics (CHF million)</b>				
Total assets	1,170,350	1,360,680	1,151,669	1,333,742
Total liabilities	1,138,048	1,317,481	1,124,801	1,302,408

## Capitalization

end of	Group		Bank	
	2008	2007	2008	2007
<b>Capitalization (CHF million)</b>				
Due to banks	58,183	90,864	74,948	106,979
Customer deposits	296,986	335,505	267,010	307,598
Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions	243,370	300,381	243,970	300,476
Long-term debt	150,714	160,157	148,550	157,282
Other liabilities	388,795	430,574	390,323	430,073
<b>Total liabilities</b>	<b>1,138,048</b>	<b>1,317,481</b>	<b>1,124,801</b>	<b>1,302,408</b>
<b>Total shareholder's equity</b>	<b>32,302</b>	<b>43,199</b>	<b>26,868</b>	<b>31,334</b>
<b>Total capitalization</b>	<b>1,170,350</b>	<b>1,360,680</b>	<b>1,151,669</b>	<b>1,333,742</b>

## Capital adequacy

end of	Group		Bank	
	2008	2007	2008	2007
<b>Capital (CHF million)<sup>1</sup></b>				
Tier 1 capital	34,208	34,737	34,192	32,254
of which hybrid instruments	12,140	4,136	11,897	3,514
Total BIS eligible capital	46,090	45,102	47,839	44,318
<b>Capital ratios (%)<sup>1</sup></b>				
Tier 1 ratio	13.3	11.1	13.9	11.0
Total capital ratio	17.9	14.5	19.5	15.1

<sup>1</sup> Under Basel II from January 1, 2008. Prior periods are reported under Basel I and therefore are not comparable. For further information, refer to III – Treasury, Risk, Balance sheet and Off-balance sheet – Treasury management.

## Dividends of the Bank to Credit Suisse Group

end of	2008	2007
<b>Per share issued (CHF)</b>		
Dividend	0.23	59.10
Net income/(loss)	(50.90)	82.40

Registered shares of CHF 100.00 nominal value each. As of December 31, 2008, total share capital consisted of 43,996,652 registered shares.

# Core Results

For 2008, we recorded a net loss of CHF 8,218 million, reflecting the extremely challenging operating environment. Private Banking had solid net revenues, evidencing the strength of our business. In Investment Banking, most of our businesses continued to be adversely affected by dislocated financial markets, including substantial negative trading results and valuation reductions in our leveraged finance and structured products businesses. In Asset Management, we had significant losses in private equity. Our results also reflect significant expenses from the accelerated implementation of our strategic plan and the agreement to sell part of the global investors business in Asset Management.

## Results

	in			% change	
	2008	2007	2006	08 / 07	07 / 06
<b>Statements of operations (CHF million)</b>					
Net interest income	8,409	8,303	6,407	1	30
Commissions and fees	14,755	18,960	17,298	(22)	10
Trading revenues	(9,853)	6,146	9,374	–	(34)
Other revenues	(1,449)	1,130	1,401	–	(19)
<b>Net revenues</b>	<b>11,862</b>	<b>34,539</b>	<b>34,480</b>	(66)	–
<b>Provision for credit losses</b>	<b>813</b>	<b>240</b>	<b>(111)</b>	239	–
Compensation and benefits	13,179	15,982	15,467	(18)	3
General and administrative expenses	7,739 <sup>1</sup>	6,767	6,274 <sup>2</sup>	14	8
Commission expenses	2,294	2,410	2,091	(5)	15
Total other operating expenses	10,033	9,177	8,365	9	10
<b>Total operating expenses</b>	<b>23,212 <sup>3</sup></b>	<b>25,159</b>	<b>23,832</b>	(8)	6
<b>Income/(loss) from continuing operations before taxes</b>	<b>(12,163)</b>	<b>9,140</b>	<b>10,759</b>	–	(15)
Income tax expense/(benefit)	(4,596)	1,248	2,394	–	(48)
Minority interests	120	138	70	(13)	97
<b>Income/(loss) from continuing operations</b>	<b>(7,687)</b>	<b>7,754</b>	<b>8,295</b>	–	(7)
Income/(loss) from discontinued operations	(531)	6	3,056	–	(100)
Extraordinary items	0	0	(24)	–	100
<b>Net income/(loss)</b>	<b>(8,218)</b>	<b>7,760</b>	<b>11,327</b>	–	(31)
<b>Statement of operations metrics (%)</b>					
Compensation/revenue ratio	111.1	46.3	44.9	–	–
Non-compensation/revenue ratio	84.6	26.6	24.3	–	–
Cost/income ratio	195.7	72.8	69.1	–	–
Pre-tax income margin	(102.5)	26.5	31.2	–	–
Effective tax rate	37.8	13.7	22.3	–	–
Income margin from continuing operations	(64.8)	22.4	24.1	–	–
Net income margin	(69.3)	22.5	32.9	–	–
<b>Number of employees (full-time equivalents)</b>					
Number of employees	47,800	48,100	44,900	(1)	7

<sup>1</sup> Includes net provisions relating to ARS of CHF 766 million and a charge of CHF 190 million relating to the close-out of a client's account in Private Banking and releases from the reserve for certain private litigation matters of CHF 812 million, partially offset by a charge of CHF 272 million relating to the Parmalat settlement in Investment Banking. <sup>2</sup> Includes CHF 508 million of credits from insurance settlements for litigation and related costs in Investment Banking. <sup>3</sup> Includes costs relating to the accelerated implementation of our strategic plan of CHF 833 million.

Core Results include the results of our integrated banking organization and exclude revenues and expenses in respect of minority interests in which we do not have significant economic interest.

## Results summary

In 2008, we recorded a net loss of CHF 8,218 million, compared to net income of CHF 7,760 million in 2007. The net loss in 2008 included a loss from discontinued operations of CHF 531 million relating to the agreement to sell part of the global investors business in Asset Management. Net revenues were CHF 11,862 million, down 66%, compared to 2007. Total operating expenses were CHF 23,212 million, down 8%.

Our 2008 results reflected the unprecedented disruption in the financial and credit markets. In Private Banking, net revenues evidenced the resilience of our business in this period of market turmoil. The Private Banking results included net non-credit-related provisions relating to ARS and a charge relating to the close-out of a client's account. In Investment Banking, we recorded a significant loss before taxes, including further net valuation reductions in our leveraged finance and structured products businesses. Other areas significantly impacted by the extreme market disruption included structured fixed income derivatives, leveraged finance trading, emerging markets trading, long/short and event and risk arbitrage equity trading strategies, equity derivatives and convertibles, all of which recorded significant losses compared to significant gains in 2007. We reported good results in our client-driven businesses, including flow-based rate and US and European high grade products, cash equities and prime services. Asset Management had a loss before taxes, reflecting significant private equity and other investment-related losses and losses on securities purchased from our money market funds.

We continued to reduce our exposures to assets most significantly impacted by the dislocation in the mortgage and credit markets and to securities purchased from our money market funds. Our results included fair value gains of CHF 4,988 million due to widening credit spreads on Credit Suisse debt, substantially all of which were recorded in Investment Banking.

Total operating expenses decreased mainly due to lower performance-related compensation, partly offset by costs of CHF 833 million associated with the acceleration of our strategic plan, recorded in the Corporate Center, and higher non-credit-related provisions in Wealth Management. In 2008, we recorded an income tax benefit due to the impact of the geographical mix of results in 2008 and the recognition of a tax benefit for the current period losses.

Assets under management from continuing operations were CHF 1,106.1 billion as of the end of 2008, a decrease of CHF 356.7 billion, or 24.4%, compared to the end of 2007, primarily reflecting adverse market and foreign exchange-related movements, net asset outflows in Asset Management and the closure of certain US money market funds. We had net asset outflows of CHF 63.3 billion in Asset Management and inflows of CHF 50.9 billion in Private Banking (CHF 42.2 billion in Wealth Management and CHF 8.7 billion in Corporate & Retail Banking).

## Risk trends

In 2008, our overall position risk, measured on the basis of our economic capital model, decreased 22% compared to 2007, partially driven by the depreciation of the US dollar against the Swiss franc. Excluding the US dollar translation impact, position risk decreased 18%, primarily as a result of reductions in real estate & structured assets, due to lower commercial real estate exposures, and reductions in international lending & counterparty exposures, due to lower leveraged finance exposures. Average VaR for our trading books increased to CHF 178 million compared to CHF 115 million in 2007. For further information on risk trends, refer to III – Treasury, Risk, Balance sheet and Off-balance sheet – Risk management.

## Subsequent events

In March 2009, the US District Court for the Southern District of Texas granted summary judgment in favor of all Credit Suisse entities, dismissing all pending claims and denying plaintiffs' motion to amend the Enron putative class action complaint. As a result, the Group released a further CHF 0.3 billion of the reserve for certain private litigation matters as of December 31, 2008. For further information, refer to Note 37 – Litigation.

In March 2009, the Group recorded additional provisions of CHF 0.3 billion as of December 31, 2008 for private legal proceedings relating to the sale of ARS in connection with its Private Banking business due to developments through March 2009.

## Fair valuations

Fair value can be a relevant measurement for financial instruments when it aligns the accounting for these instruments with

## Core Results reporting by division

	in			% change	
	2008	2007	2006	08 / 07	07 / 06
<b>Net revenues (CHF million)</b>					
Wealth Management	8,776	9,583	8,181	(8)	17
Corporate & Retail Banking	4,131	3,939	3,497	5	13
Private Banking	12,907	13,522	11,678	(5)	16
Investment Banking	(1,835)	18,958	20,469	-	(7)
Asset Management	496	2,016	2,247	(75)	(10)
Corporate Center	294	43	86	-	(50)
<b>Net revenues</b>	<b>11,862</b>	<b>34,539</b>	<b>34,480</b>	(66)	0
<b>Provision for credit losses (CHF million)</b>					
Wealth Management	120	3	(19)	-	-
Corporate & Retail Banking	13	(62)	(54)	-	15
Private Banking	133	(59)	(73)	-	(19)
Investment Banking	680	300	(38)	127	-
Asset Management	0	1	1	(100)	0
Corporate Center	0	(2)	(1)	100	100
<b>Provision for credit losses</b>	<b>813</b>	<b>240</b>	<b>(111)</b>	239	-
<b>Total operating expenses (CHF million)</b>					
Wealth Management	6,573	5,715	4,963	15	15
Corporate & Retail Banking	2,351	2,380	2,192	(1)	9
Private Banking	8,924	8,095	7,155	10	13
Investment Banking	11,335	15,009	14,556	(24)	3
Asset Management	1,623	1,818	1,872	(11)	(3)
Corporate Center	1,330	237	249	461	(5)
<b>Total operating expenses</b>	<b>23,212</b>	<b>25,159</b>	<b>23,832</b>	(8)	6
<b>Income before taxes (CHF million)</b>					
Wealth Management	2,083	3,865	3,237	(46)	19
Corporate & Retail Banking	1,767	1,621	1,359	9	19
Private Banking	3,850	5,486	4,596	(30)	19
Investment Banking	(13,850)	3,649	5,951	-	(39)
Asset Management	(1,127)	197	374	-	(47)
Corporate Center	(1,036)	(192)	(162)	440	19
<b>Income/(loss) from continuing operations before taxes</b>	<b>(12,163)</b>	<b>9,140</b>	<b>10,759</b>	-	(15)

## Core Results reporting by region

	in			% change	
	2008	2007	2006	08 / 07	07 / 06
<b>Net revenues (CHF million)</b>					
Switzerland	10,042	10,305	9,016	(3)	14
EMEA	220	10,921	9,604	(98)	14
Americas	643	9,410	12,668	(93)	(26)
Asia Pacific	663	3,860	3,106	(83)	24
Corporate Center	294	43	86	–	(50)
<b>Net revenues</b>	<b>11,862</b>	<b>34,539</b>	<b>34,480</b>	(66)	0
<b>Income before taxes (CHF million)</b>					
Switzerland	4,441	4,680	3,970	(5)	18
EMEA	(6,595)	3,155	2,323	–	36
Americas	(6,980)	139	3,714	–	(96)
Asia Pacific	(1,993)	1,358	914	–	49
Corporate Center	(1,036)	(192)	(162)	440	19
<b>Income/(loss) from continuing operations before taxes</b>	<b>(12,163)</b>	<b>9,140</b>	<b>10,759</b>	–	(15)

A significant portion of our business requires inter-regional coordination in order to facilitate the needs of our clients. The methodology for allocating our results by region is dependent on management judgment. For Wealth Management, results are allocated based on the management reporting structure of our relationship managers and the region where the transaction is recorded. For Investment Banking, trading results are allocated based on where the risk is primarily managed and fee-based results are allocated where the client is domiciled. For Asset Management, results are allocated based on the location of the investment advisors and sales teams.

how we manage our business. The levels of the fair value hierarchy as defined by the relevant accounting guidance are not a measurement of economic risk, but rather an indication of the observability of prices or valuation inputs. For further information, refer to Note 1 – Summary of significant accounting policies and Note 33 – Fair value of financial instruments in V – Consolidated financial statements – Credit Suisse Group.

The fair value of the majority of our financial instruments is based on quoted prices in active markets or observable inputs. These instruments include government and agency securities, certain CP, most investment-grade corporate debt, certain high-yield debt securities, exchange-traded and certain OTC derivative instruments and most listed equity securities.

In addition, we hold financial instruments for which no prices are available and which have little or no observable inputs. For these instruments, the determination of fair value requires subjective assessment and varying degrees of judgment depending on liquidity, concentration, pricing assumptions, the current economic and competitive environment and the risks affecting the specific instrument. In such circumstances, valuation is determined based on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). These instruments include certain OTC derivatives, most mortgage-related and CDO securities, certain equity derivatives and equity-linked securities, private equity

investments, certain loans and credit products (including leveraged finance, certain syndicated loans and certain high-grade bonds) and life finance instruments.

As of the end of 2008, 55% and 41% of our total assets and total liabilities, respectively, were measured at fair value. As of the end of 2008, 8% and 5% of total assets and total liabilities were recorded as level 3, respectively, compared to 7% and 4%, respectively, as of the end of 2007. As of the end of 2008 and 2007, 15% and 11% of assets measured at fair value were recorded as level 3, respectively.

As of the end of 2008, our net level 3 assets were CHF 74.6 billion, of which 27% were loans and credit products, 24% were mortgage-related and CDO securities, 24% were private equity investments and 20% were equity derivatives and equity-linked securities. We do not have a significant economic interest in a large portion of the private equity investments classified in level 3.

While the majority of our level 3 assets are recorded in Investment Banking, some are recorded in Asset Management, specifically certain private equity investments. Models were used to value these products. Models are developed internally and are reviewed by functions independent of the front office to ensure they are appropriate for current market conditions. The models require subjective assessment and varying degrees of judgment depending on liquidity, concentration, pricing assumptions and risks affecting the specific

instrument. The models consider observable and unobservable parameters in calculating the value of these products, including certain indices relating to these products, which were extremely volatile during 2008. Consideration of these indices has become more significant in our valuation techniques as the market for these products has become less active.

For a description of our valuation techniques, refer to Note 33 – Financial instruments in V – Consolidated financial statements – Credit Suisse Group. There were no changes to our valuation techniques, however the market conditions in the second half of 2008, particularly with respect to credit products, resulted in increased reliance on the use of valuation models and market indices as the level of comparable market trades declined.

For all transfers to level 3, we determine and disclose as level 3 events any gains or losses as measured from the first day of the reporting period, even if the transfer occurred subsequent to the first day of the reporting period. For all transfers out of level 3, we determine and disclose as level 3 events any gains or losses through the last day of the reporting period, even if the transfer occurred prior to the last day of the reporting period. We believe this provides greater transparency over the financial impact of our level 3 assets and liabilities. We believe that the range of any valuation uncertainty, in the aggregate, would not be material to our financial condition.

For further information, refer to II – Operating and financial review – Investment Banking – Impact on results of the events in the mortgage and credit markets.

## Results detail

The following provides a comparison of our 2008 results versus 2007 and 2007 results versus 2006.

### Net revenues

In managing the business, revenues are evaluated in the aggregate, including an assessment of trading gains and losses and the related interest income and expense from financing and hedging positions. For this reason, individual revenue categories may not be indicative of performance.

**2008 vs 2007: Down 66% from CHF 34,539 million to CHF 11,862 million**

Net revenues declined in all three divisions compared to 2007.

In Private Banking, net revenues were down 5%. Net interest income increased 8%, mainly driven by higher revenues from deposits. Total non-interest income decreased 11%, mainly as a result of lower asset-based commissions

and fees, reflecting the decline in average assets under management, and reduced transaction-based revenues, reflecting low client activity.

In Investment Banking, net revenues were negative as the widespread market disruption persisted throughout the year and intensified in the second half. Our combined leveraged finance and structured products businesses had net valuation reductions of CHF 10,923 million in 2008 compared to CHF 3,187 million in 2007. We had losses in structured fixed income derivatives, leveraged finance trading and emerging markets trading. Extreme volatility in the second half of the year adversely affected many of our businesses including long/short and event and risk arbitrage equity trading strategies, equity derivatives and convertibles, all of which recorded significant losses. We also had significantly higher valuation reductions in our corporate loan business, higher losses in commodities and net valuation reductions on our investments in the preferred shares and hybrid capital securities of certain financial institutions. The valuation reductions in our corporate loan business included a significant positive impact from a change in estimate of the value of the loans. We reported good results in our client-driven businesses, including flow-based rate and US and European high grade products, cash equities and prime services. The 2008 results also reflected fair value gains of CHF 4,654 million on Credit Suisse debt compared to fair value gains of CHF 1,111 million in 2007.

In Asset Management, net revenues were down 75%, primarily reflecting private equity and other investment-related losses of CHF 676 million, compared to gains of CHF 681 million in 2007, partially offset by lower losses of CHF 687 million on securities purchased from our money market funds, compared to losses of CHF 920 million in 2007. Net revenues before securities purchased from our money market funds and private equity and other investment-related gains/(losses) were down 18%, compared to 2007, primarily due to lower asset management fees driven by the 18.3% decline in average assets under management.

**2007 vs 2006: Up from CHF 34,480 million to CHF 34,539 million**

In Private Banking, net revenues were strong despite ongoing market turbulence and cautious investor behavior. Net interest income increased, benefiting mainly from lower funding costs and higher liability volumes and margins, offset in part by decreased asset margins due to ongoing competitive pressure. Total non-interest income increased mainly as a result of higher commissions and fees, particularly from recurring revenues from managed investment products and performance-based fees from Hedging-Griffo at Wealth Management and minority interests of a consolidated joint venture in our Corporate & Retail Banking business.

In Investment Banking, our equity and advisory businesses performed well, but our fixed income businesses were affected by weaker revenues including valuation reductions on structured products and leveraged loan commitments. Valuation reductions on our structured products and leveraged finance businesses were CHF 3,187 million in 2007. These valuation reductions include the revaluing of certain ABS positions in our CDO trading business. Fixed income trading revenues were significantly lower compared to 2006, reflecting significant valuation reductions, partly offset by strong performances in the interest rate products, fixed income proprietary trading and foreign exchange businesses. Equity trading benefited from strong performances in our global cash, prime services and derivative businesses. Fixed income and equity trading also benefited from fair value gains of CHF 1,111 million on Credit Suisse debt. Our advisory and equity underwriting businesses had higher revenues compared to 2006.

In Asset Management, net revenues were down, mainly reflecting valuation reductions of CHF 920 million from securities purchased from our money market funds. Before these valuation reductions, net revenues showed continued growth. Asset management and administrative fees were strong, reflecting growth in average assets under management during 2007, particularly in alternative investments and balanced assets. Performance-based fees increased significantly, primarily from Hedging-Griffo. Private equity revenues increased, reflecting the strength of our private equity franchise and lower funding costs. Private equity and other investment-related gains increased, primarily due to fair value gains on our investments.

#### Provision for credit losses

**2008 vs 2007: Up from CHF 240 million to CHF 813 million**

The increase was driven primarily by provisions for loans in Investment Banking made to various borrowers in Asia, with the majority of the increase related to a single borrower, additional provisions relating to a guarantee provided in a prior year to a third-party bank by Investment Banking and provisions in Private Banking on loans collateralized by securities relating to the forced deleveraging of numerous client positions in highly volatile equity markets.

**2007 vs 2006: Up from CHF (111) million to CHF 240 million**

The increase was due primarily to higher provisions relating to a guarantee provided in a prior year to a third-party bank by Investment Banking and fewer releases of provisions.

#### Operating expenses

##### Compensation and benefits

Compensation and benefits for a given year reflect the strength and breadth of the business results and staffing lev-

els and 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 compensation for the current year. The portion of the performance-based compensation for the current year deferred through share-based and other awards is expensed in future periods and is subject to vesting and other conditions. For further information, refer to IV – Corporate governance – Compensation.

**2008 vs 2007: Down 18% from CHF 15,982 million to CHF 13,179 million**

The decrease was primarily due to lower performance-related compensation, reflecting the lower results and the deferral of compensation under the CRA program, and lower voluntary deferred compensation expenses, offset in part by CHF 596 million of severance and other compensation expenses associated with the accelerated implementation of our strategy and increased deferred compensation expense from prior-year share awards. We previously economically hedged voluntary deferred compensation with a derivative instrument, and the gains/losses on the underlying compensation liability were offset in compensation expenses by the losses/gains on the derivative. We now economically hedge with a cash instrument, and the gains/losses on the underlying compensation liability are recorded in compensation expenses and the losses/gains on the hedge are recorded in other revenues.

**2007 vs 2006: Up 3% from CHF 15,467 million to CHF 15,982 million**

The increase was due primarily to higher performance-related compensation and increased deferred compensation expense from prior-year share awards. Performance-related compensation reflected an increase in deferred share-based compensation for 2007. Salaries and benefits increased reflecting the higher headcount.

##### General and administrative expenses

**2008 vs 2007: Up 14% from CHF 6,767 million to CHF 7,739 million**

The increase reflected higher non-credit-related provisions, partially offset by a release of CHF 812 million of reserves for certain private litigation matters. The increase included net provisions of CHF 766 million relating to ARS and a CHF 190 million charge relating to the close-out of a client's account in Wealth Management. The net provisions related to ARS include proceeds from captive insurance settlements of CHF 150 million, the cost of which is included in Corporate Center. The increase also included higher expense provisions related to certain litigation matters in Investment Banking and non-credit-related provisions in Corporate & Retail Banking relating to our decision to buy back certain structured notes issued by Lehman Brothers. We recorded goodwill impairment charges

of CHF 82 million in Corporate Center, which related to certain non-integrated Investment Banking mortgage origination businesses that we are going to exit. The results in 2008 also reflected CHF 120 million of IT-related impairments and write-offs associated with the exit of certain businesses in line with the accelerated implementation of our strategy. We recorded CHF 60 million of impairments of intangible assets, primarily in Asset Management. Professional fees declined significantly, primarily in Investment Banking and Asset Management. Travel and entertainment expenses declined slightly, mainly in Investment Banking. Expenses continued to reflect higher infrastructure costs due to our international expansion in Wealth Management.

**2007 vs 2006: Up 8% from CHF 6,274 million to CHF 6,767 million**

The increase was primarily due to credits from insurance settlements of CHF 508 million in Investment Banking in 2006. This increase was partially offset by realignment costs of CHF 172 million in Asset Management in 2006. Excluding these credits from insurance settlements and realignment costs, general and administrative expenses increased CHF 119 million, or 2%, reflecting increased professional fees but lower costs across other expense categories. Professional fees increased, reflecting the international expansion and marketing and sales activities in Wealth Management and delayed or cancelled transactions in Investment Banking due to market conditions in the second half of 2007. Asset Management expenses were down primarily due to realignment costs incurred in 2006.

#### **Income tax expense/(benefit)**

**2008 vs 2007: From CHF 1,248 million to CHF (4,596) million**

The effective tax rate was 37.8% in 2008, representing a tax benefit on pre-tax losses, compared to 13.7% in 2007, which represented a tax expense on pre-tax income. The effective tax rate in 2008 primarily reflected the impact of the geographical mix of results and the recognition of a tax benefit for the current period losses, primarily in the US and UK. In addition, tax benefits of CHF 588 million and CHF 290 million were recorded in respect of the Swiss tax effect of the valuation reduction in the investment in subsidiaries and the reversal of the deferred tax liability recorded to cover estimated recapture of loss deductions arising from foreign branches of the Bank. These benefits were offset in part by increased valuation allowances against deferred tax assets in certain jurisdictions of CHF 1,756 million and a CHF 467 million foreign exchange translation loss relating to deferred tax assets recorded in UK entities under enacted UK tax law and denominated in British pounds, which differs from the functional cur-

rency of the reporting entities. The UK tax authorities have announced that this foreign exchange translation requirement will be amended in 2009, and we expect this impact to be reversed at that time. Net deferred tax assets were CHF 9,770 million as of the end of 2008, an increase of CHF 4,753 million compared to the end of 2007. The most significant net deferred tax assets arise in the US and UK, and these increased from CHF 5,009 million as of the end of 2007 to CHF 9,328 million, net of a valuation allowance of CHF 1,674 million in respect of the deferred tax assets held in a US entity, as of the end of 2008.

**2007 vs 2006: Down 48% from CHF 2,394 million to CHF 1,248 million**

The effective tax rate was 13.7% in 2007 compared to 22.2% in 2006. The reduction in the effective tax rate was due to the recognition of previously unrecognized deferred tax assets of CHF 512 million. Our tax rate was also favorably impacted by normal business-driven tax related items, including non-taxable income, the streamlining of certain legal entity structures and the geographic mix of pre-tax income, which was offset by an increase in the valuation allowance on deferred tax assets of CHF 690 million attributable to lower business results in certain entities.

#### **Discontinued operations**

As a result of the agreement to sell part of our Asset Management global investors business, the results of operations of the global investors business subject to the sale are reflected in discontinued operations, net of tax in the consolidated statements of operations. Discontinued operations include costs associated with the transaction and a charge on the allocated goodwill of CHF 577 million. Prior periods have been restated to conform to the current presentation.

Discontinued operations in 2006 included income of CHF 3,070 million from the sale of Winterthur.

#### **Personnel**

Headcount at the end of 2008 was 47,800, down 300 from the end of 2007. In December 2008, we announced bank-wide cost efficiency initiatives that are expected to result in a headcount reduction of approximately 5,300, or 11%, primarily in Investment Banking and related support functions. By the end of 2008, 2,600 of these reductions were made and reflected in the period-end headcount. We expect the remainder of the headcount reductions to be made by mid-2009. The decrease was partly offset by the strengthening of our front-office teams, with additional relationship managers in targeted markets of Wealth Management. For additional information on personnel, refer to IV – Corporate governance.

# Key performance indicators

To benchmark our achievements, we have defined a set of KPIs for which we have targets to be achieved over a three to five year period across market cycles. In light of the accelerated implementation of our strategy and the current market conditions, we have revised certain of our KPIs.

## Growth

In 2008, we announced a target for integrated bank collaboration revenues in excess of CHF 10 billion by 2010. For 2008, integrated bank collaboration revenues were CHF 5.2 billion. Going forward, we will target collaboration revenues in excess of CHF 10 billion annually by 2012.

For net new assets, we continue to target a growth rate above 6%. In 2008, we recorded a net new asset growth rate of (0.2)%.

## Efficiency and performance

For total shareholder return, we continue to target superior share price appreciation plus dividends compared to our peer group. For 2008, total shareholder return was (56.1)%.

For return on equity, we targeted an annual rate of return of above 20%. In 2008, our return on equity was (21.1)%. Going forward, in light of the accelerated implementation of our strategic plan, we will target an annual return on equity above 18%.

We continue to target a Core Results cost/income ratio of 65%. Our Core Results cost/income ratio was 195.7% for 2008.

## Risk and capital

For the BIS tier 1 ratio, we targeted a ratio of 10%. The BIS tier 1 ratio was 13.3% as of the end of 2008. Going forward, we will target a minimum BIS tier 1 ratio of 12.5%.

in / end of	2008	2007	2006
<b>Growth</b>			
Collaboration revenues (CHF billion)	5.2	5.9	4.9
Net new asset growth (%)	(0.2)	3.1	7.2
<b>Efficiency and performance (%)</b>			
Total shareholder return <sup>1</sup>	(56.1)	(17.8)	30.5
Return on equity	(21.1)	18.0	27.5
Core Results cost/income ratio	195.7	73.1	69.6
<b>Risk and capital (%)</b>			
BIS tier 1 ratio <sup>2</sup>	13.3	11.1	13.9

<sup>1</sup> The total return of an investor is measured by the capital gain/(loss) plus dividends received. <sup>2</sup> Under Basel II from January 1, 2008. Prior periods are reported under Basel I and therefore are not comparable. For further information, refer to III – Treasury, Risk, Balance sheet and Off-balance sheet – Treasury management.

# Private Banking

In 2008, we achieved solid net revenues of CHF 12,907 million despite the challenging operating environment and diminished investor confidence. Income before taxes was resilient at CHF 3,850 million, but declined 30% compared to 2007. Net new assets were CHF 50.9 billion.

## Results

	in / end of			% change	
	2008	2007	2006	08 / 07	07 / 06
<b>Statements of operations (CHF million)</b>					
<b>Net revenues</b>	<b>12,907</b>	<b>13,522</b>	<b>11,678</b>	(5)	16
<b>Provision for credit losses</b>	<b>133</b>	<b>(59)</b>	<b>(73)</b>	–	(19)
Compensation and benefits	4,260	4,529	4,038	(6)	12
General and administrative expenses	3,919 <sup>1</sup>	2,670	2,382	47	12
Commission expenses	745	896	735	(17)	22
Total other operating expenses	4,664	3,566	3,117	31	14
<b>Total operating expenses</b>	<b>8,924</b>	<b>8,095</b>	<b>7,155</b>	10	13
<b>Income before taxes</b>	<b>3,850</b>	<b>5,486</b>	<b>4,596</b>	(30)	19
<b>Statement of operations metrics (%)</b>					
Compensation/revenue ratio	33.0	33.5	34.6	–	–
Non-compensation/revenue ratio	36.1	26.4	26.7	–	–
Cost/income ratio	69.1	59.9	61.3	–	–
Pre-tax income margin	29.8	40.6	39.4	–	–
<b>Utilized economic capital and return</b>					
Average utilized economic capital (CHF million)	5,667	5,217	5,725	9	(9)
Pre-tax return on average utilized economic capital (%) <sup>2</sup>	68.6	105.9	81.7	–	–
<b>Balance sheet statistics (CHF million)</b>					
Total assets	374,771	376,800	340,741	(1)	11
Net loans	174,880	175,506	163,670	0	7
Goodwill	765	975	791	(22)	23
<b>Number of employees (full-time equivalents)</b>					
Number of employees	24,400	23,200	22,200	5	5

<sup>1</sup> Includes net provisions relating to ARS of CHF 766 million and a charge of CHF 190 million relating to the close-out of a client's account in Wealth Management. <sup>2</sup> Calculated using a return excluding interest costs for allocated goodwill.

## Results (continued)

	in / end of			% change	
	2008	2007	2006	08 / 07	07 / 06
<b>Net revenue detail (CHF million)</b>					
Net interest income	5,157	4,788	4,095	8	17
Total non-interest income	7,750	8,734	7,583	(11)	15
<b>Net revenues</b>	<b>12,907</b>	<b>13,522</b>	<b>11,678</b>	<b>(5)</b>	<b>16</b>

## Results summary

For 2008, we reported income before taxes of CHF 3,850 million, down 30% compared to 2007. In spite of the market conditions, we achieved solid net revenues of CHF 12,907 million, down 5%. Total non-interest income decreased 11%, mainly driven by lower transaction-based commissions and fees, affected by a substantial decrease in client activity. Additionally, asset-based commissions and fees in Wealth Management declined, mainly from managed investment products, driven by a decrease in average assets under management. Net interest income increased 8%, mainly driven by higher revenues on deposits. Provision for credit losses resulted in net provisions of CHF 133 million, primarily on loans collateralized by securities in Wealth Management in the fourth quarter, compared to net releases of CHF 59 million in 2007. Total operating expenses were CHF 8,924 million, up 10%, compared to 2007, mainly driven by CHF 766 million of net provisions relating to ARS in the second half of 2008 and a charge of CHF 190 million relating to the close-out of a client's account. This impact was partially offset by a 6% decrease in compensation and benefits and a 17% decrease in commission expenses.

Assets under management as of the end of 2008 were CHF 788.9 billion, down CHF 206.5 billion, or 20.7%, compared to the end of 2007, mainly reflecting adverse market

and foreign exchange-related movements, offset in part by net new assets of CHF 50.9 billion in 2008, compared to CHF 53.5 billion in 2007. Wealth Management contributed CHF 42.2 billion and Corporate & Retail Banking contributed CHF 8.7 billion in 2008. Net new assets in Wealth Management were adversely affected by significant deleveraging in the fourth quarter.

In 2007, income before taxes was a record CHF 5,486 million, up 19% compared to 2006. Net revenues were also a record CHF 13,522 million, up 16%. Net interest income increased, benefiting mainly from lower funding costs and higher deposit volumes and margins, offset in part by decreasing lending margins, still faced with ongoing competitive pressure. Total non-interest income increased mainly as a result of higher commissions and fees, particularly recurring revenues from managed investment products in Wealth Management and minority interests of a consolidated joint venture in our Corporate & Retail Banking business. Provision for credit losses resulted in net releases of CHF 59 million, compared to net releases of CHF 73 million in 2006. Total operating expenses were CHF 8,095 million, up 13%, compared to 2006. This was mainly driven by higher personnel and business costs associated with the international expansion of our Wealth Management business, higher commission expenses, higher marketing and sales activities and expenses related to the minority interests of the consolidated joint venture.

# Wealth Management

During 2008, we continued to strengthen our franchise in both developed and emerging markets. Despite the difficult operating environment, we reported solid net revenues of CHF 8,776 million and net new assets of CHF 42.2 billion. For 2008, income before taxes was CHF 2,083 million, down 46% from 2007, and included significant non-credit related provisions in the second half of the year.

## Results

	in / end of			% change	
	2008	2007	2006	08 / 07	07 / 06
<b>Statements of operations (CHF million)</b>					
<b>Net revenues</b>	<b>8,776</b>	<b>9,583</b>	<b>8,181</b>	(8)	17
<b>Provision for credit losses</b>	<b>120</b>	<b>3</b>	<b>(19)</b>	–	–
Compensation and benefits	2,975	3,177	2,780	(6)	14
General and administrative expenses	2,969 <sup>1</sup>	1,770	1,571	68	13
Commission expenses	629	768	612	(18)	25
Total other operating expenses	3,598	2,538	2,183	42	16
<b>Total operating expenses</b>	<b>6,573</b>	<b>5,715</b>	<b>4,963</b>	15	15
<b>Income before taxes</b>	<b>2,083</b>	<b>3,865</b>	<b>3,237</b>	(46)	19
<b>Statement of operations metrics (%)</b>					
Compensation/revenue ratio	33.9	33.2	34.0	–	–
Non-compensation/revenue ratio	41.0	26.5	26.7	–	–
Cost/income ratio	74.9	59.6	60.7	–	–
Pre-tax income margin	23.7	40.3	39.6	–	–
<b>Utilized economic capital and return</b>					
Average utilized economic capital (CHF million)	2,097	1,755	1,876	19	(6)
Pre-tax return on average utilized economic capital (%) <sup>2</sup>	100.9	222.5	176.6	–	–
<b>Balance sheet statistics (CHF million)</b>					
Total assets	262,019	268,871	229,731	(3)	17
Net loans	71,481	76,265	69,156	(6)	10
Goodwill	584	794	610	(26)	30
<b>Number of employees (full-time equivalents)</b>					
Number of employees	15,400	14,300	13,400	8	7
<b>Number of relationship managers</b>					
Switzerland	1,140	1,100	1,080	4	2
EMEA	1,340	1,220	1,090	10	12
Americas	580	470	420	23	12
Asia Pacific	420	350	230	20	52
<b>Number of relationship managers</b>	<b>3,480</b>	<b>3,140</b>	<b>2,820</b>	11	11

<sup>1</sup> Includes net provisions relating to ARS of CHF 766 million and a charge of CHF 190 million relating to the close-out of a client's account. <sup>2</sup> Calculated using a return excluding interest costs for allocated goodwill.

## Results (continued)

	in / end of			% change	
	2008	2007	2006	08 / 07	07 / 06
<b>Net revenue detail (CHF million)</b>					
Net interest income	2,672	2,446	1,916	9	28
Total non-interest income	6,104	7,137	6,265	(14)	14
<b>Net revenues</b>	<b>8,776</b>	<b>9,583</b>	<b>8,181</b>	<b>(8)</b>	<b>17</b>
<b>Net revenue detail (CHF million)</b>					
Recurring	6,532	6,637	5,378	(2)	23
Transaction-based	2,244	2,946	2,803	(24)	5
<b>Net revenues</b>	<b>8,776</b>	<b>9,583</b>	<b>8,181</b>	<b>(8)</b>	<b>17</b>
<b>Gross and net margin on assets under management (bp)</b>					
Recurring	86	80	74	-	-
Transaction-based	29	35	38	-	-
<b>Gross margin</b>	<b>115</b>	<b>115</b>	<b>112</b>	<b>-</b>	<b>-</b>
<b>Net margin (pre-tax)</b>	<b>27</b>	<b>47</b>	<b>44</b>	<b>-</b>	<b>-</b>

## Operating environment

The financial crisis worsened in 2008. In the first half of the year, higher commodity prices, particularly in energy and agricultural products, led to reduced consumer spending and higher global inflation. Investors became more risk averse and increased their defensive positions in money market instruments and other short-term investment strategies. These developments were reflected in lower client activity.

The second half of the year proved even more challenging, with a global economic slowdown and evidence of recession in the US, Europe and Japan. In this environment, central banks cooperated in unprecedented joint actions in an effort to provide financial markets with sufficient liquidity. However, investor confidence deteriorated substantially and risk aversion drove client investment decisions. Investors sought to rebalance their portfolios and there was significant deleveraging in the fourth quarter, as clients repaid loans in response to unprecedented market dislocation and volatility. The further weakening of the US dollar and the euro against the Swiss franc created additional pressure and significantly affected our average assets under management.

## Results summary

In 2008, income before taxes was CHF 2,083 million, down 46%, compared to 2007. Net revenues of CHF 8,776 million

were solid, but down 8%, driven by lower recurring and transaction-based revenues. However, we benefited from our strong capital base and our integrated bank model, as high-net-worth individuals continued to seek the service of experienced wealth managers providing holistic solutions. Recurring revenues, which represented 74% of net revenues, decreased 2%, as higher net interest income, mainly driven by higher revenues on deposits, was more than offset by lower asset-based commissions and fees, particularly from managed investment products, reflecting an 8.1% decrease in average assets under management. Transaction-based revenues decreased 24%, mainly due to lower brokerage and product issuing fees and foreign exchange income from client transactions, reflecting low client activity. Provision for credit losses was CHF 120 million, primarily on loans collateralized by securities during the fourth quarter's extreme volatility. Total operating expenses were CHF 6,573 million, up 15%, driven by net provisions relating to ARS of CHF 766 million and a charge relating to the close-out of a client's account of CHF 190 million in the second half of the year. Compensation and benefits declined 6%, primarily reflecting lower performance-related compensation. Total other operating expenses also reflected higher infrastructure costs related to international expansion in our key markets. Commission expenses decreased 18%, reflecting the lower client activity.

Assets under management as of the end of 2008 were CHF 646.0 billion, down CHF 192.6 billion, or 23.0%, from the end of 2007, primarily impacted by adverse market and

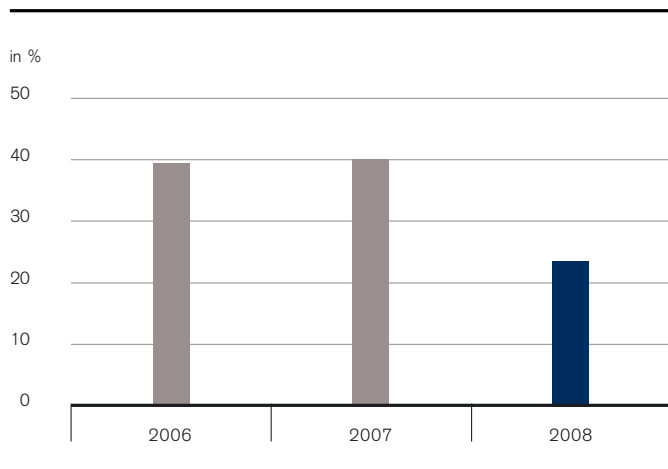
foreign exchange-related movements, partially offset by net new assets during the period. Net new assets were CHF 42.2 billion in 2008, with strong contributions from the Americas and EMEA. Continued strong net client inflows throughout the year were negatively affected by significant deleveraging of CHF 11.8 billion in the fourth quarter.

## Performance indicators

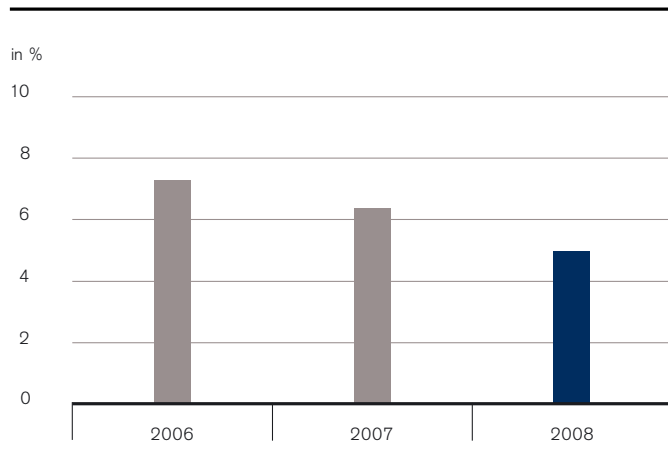
### Pre-tax income margin (KPI)

Our target over market cycles is a pre-tax income margin above 40%. In 2008, the pre-tax income margin was 23.7%, compared to 40.3% in 2007.

### Pre-tax income margin



### Net new asset growth



### Net new asset growth rate (KPI)

Our target over market cycles is a growth rate over 6%. We achieved a growth rate of 5.0% in 2008, compared to 6.4% in 2007. The slower growth in net new assets mainly reflected the significant deleveraging in the fourth quarter.

### Gross margin

Our gross margin in 2008 was 115 basis points, stable compared to 2007, as net revenues decreased in line with the 8.1% decrease in average assets under management. In 2008, the recurring margin increased by six basis points, compared to 2007, mainly due to higher net interest income, partially offset by lower asset-based commissions and fees. The transaction-based margin decreased six basis points, impacted by the decline in brokerage and product issuing fees, reflecting lower client activity.

## Results detail

The following provides a comparison of our 2008 results versus 2007 and 2007 results versus 2006.

### Net revenues

#### Recurring

Recurring revenues arise from recurring net interest income, commissions and fees, including performance-based fees, related to assets under management and custody assets, as well as fees for general banking products and services.

**2008 vs 2007: Down 2% from CHF 6,637 million to CHF 6,532 million**

The decrease was driven by lower asset-based commissions and fees, mainly from managed investment products, as average assets under management declined 8.1%. The decrease in asset-based revenues was partly offset by higher net interest income driven by higher margins on deposits. The increase in net interest income reflected slightly higher average deposit volumes and slightly lower revenues from lending, as lending increased but margins declined.

**2007 vs 2006: Up 23% from CHF 5,378 million to CHF 6,637 million**

The increase was driven by higher net interest income, mostly from lower funding costs and higher deposit volumes and margins, and higher commissions and fees, mainly from managed investment products and performance-based fees from Hedging-Griffo.

## Assets under management – Wealth Management

	in / end of			% change	
	2008	2007	2006	08 / 07	07 / 06
<b>Assets under management (CHF billion)</b>					
<b>Assets under management</b>	<b>646.0</b>	<b>838.6</b>	<b>784.2</b>	(23.0)	6.9
of which discretionary assets	126.7	182.7	177.6	(30.7)	2.9
of which advisory assets	519.3	655.9	606.6	(20.8)	8.1
<b>Assets under management by currency (CHF billion)</b>					
USD	258.1	333.8	330.9	(22.7)	0.9
EUR	200.8	244.3	221.2	(17.8)	10.4
CHF	122.9	156.1	152.4	(21.3)	2.4
Other	64.2	104.4	79.7	(38.5)	31.0
<b>Assets under management</b>	<b>646.0</b>	<b>838.6</b>	<b>784.2</b>	(23.0)	6.9
<b>Assets under management by region (CHF billion)</b>					
Switzerland	252.7	339.3	321.1	(25.5)	5.7
EMEA	242.6	308.3	282.0	(21.3)	9.3
Americas	102.2	122.6	127.0	(16.6)	(3.5)
Asia Pacific	48.5	68.4	54.1	(29.1)	26.4
<b>Assets under management</b>	<b>646.0</b>	<b>838.6</b>	<b>784.2</b>	(23.0)	6.9
<b>Net new assets by region (CHF billion)</b>					
Switzerland	3.0	10.3	12.2	(70.9)	(15.6)
EMEA	14.2	23.1	23.0	(38.5)	0.0
Americas	16.6	7.3	11.8	127.4	(38.1)
Asia Pacific	8.4	9.5	3.5	(11.6)	171.4
<b>Net new assets</b>	<b>42.2</b>	<b>50.2</b>	<b>50.5</b>	(15.9)	(0.6)
<b>Growth in assets under management (CHF billion)</b>					
Net new assets	42.2	50.2	50.5	–	–
Market movements	(176.7)	38.1	51.1	–	–
Currency	(54.1)	(23.1)	(9.5)	–	–
Other	(4.0)	(10.8) <sup>1, 2</sup>	(1.2)	–	–
Total other effects	(234.8)	4.2	40.4	–	–
<b>Growth in assets under management</b>	<b>(192.6)</b>	<b>54.4</b>	<b>90.9</b>	–	–
<b>Growth in assets under management (%)</b>					
Net new assets	5.0	6.4	7.3	–	–
Total other effects	(28.0)	0.5	5.8	–	–
<b>Growth in assets under management</b>	<b>(23.0)</b>	<b>6.9</b>	<b>13.1</b>	–	–

<sup>1</sup> Includes CHF 14.1 billion of assets under management relating to the acquisition of Hedging-Griffo. <sup>2</sup> Includes CHF 21.6 billion of corporate cash now reported only in client assets.

### Transaction-based

Transaction-based revenues arise primarily from brokerage fees, product issuing fees, foreign exchange income from client transactions and other transaction-based income.

**2008 vs 2007: Down 24% from CHF 2,946 million to CHF 2,244 million**

The decrease was mainly driven by lower brokerage and product issuing fees and foreign exchange income from client transactions, reflecting low client activity.

**2007 vs 2006: Up 5% from CHF 2,803 million to CHF 2,946 million**

The increase was mainly driven by higher brokerage fees, foreign exchange income from client transactions and product issuing fees, partly offset by lower revenues in the US due to the market dislocation in the second half of 2007.

### Provision for credit losses

**2008 vs 2007: From CHF 3 million to CHF 120 million**

The increase primarily reflected provisions on loans collateralized by securities relating to the forced deleveraging of numerous client positions in highly volatile equity markets during the fourth quarter.

**2007 vs 2006: From CHF (19) million to CHF 3 million**

Provision for credit losses reflected a low level of net provisions. 2006 included releases from the resolution of a single exposure.

### Operating expenses

#### Compensation and benefits

**2008 vs 2007: Down 6% from CHF 3,177 million to CHF 2,975 million**

The decrease was due to lower performance-related compensation, reflecting the lower results and the deferral of compensation under the CRA program, offset in part by higher salaries and related benefits due to the growth in headcount, including relationship managers.

**2007 vs 2006: Up 14% from CHF 2,780 million to CHF 3,177 million**

The increase mainly reflected growth in headcount, particularly strategic hiring made in the front office, higher salaries and related benefits as well as higher performance-related compensation, including higher deferred compensation expense from prior-year share awards. Performance-related compensation reflected an increase in deferred share-based compensation for 2007.

#### General and administrative expenses

**2008 vs 2007: Up 68% from CHF 1,770 million to CHF 2,969 million**

The increase was mainly driven by non-credit-related provisions, including CHF 766 million of net provisions relating to ARS and a charge of CHF 190 million relating to the close-out of a client's account. Expenses also continued to reflect higher infrastructure costs due to our international expansion.

**2007 vs 2006: Up 13% from CHF 1,571 million to CHF 1,770 million**

The increase mainly reflected higher front- and back-office infrastructure costs due to the international expansion and higher marketing and sales activities.

### Personnel

Headcount as of the end of 2008 was 15,400, up 1,100 from 2007, and up 2,000 from 2006. The increase from 2007 reflected the strengthening of our front-office teams, with an increase of 340 relationship managers, primarily in EMEA, the Americas and Asia Pacific.

# Corporate & Retail Banking

Our results in 2008 reflected continued profitable growth even as the Swiss economy began to exhibit signs of deterioration in the fourth quarter. We achieved record net revenues of CHF 4,131 million and record income before taxes of CHF 1,767 million.

## Results

	in / end of			% change	
	2008	2007	2006	08 / 07	07 / 06
<b>Statements of operations (CHF million)</b>					
<b>Net revenues</b>	<b>4,131</b> <sup>1</sup>	<b>3,939</b>	<b>3,497</b>	5	13
<b>Provision for credit losses</b>	<b>13</b>	<b>(62)</b>	<b>(54)</b>	–	15
Compensation and benefits	1,285	1,352	1,258	(5)	7
General and administrative expenses	950	900 <sup>2</sup>	811	6	11
Commission expenses	116	128	123	(9)	4
Total other operating expenses	1,066	1,028	934	4	10
<b>Total operating expenses</b>	<b>2,351</b>	<b>2,380</b>	<b>2,192</b>	(1)	9
<b>Income before taxes</b>	<b>1,767</b>	<b>1,621</b>	<b>1,359</b>	9	19
<b>Statement of operations metrics (%)</b>					
Compensation/revenue ratio	31.1	34.3	36.0	–	–
Non-compensation/revenue ratio	25.8	26.1	26.7	–	–
Cost/income ratio	56.9	60.4	62.7	–	–
Pre-tax income margin	42.8	41.2	38.9	–	–
<b>Utilized economic capital and return</b>					
Average utilized economic capital (CHF million)	3,570	3,462	3,849	3	(10)
Pre-tax return on average utilized economic capital (%) <sup>3</sup>	49.5	46.9	35.4	–	–
<b>Balance sheet statistics (CHF million)</b>					
Total assets	112,752	107,929	111,010	4	(3)
Net loans	103,399	99,241	94,514	4	5
Goodwill	181	181	181	0	0
<b>Number of employees (full-time equivalents)</b>					
Number of employees	9,000	8,900	8,800	1	1

<sup>1</sup> Includes fair value gains on a synthetic collateralized loan portfolio of CHF 110 million. <sup>2</sup> Includes releases of non-credit-related provisions of CHF 37 million. <sup>3</sup> Calculated using a return excluding interest costs for allocated goodwill.

## Results (continued)

	in / end of			% change	
	2008	2007	2006	08 / 07	07 / 06
<b>Net revenue detail (CHF million)</b>					
Net interest income	2,485	2,342	2,179	6	7
Total non-interest income	1,646 <sup>1</sup>	1,597	1,318	3	21
<b>Net revenues</b>	<b>4,131</b>	<b>3,939</b>	<b>3,497</b>	5	13
<b>Number of branches</b>					
Number of branches	220	216	215	2	0

<sup>1</sup> Includes fair value gains on a synthetic collateralized loan portfolio of CHF 110 million.

## Operating environment

The Swiss economic environment remained resilient during the first three quarters of 2008, but contracted in the fourth quarter. Consumer confidence decreased as unemployment increased, though in a less pronounced manner when compared to most European and other major international economies. Concerns over inflation persisted during the first half of 2008, but declined towards the end of the year due to lower commodity prices and slowing growth.

Macroeconomic indicators showed a downward trend, reflecting the global slowdown in growth, which intensified in the third quarter with the collapse of Lehman Brothers. To address this situation, central banks shifted their focus from the prevention of inflation to a far less restrictive monetary policy. The SNB held key interest rates steady through September but reduced its target rate for three-month Swiss franc LIBOR four times in the fourth quarter.

## Results summary

In 2008, income before taxes was a record CHF 1,767 million and net revenues were a record CHF 4,131 million, demonstrating the resilience of our business model. Net interest income increased 6%, mainly driven by higher revenues on deposits. Total non-interest income was up 3%, positively impacted by fair value gains of CHF 110 million on the Clock Finance No.1 synthetic collateralized loan portfolio, offset in part by a decrease in commissions and fees, reflecting lower client activity and lower average assets under management. Provision for credit losses was CHF 13 million, compared to net releases of CHF 62 million in 2007. Total operating expenses decreased slightly to CHF 2,351 million, as lower compensation and benefits were partly offset by higher gen-

eral and administrative expenses. For 2008, net new assets of CHF 8.7 billion were more than double the CHF 3.3 billion achieved in 2007, mainly benefiting from inflows in the institutional pension funds and private client business.

## Performance indicators

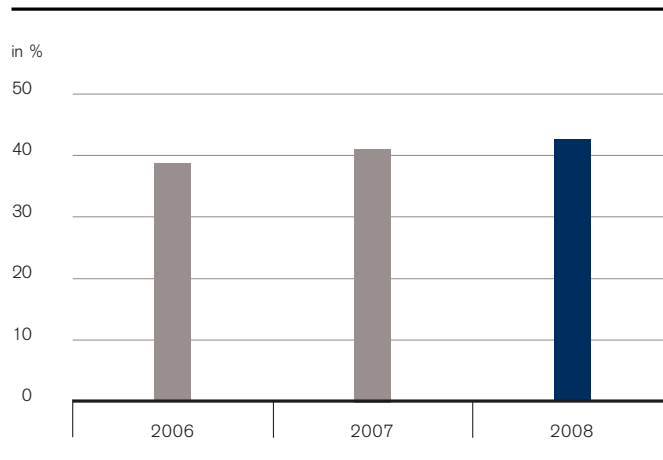
### Pre-tax income margin (KPI)

Our target over market cycles is a pre-tax income margin above 40%. In 2008, our pre-tax income margin was 42.8%, compared to 41.2% in 2007.

### Cost/income ratio

In 2008, the cost/income ratio was 56.9%, compared to 60.4% in 2007.

## Pre-tax income margin



**Pre-tax return on average utilized economic capital**

In 2008, the pre-tax return on average utilized economic capital was 49.5%, compared to 46.9% in 2007.

**Results detail**

The following provides a comparison of our 2008 results versus 2007 and 2007 results versus 2006.

**Net revenues****Net interest income**

**2008 vs 2007: Up 6% from CHF 2,342 million to CHF 2,485 million**

The increase was mainly driven by higher revenues on deposits, reflecting higher average deposit volumes and higher deposit margins, and slightly lower revenues from lending, as margins declined but volumes increased.

**2007 vs 2006: Up 7% from CHF 2,179 million to CHF 2,342 million**

The increase was mainly due to higher deposit volumes and margins and lower funding costs, partially offset by lower asset margins impacted by the ongoing competitive pressure.

**Total non-interest income**

**2008 vs 2007: Up 3% from CHF 1,597 million to CHF 1,646 million**

The increase reflected higher trading revenues, which were driven by fair value gains of CHF 110 million from the Clock Finance No. 1 transaction. This impact was partially offset by lower commissions and fees, reflecting low client activity and the decline in average assets under management.

**2007 vs 2006: Up 21% from CHF 1,318 million to CHF 1,597 million**

The increase was mainly due to higher commissions and fees, primarily related to minority interests of a consolidated joint venture.

**Provision for credit losses**

**2008 vs 2007: From CHF (62) million to CHF 13 million**

We recorded net provisions of CHF 13 million, reflecting a lower level of releases. In 2008, we recorded provisions of CHF 148 million and releases of CHF 135 million, compared to provisions of CHF 157 million and releases of CHF 219 million in 2007.

**2007 vs 2006: From CHF (54) million to CHF (62) million**

We reported net releases in 2007 supported by the favorable credit environment.

**Operating expenses****Compensation and benefits**

**2008 vs 2007: Down 5% from CHF 1,352 million to CHF 1,285 million**

The decrease reflected lower performance-related compensation due to the deferral of compensation under the CRA program and a slight decrease in salaries.

**2007 vs 2006: Up 7% from CHF 1,258 million to CHF 1,352 million**

The increase was driven by higher personnel costs related to increased headcount and higher salaries and related benefits, partially offset by lower performance-related compensation due to an increase in deferred share-based compensation for 2007.

**General and administrative expenses**

**2008 vs 2007: Up 6% from CHF 900 million to CHF 950 million**

The increase was due to higher non-credit-related provisions, reflecting our decision to buy back certain clients' Lehman Brothers structured notes, offset in part by lower professional services, sales and marketing, infrastructure and IT costs.

**2007 vs 2006: Up 11% from CHF 811 million to CHF 900 million**

Higher costs were mainly due to increased expenses related to minority interests of a consolidated joint venture, offset in part by releases of non-credit-related provisions in 2007.

# Investment Banking

During 2008, Investment Banking reported a loss before taxes of CHF 13,850 million. Negative net revenues of CHF 1,835 million declined significantly from 2007 levels. The decline in revenues was primarily due to substantial negative trading results and valuation reductions of CHF 10,923 million in the leveraged finance and structured products businesses, as the dislocation in the credit and mortgage markets was exacerbated in 2008 and affected most of our businesses. Our results included CHF 4,654 million of fair value gains on Credit Suisse debt.

## Results

	in / end of			% change	
	2008	2007	2006	08 / 07	07 / 06
<b>Statements of operations (CHF million)</b>					
<b>Net revenues</b>	<b>(1,835)</b>	<b>18,958</b>	<b>20,469</b>	–	(7)
<b>Provision for credit losses</b>	<b>680</b>	<b>300</b>	<b>(38)</b>	127	–
Compensation and benefits	7,177	10,191	10,261	(30)	(1)
General and administrative expenses	2,817 <sup>1</sup>	3,435	3,077 <sup>2</sup>	(18)	12
Commission expenses	1,341	1,383	1,218	(3)	14
Total other operating expenses	4,158	4,818	4,295	(14)	12
<b>Total operating expenses</b>	<b>11,335</b>	<b>15,009</b>	<b>14,556</b>	(24)	3
<b>Income/(loss) before taxes</b>	<b>(13,850)</b>	<b>3,649</b>	<b>5,951</b>	–	(39)
<b>Statement of operations metrics (%)</b>					
Compensation/revenue ratio	–	53.8	50.1	–	–
Non-compensation/revenue ratio	–	25.4	21.0	–	–
Cost/income ratio	–	79.2	71.1	–	–
Pre-tax income margin	–	19.2	29.1	–	–
<b>Utilized economic capital and return</b>					
Average utilized economic capital (CHF million)	17,197	20,125 <sup>3</sup>	19,037	(15)	6
Pre-tax return on average utilized economic capital (%) <sup>4</sup>	(79.8)	19.2 <sup>3</sup>	33.5	–	–
<b>Balance sheet statistics (CHF million)</b>					
Total assets	976,713	1,140,740	1,046,557	(14)	9
Net loans	60,837	64,892	44,285	(6)	47
Goodwill	6,972	7,465	7,809	(7)	(4)
<b>Number of employees (full-time equivalents)</b>					
Number of employees	19,700	20,600	18,700	(4)	10

<sup>1</sup> Includes a release from the reserve for certain private litigation matters of CHF 812 million, partially offset by a charge of CHF 272 million related to the Parmalat settlement. <sup>2</sup> Includes CHF 508 million of credits from insurance settlements for litigation and related costs. <sup>3</sup> Does not reflect the valuation reductions from revaluing certain ABS positions in our CDO trading business, as we do not consider the impact of these valuation reductions to be material to our economic capital, position risk, VaR or related trends. <sup>4</sup> Calculated using a return excluding interest costs for allocated goodwill.

## Results (continued)

	in			% change	
	2008	2007	2006	08 / 07	07 / 06
<b>Net revenue detail (CHF million)</b>					
Debt underwriting <sup>1</sup>	429	1,864	2,206	(77)	(16)
Equity underwriting	813	1,444	1,270	(44)	14
Total underwriting	1,242	3,308	3,476	(62)	(5)
Advisory and other fees	1,482	2,253	1,900	(34)	19
<b>Total underwriting and advisory</b>	<b>2,724</b>	<b>5,561</b>	<b>5,376</b>	(51)	3
Fixed income trading <sup>1</sup>	(5,256)	6,084	9,598	–	(37)
Equity trading	1,614	7,751	5,881	(79)	32
<b>Total trading</b>	<b>(3,642)</b>	<b>13,835</b>	<b>15,479</b>	–	(11)
Other <sup>1</sup>	(917)	(438)	(386)	109	13
<b>Net revenues</b>	<b>(1,835)</b>	<b>18,958</b>	<b>20,469</b>	–	(7)
<b>Average one-day, 99% Value-at-Risk (CHF million)</b>					
Interest rate and credit spread	148	72	56	106	29
Foreign exchange	22	26	19	(15)	37
Commodity	36	17	10	112	70
Equity	65	80	59	(19)	36
Diversification benefit	(94)	(81)	(65)	16	25
<b>Average one-day, 99% Value-at-Risk</b>	<b>177</b>	<b>114<sup>2</sup></b>	<b>79</b>	55	44

<sup>1</sup> Refer to the table "Net valuation adjustments". <sup>2</sup> Does not reflect the valuation reductions from revaluing certain ABS positions in our CDO trading business, as we do not consider the impact of these valuation reductions to be material to our economic capital, position risk, VaR or related trends.

## Operating environment

The operating environment in 2008 was extremely difficult due to the continued dislocation in the credit and financial markets that began in the third quarter of 2007. The problems in these markets spread throughout the financial services industry, causing unprecedented events and a dramatic shift in the investment banking business model. The second half of the year was especially turbulent, following historic and unprecedented events in the third quarter of 2008 that had severe repercussions for the global financial system and markets.

In the third quarter, the financial services sector witnessed extraordinary changes to the competitive landscape due to consolidation and government intervention. The temporary restrictions on short selling of financial institution stocks exacerbated fluctuation in those stock prices as liquidity deteriorated, further disrupting the orderly functioning of the equity markets and severely impacting the convertible bond market.

In the fourth quarter, the market disruption that marked the third quarter intensified. Data released in the quarter showed that several major economies entered a recession in the third quarter, while the National Bureau of Economic Research stated that the US economy had been in a recession since December 2007. As fear over the state of the economy out-

weighed inflation concerns in the second half of 2008, central banks around the world lowered interest rates, with many of them, including the Fed, the ECB and the BoE, announcing multiple rate cuts. Throughout the fourth quarter, equity markets were extremely volatile as indicated by the VIX, which reached a new high in November. In addition to the volatility, there was substantial basis risk from the divergence between the cash and synthetic markets. Credit spreads widened dramatically, reaching record highs in all sectors in the fourth quarter.

Equity markets, which had already weakened substantially through the first half of the year, dropped even further in the second half of 2008. In 2008, the DOW and S&P 500 declined 34% and 39%, respectively, while in the second half of the year, the DOW and the S&P 500 declined 23% and 29%, respectively. In the US, equity trading volumes increased 44%, while fixed income trading volume decreased 2%, from 2007.

Lower equity valuations and general market uncertainty severely impacted debt and equity origination volumes. Global debt and equity underwriting volumes registered annual declines of 37% and 33%, respectively, and were down 53% and 37%, respectively, compared to the first half of the year. Further, 2008 had the lowest number of IPOs globally since

Dealogic began tracking the statistics in 1995. The US dollar volume of announced mergers and acquisitions declined 30% from 2007.

## Results summary

For 2008, the loss before taxes was CHF 13,850 million compared to income before taxes of CHF 3,649 million for 2007. Negative net revenues were CHF 1,835 million, compared to revenues of CHF 18,958 million for 2007. We had significantly lower revenues in most areas of Investment Banking, reflecting 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 trading results compared to 2007. In addition, extreme volatility and the restrictions on short selling in the second half of the year adversely affected many of our other fixed income and equity trading businesses.

Fixed income trading losses in 2008 primarily reflected net valuation reductions in our leveraged finance and structured products businesses and losses in structured derivatives, leveraged finance trading and emerging markets trading. We also had significantly higher valuation reductions in our corporate loan business. The corporate loan business included a significant positive impact from a change in estimate of the value of loans that emphasizes index-derived recovery rate and default assumptions over indicative consensus prices, as the illiquidity of these positions made indicative consensus prices less relevant. We had significantly higher revenues in flow-based rate and US and European high grade products and solid results in life finance. Fixed income also benefited from fair value gains of CHF 4,188 million due to widening credit spreads on Credit Suisse debt.

Equity trading revenues declined substantially, primarily due to significant losses in convertibles, equity derivatives and long/short and event and risk arbitrage equity trading strategies compared to significant revenues in 2007. These results were partially offset by good performances in cash equities and prime services. Equity trading benefited from fair value gains of CHF 466 million due to widening credit spreads on Credit Suisse debt.

Our underwriting and advisory businesses had lower revenues compared to 2007, reflecting a decline in overall market activity and lower revenues from the private fund group.

Total operating expenses decreased CHF 3,674 million, primarily reflecting a 30% decline in compensation and benefits and a 14% decline in other operating expenses. Provision for credit losses increased due to provisions against loans

made to various borrowers in Asia, as well as higher provisions related to a guarantee provided in a prior year to a third-party bank.

The weakening of the average rate of the US dollar against the Swiss franc from 2007 favorably impacted expenses and losses. For information on foreign currency translation rates, refer to X – Investor information.

For 2007, income before taxes was CHF 3,649 million, down CHF 2,302 million, or 39%, compared to 2006. Net revenues were CHF 18,958 million, down CHF 1,511 million, or 7%, compared to 2006. We achieved higher revenues in equity trading, advisory and other fees and equity underwriting, but had significantly lower revenues in fixed income trading and debt underwriting, reflecting the severe market dislocations in the second half of 2007. Total operating expenses increased 3%, primarily reflecting credits from insurance settlements for litigation and related costs of CHF 508 million recorded in 2006. The weakening of the average rate of the US dollar against the Swiss franc adversely affected revenues and favorably impacted expenses.

Results in 2007 were negatively impacted by the dislocation in the structured products and credit markets in the second half of the year, which led to significantly lower fixed income trading results compared to 2006, partly offset by strong performances in emerging markets trading and interest rate products in the US and Europe. Our debt underwriting revenues were also negatively impacted by the adverse market conditions in the structured products and credit markets. Equity trading benefited from strong performances in the global cash, prime services, derivatives and proprietary trading businesses. Fixed income and equity trading also benefited from fair value gains of CHF 1,111 million due to widening credit spreads on Credit Suisse debt. Our advisory and other fees and equity underwriting businesses had higher revenues compared to 2006.

## 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 our leveraged finance and structured products businesses, consisting of CMBS, RMBS and subprime CDO. Our leveraged finance and structured products businesses had net valuation reductions of CHF 10,923 million in 2008. The risk exposures for the leveraged finance and structured products business reflect a risk management rather than a financial reporting perspective.

## Selected risk exposures

end of	2008	2007	% change
<b>Origination-related positions (CHF billion) <sup>1</sup></b>			
Unfunded commitments	0.3	24.8	(99)
Funded positions	0.6	10.0	(94)
Equity bridges	0.0	0.3	(100)
<b>Leveraged finance</b>	<b>0.9 <sup>2</sup></b>	<b>35.1</b>	<b>(97)</b>
<b>Commercial mortgages</b>	<b>8.8 <sup>3</sup></b>	<b>25.9</b>	<b>(66)</b>
<b>Trading book-related positions (CHF billion) <sup>4</sup></b>			
US subprime	1.9	6.2	(69)
US Alt-A	0.6	2.8	(79)
US prime	0.6	1.4	(57)
European/Asian	2.0	2.9	(31)
<b>Residential mortgages and subprime CDO</b>	<b>5.1</b>	<b>13.3</b>	<b>(62)</b>

<sup>1</sup> Exposures shown gross. <sup>2</sup> Excludes an aggregate of CHF 1.8 billion of fair valued non-recourse term financing for executed transactions. Fair value gains and losses on this term financing are reflected in net valuation adjustments in leveraged finance. Refer to the table "Net valuation adjustments". Excludes impact of the PAF transaction of CHF 1.3 billion. <sup>3</sup> Excludes an aggregate of CHF 1.6 billion of term financing for executed transactions, of which CHF 0.3 billion is non-recourse, the sale of CHF 0.2 billion of loans on a trade-date basis and the impact of the PAF transaction of CHF 1.2 billion. <sup>4</sup> Exposures shown net.

### Leveraged finance

The leveraged finance business, including origination and trading activities and net valuation adjustments, had losses of CHF 4,885 million in 2008, compared to revenues of CHF 1,022 million in 2007, as the market dislocation that began in the second half of 2007 intensified throughout 2008.

2008 revenues included net valuation reductions (including fees, hedges, interest on funded positions and recoveries) of CHF 3,526 million, reflecting continued adverse credit market conditions and the reversal of valuation reductions relating to an expired commitment to a single borrower. Our unfunded non-investment grade loan commitments (both leveraged loan and bridge) were CHF 0.3 billion (USD 0.3 billion) as of the end of 2008 versus CHF 24.8 billion (USD 22.0 billion) as of the end of 2007, including the expiration of a significant commitment to a single borrower. Our funded non-investment grade loans (both leveraged loan and bridge) were CHF 0.6 billion (USD 0.5 billion) as of the end of 2008 versus CHF 10.0 billion (USD 8.8 billion) as of the end of 2007. We have actively pursued reductions in our total exposures through sales and syndications and risk reduction through the PAF compensation plan. Our gross valuation reductions (net of fees and terminations) were CHF 1,590 million.

## Net valuation adjustments

in	2008	2007
<b>Net valuation adjustments (CHF million)</b>		
Leveraged finance	(3,526)	(835)
of which reported in debt underwriting <sup>1</sup>	(200)	31
of which reported in fixed income trading <sup>2</sup>	(3,212)	(311)
of which reported in other <sup>3</sup>	(114)	(555)
CMBS (reported in fixed income trading) <sup>4</sup>	(3,320)	(554)
RMBS and subprime CDO	(4,077)	(1,798)
of which reported in debt underwriting <sup>5</sup>	39	(380)
of which reported in fixed income trading <sup>6</sup>	(4,116)	(1,418)
<b>Total</b>	<b>(10,923)</b>	<b>(3,187)</b>

<sup>1</sup> Includes fee revenues/(losses). <sup>2</sup> Valuation gains/(reductions) (including fees, hedges, interest on funded positions, recoveries and executed transactions) on loan commitments. <sup>3</sup> Valuation gains/(reductions) (including fees, hedges, interest on funded positions, recoveries and executed transactions) on bridge loan commitments. <sup>4</sup> Valuation gains/(reductions) (including fees, hedges, interest on funded positions and executed transactions). <sup>5</sup> Valuation gains/(reductions) (including hedges) on subprime CDO origination assets. <sup>6</sup> Valuation gains/(reductions) (including fees, hedges and interest on funded positions) on RMBS and subprime CDO warehousing and synthetic assets.

### Structured products

Our structured products businesses had losses of CHF 6,879 million in 2008 compared to losses of CHF 823 million in 2007.

Our CMBS business had net valuation reductions (including fees, hedges, interest on funded positions and executed transactions) of CHF 3,320 million in 2008, reflecting continued lack of liquidity and downward pressure on valuations. Our gross valuation reductions (net of fees) were CHF 4,434 million. Our CMBS origination gross exposure was CHF 8.8 billion (USD 8.3 billion) as of the end of 2008 versus CHF 25.9 billion (USD 22.9 billion) as of the end of 2007. We have actively pursued reductions in our exposure through sales of loans and securities and risk reductions through the PAF compensation plan. The loans are secured by real estate and are to a diverse range of borrowers in Europe, the US and Asia, with a large majority of loans performing despite property credit fundamentals becoming more stressed.

Our combined RMBS and subprime CDO origination warehousing and synthetic business had net valuation reductions (including fees, hedges and interest on funded positions) of CHF 4,077 million in 2008. Combined RMBS and subprime CDO exposures were CHF 5.1 billion (USD 4.8 billion) as of the end of 2008 versus CHF 13.3 billion (USD 11.8 billion) as of the end of 2007. The RMBS and CDO businesses are managed as a trading book on a net basis, and the related gross long and short positions are monitored as part of our risk management activities and price testing procedures.

## League table positions

in / end of	2008	2007	2006
<b>League table rank / market share (% – rounded) <sup>1</sup></b>			
Global fee pool <sup>2</sup>	7 / 5%	7 / 5%	4 / 6%
High-yield <sup>3</sup>	3 / 11%	2 / 11%	3 / 12%
Investment-grade <sup>3</sup>	12 / 4%	13 / 3%	13 / 3%
Asset-backed <sup>3</sup>	8 / 3%	10 / 5%	8 / 5%
Mortgage-backed <sup>3</sup>	2 / 11%	4 / 7%	5 / 7%
Total debt underwriting <sup>3</sup>	7 / 4%	11 / 4%	8 / 5%
IPO <sup>2</sup>	8 / 5%	3 / 8%	4 / 7%
Follow-on <sup>2</sup>	7 / 6%	7 / 6%	7 / 6%
Convertible <sup>2</sup>	10 / 4%	9 / 5%	11 / 4%
Total equity underwriting <sup>2</sup>	7 / 5%	7 / 6%	7 / 6%
Announced mergers and acquisitions <sup>3</sup>	7 / 17%	6 / 20%	6 / 19%
Completed mergers and acquisitions <sup>3</sup>	7 / 19%	8 / 18%	8 / 15%

<sup>1</sup> Volume-based, except global fee pool <sup>2</sup> Dealogic <sup>3</sup> Thomson Financial

## Performance indicators

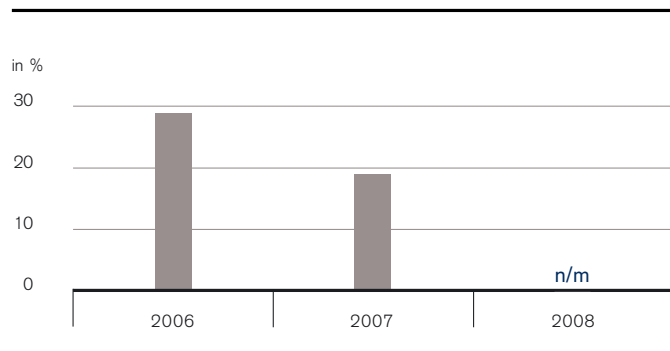
### Pre-tax income margin

Our target over market cycles is a pre-tax income margin of 30% or greater. The 2008 pre-tax income margin was not meaningful given our losses, reflecting the extremely challenging operating environment. The pre-tax income margin was 19.2% in 2007. Going forward, we will target over market cycles a pre-tax income margin of 25% or greater.

### Compensation/revenue ratio

The 2008 compensation/revenue ratio was not meaningful given our losses compared to 53.8% in 2007. Compensation and benefits for a given year are determined by the strength and breadth of the business results, staffing levels and the impact of share-based compensation programs.

### Pre-tax income margin



### Value-at-Risk

The 2008 average one-day, 99% VaR was CHF 177 million compared to CHF 114 million in 2007. For further information on VaR for Credit Suisse, refer to III – Treasury, Risk, Balance sheet and Off-balance sheet – Risk management.

### Pre-tax return on average utilized economic capital

The 2008 pre-tax return on average utilized economic capital was negative 79.8% compared to 19.2% in 2007.

## Results detail

The following provides a comparison of our 2008 results versus 2007 and 2007 results versus 2006.

### Net revenues

#### Debt underwriting

**2008 vs 2007: Down 77% from CHF 1,864 million to CHF 429 million**

The decrease was primarily due to the significantly weaker performance in the leveraged finance business resulting from lower levels of high-yield and leveraged lending issuance activity and higher valuation reductions in leveraged finance, offset in part by improved performance in the structured products business compared to valuation reductions in 2007. Despite a significant decline in the demand for most fixed income securities due to continued weakness in the credit markets, revenues from high grade and emerging markets were stable.

**2007 vs 2006: Down 16% from CHF 2,206 million to CHF 1,864 million**

The decrease was primarily due to weaker performance in the structured products businesses, which were negatively impacted by valuation reductions on our CDO assets. The dislocation in the credit markets resulted in lower levels of high-yield and leveraged-lending issuance activity in 2007, but leveraged finance underwriting revenues increased slightly due to the strong performance in the first half of 2007.

**Equity underwriting****2008 vs 2007: Down 44% from CHF 1,444 million to CHF 813 million**

The decrease was primarily due to a 33% decline in industry-wide equity issuance volumes, compared to record industry-wide equity issuance volumes in 2007, and a decline in market share. 2008 had the lowest number of IPOs globally since Dealogic began tracking the statistics in 1995.

**2007 vs 2006: Up 14% from CHF 1,270 million to CHF 1,444 million**

The increase was primarily due to record industry-wide equity issuance volumes, resulting from higher activity in IPOs, convertible issuances and follow-on offerings, and improved market share.

**Advisory and other fees****2008 vs 2007: Down 34% from CHF 2,253 million to CHF 1,482 million**

The decrease was primarily due to a decline in industry-wide mergers and acquisitions activity and a decline in revenues from the private fund group, which raises capital for hedge funds, private equity funds and real estate funds.

**2007 vs 2006: Up 19% from CHF 1,900 million to CHF 2,253 million**

Record revenues reflected a significant increase in industry-wide mergers and acquisitions activity and increased market share. Revenues from the private fund group were solid but lower than the prior year, reflecting the decline in financial sponsor activity in the second half of 2007.

**Fixed income trading****2008 vs 2007: Down from CHF 6,084 million to CHF (5,256) million**

The decrease was primarily due to higher net valuation reductions of CHF 10,648 million in our combined structured products and leveraged finance businesses compared to valuation reductions of CHF 2,283 million in 2007. Results also reflected losses in certain businesses, compared to significant revenues in 2007, reflecting the significantly more adverse conditions in the second half of 2008. We had losses in our emerging markets businesses compared to significant revenues in 2007, resulting from price declines in several markets reflecting widening credit spreads in the second half of 2008. We had significant losses in structured derivatives compared to good revenues in 2007, primarily reflecting losses associated with structured foreign exchange derivatives in Asia

in the fourth quarter and losses resulting from the sharp shift in the Euro yield curve in June. In the fourth quarter, we had leveraged finance trading losses of CHF 451 million relating to businesses we are exiting, specifically European trading and several discontinued trading strategies in the US, and losses of CHF 362 million driven by the US loan trading business, which experienced unprecedented price declines. In addition, we had losses in our fixed income proprietary trading business compared to strong revenues in 2007. We had higher valuation reductions in our corporate loan business, reflecting valuation reductions of CHF 3.2 billion offset in part by a CHF 1.8 billion positive impact from the change in estimate of the value of the loans. We had net valuation reductions on our investments in the preferred shares and hybrid capital securities of certain financial institutions and in our non-subprime CDO business, primarily reflecting a decline in market values for collateralized loan obligation securities. We also had higher losses in our commodities business in the power and energy sector. These results were partially offset by fair value gains of CHF 4,188 million on Credit Suisse debt, significantly higher revenues in flow-based rates and US and European high grade products, positive revenues in RMBS compared to negative results in 2007 and higher revenues in our life finance business.

**2007 vs 2006: Down 37% from CHF 9,598 million to CHF 6,084 million**

The decrease was driven by weaker results, including valuation reductions in both the structured products and leveraged finance businesses. The structured products results reflected valuation reductions on our residential and commercial loan assets and CDO warehousing and synthetic CDO assets, stemming from price declines, decreased liquidity in the market and limited trading activity. The leveraged finance losses reflected fair value reductions on our loan commitments. The commodities business recorded lower revenues due to poor trading performance in the power and gas sectors. These results were partly offset by solid performances in emerging markets trading and interest rate products in the US and Europe. In addition, fixed income trading benefited from fair value gains of CHF 1,000 million on Credit Suisse debt.

**Equity trading****2008 vs 2007: Down 79% from CHF 7,751 million to CHF 1,614 million**

The decrease was primarily driven by losses in the second half of 2008 in certain businesses that had significant revenues in 2007. Losses in the second half of 2008 included CHF 1,725 million in the convertibles business, driven by the restrictions on short selling of financial institutions, which severely impacted the convertible bond market, and CHF 1,120 million in long/short event and risk arbitrage trading strategies. The decline was also driven by losses of CHF 1,815 million in the

fourth quarter in equity derivatives stemming from losses in the structured derivatives businesses, most of which we are reducing, and corporate and flow derivatives, resulting from highly volatile market conditions and counterparty-related defaults. In addition, our non-US cash equities businesses had lower revenues compared to a very strong 2007. These results were partially offset by a significantly stronger performance in prime services, due to growth in client mandates, and in our US cash equities business which benefited from higher revenues in our AES® business. Equity trading results also included fair value gains of CHF 466 million on Credit Suisse debt.

**2007 vs 2006: Up 32% from CHF 5,881 million to CHF 7,751 million**

Record revenues reflected strong performances in our cash, prime services and equity derivatives businesses. The global cash business benefited from increased deal activity, higher trading volumes and a strong performance by AES®. Prime services had a strong year, with growth in client balances as well as new client mandates. Equity derivatives had solid performances in all regions. The results were partially offset by lower revenues in our equity proprietary trading and convertibles businesses. In addition, equity trading benefited from fair value gains of CHF 111 million on Credit Suisse debt.

#### Other

**2008 vs 2007: Down 109% from CHF (438) million to CHF (917) million**

The decrease was due to losses from private equity-related investments not managed as part of Asset Management, compared to significant gains in 2007, and the impact of economic hedging of voluntary deferred compensation, partially offset by lower valuation reductions on our bridge commitments.

**2007 vs 2006: Down 13% from CHF (386) million to CHF (438) million**

The decrease was due to valuation reductions on our bridge commitments, partly offset by higher gains from private equity-related investments not managed as part of Asset Management.

#### Provision for credit losses

**2008 vs 2007: Up 127% from CHF 300 million to CHF 680 million**

The increase was driven by provisions against loans made to various borrowers in Asia, with the majority of the increase related to a single borrower, as well as higher provisions relating to a guarantee provided in a prior year to a third-party bank. A portion of these provisions was offset by gains on credit defaults swaps recorded in trading revenues. In addition, we expect additional loss mitigation from insurance coverage.

**2007 vs 2006: From CHF (38) million to CHF 300 million**

The increase was primarily due to higher provisions relating to a guarantee provided in a prior year to a third-party bank.

## Operating expenses

### Compensation and benefits

**2008 vs 2007: Down 30% from CHF 10,191 million to CHF 7,177 million**

The decrease was primarily due to lower performance-related compensation costs resulting from lower revenues as well as the deferral of compensation under the CRA program and lower voluntary deferred compensation expense. We previously economically hedged voluntary deferred compensation with a derivative instrument, and the gains/losses on the underlying compensation liability were offset in compensation expenses by the losses/gains on the derivative. We now economically hedge with a cash instrument, and the gains/losses on the underlying compensation liability are recorded in compensation expenses and the losses/gains on the hedge are recorded in other revenues. The decrease also reflected a reduction in salary expense.

**2007 vs 2006: Down 1% from CHF 10,261 million to CHF 10,191 million**

The decrease included lower performance-related compensation costs resulting from lower revenues and higher deferred share-based compensation for 2007. This decrease was mostly offset by higher salaries and deferred compensation expense for prior-year share awards.

### General and administrative expenses

**2008 vs 2007: Down 18% from CHF 3,435 million to 2,817 million**

The decrease primarily reflected a decline in expense provisions, as releases from our reserve for certain private litigation matters of CHF 812 million were partially offset by a charge of CHF 272 million related to the Parmalat settlement and higher litigation expense provisions. In addition, due to a slowdown in market activity, professional fees declined due to lower business and tax services fees and lower fees paid to recruiting firms. Other general and administrative expenses were stable, reflecting our continued focus on cost management.

**2007 vs 2006: Up 12% from CHF 3,077 million to CHF 3,435 million**

The increase reflected the 2006 credits from insurance settlements of CHF 508 million. Excluding these credits, general and administrative expenses declined CHF 150 million, or 4%, reflecting the progress made on cost management initiatives in 2007. Market conditions in the second half of 2007 and related delayed or cancelled transactions increased professional fees and travel and entertainment expenses, with lower recoveries from client-related travel.

### Personnel

Headcount at the end of 2008 was 19,700, down 900 from 2007, reflecting a portion of the headcount reductions in conjunction with the acceleration of our strategic plan. We are targeting Investment Banking headcount of 17,500 by year-end 2009.

# Asset Management

The financial and credit market dislocation intensified in 2008 and adversely impacted our results. We recorded a loss before taxes of CHF 1,127 million, including private equity and other investment-related losses of CHF 676 million and net losses on securities purchased from our money market funds of CHF 687 million.

## Results

	in / end of			% change	
	2008	2007	2006	08 / 07	07 / 06
<b>Statements of operations (CHF million)</b>					
<b>Net revenues</b>	<b>496</b>	<b>2,016</b>	<b>2,247</b>	(75)	(10)
<b>Provision for credit losses</b>	<b>0</b>	<b>1</b>	<b>1</b>	(100)	0
Compensation and benefits	884 <sup>1</sup>	1,084	952 <sup>1</sup>	(18)	14
General and administrative expenses	580 <sup>2</sup>	526	731 <sup>2</sup>	10	(28)
Commission expenses	159	208	189	(24)	10
Total other operating expenses	739	734	920	1	(20)
<b>Total operating expenses</b>	<b>1,623</b>	<b>1,818</b>	<b>1,872</b>	(11)	(3)
<b>Income/(loss) before taxes</b>	<b>(1,127)</b>	<b>197</b>	<b>374</b>	–	(47)
<b>Statement of operations metrics (%)</b>					
Compensation/revenue ratio	178.2	53.8	42.4	–	–
Non-compensation/revenue ratio	149.0	36.4	40.9	–	–
Cost/income ratio	327.2	90.2	83.3	–	–
Pre-tax income margin	(227.2)	9.8	16.6	–	–
<b>Utilized economic capital and return</b>					
Average utilized economic capital (CHF million)	2,469	2,185	1,712	13	28
Pre-tax return on average utilized economic capital (%) <sup>3</sup>	(43.9)	11.5	28.3	–	–
<b>Balance sheet statistics (CHF million)</b>					
Total assets	21,580	27,784	20,448	(22)	36
Goodwill	1,593	2,442	2,423	(35)	1
<b>Number of employees (full-time equivalents)</b>					
Number of employees	3,000	3,600	3,400	(17)	6

<sup>1</sup> Includes severance costs of CHF 47 million and CHF 53 million for 2008 and 2006, respectively, relating to realignments. <sup>2</sup> Includes an impairment charge on acquired intangible assets of CHF 41 million and CHF 140 million for 2008 and 2006, respectively, and CHF 32 million of professional fees relating to the realignment for 2006. <sup>3</sup> Calculated using a return excluding interest costs for allocated goodwill.

## Results (continued)

	in / end of			% change	
	2008	2007	2006	08 / 07	07 / 06
<b>Net revenue detail (CHF million)</b>					
Private equity	306	275	180	11	53
Real estate	242	248	183	(2)	36
Credit strategies	109	137	90	(20)	52
Hedge fund strategies	196	352	342	(44)	3
Other <sup>1</sup>	215	114	48	89	138
<b>Alternative investment strategies</b>	<b>1,068</b>	<b>1,126</b>	<b>843</b>	(5)	34
Multi-asset class solutions	574	680	560	(16)	21
Equities	43	62	32	(31)	94
Fixed income	97	165	123	(41)	34
Other <sup>2</sup>	77	222	187	(65)	19
<b>Traditional investment strategies</b>	<b>791</b>	<b>1,129</b>	<b>902</b>	(30)	25
<b>Securities purchased from our money market funds</b>	<b>(687)</b>	<b>(920)</b>	<b>0</b>	(25)	-
<b>Net revenues before private equity and other investment-related gains/(losses)</b>	<b>1,172</b>	<b>1,335</b>	<b>1,745</b>	(12)	(23)
Private equity and other investment-related gains/(losses)	(676)	681	502	-	36
<b>Net revenues</b>	<b>496</b>	<b>2,016</b>	<b>2,247</b>	(75)	(10)
<b>Gross and net margin on assets under management (bp)</b>					
<b>Gross margin before private equity and other investment-related gains/(losses)</b>	<b>23</b>	<b>21</b>	<b>32</b>	-	-
Gross margin on private equity and other investment-related gains/(losses)	(13)	11	9	-	-
<b>Gross margin</b>	<b>10</b>	<b>32</b>	<b>41</b>	-	-
<b>Net margin (pre-tax)</b>	<b>(22)</b>	<b>3</b>	<b>7</b>	-	-

<sup>1</sup> Includes Hedging-Griffo. <sup>2</sup> Includes institutional pension advisory business and Credit Suisse (Brazil).

## Operating environment

The operating environment for asset management was significantly affected by the exceptionally poor market conditions that began in the third quarter of 2007 and worsened in 2008. 2008 was an extraordinarily difficult year in financial markets, and the fourth quarter had unprecedented levels of volatility and significant declines in equity markets globally. The asset management industry was strained in 2008, with pressure on assets under management, profitability and margins due to poor market performance, net asset outflows and shifts from higher margin products into less complex, low-margin products.

The private equity industry experienced significant valuation reductions, with a majority of private equity listed funds trading at significant discounts to net asset value. The higher cost and reduced availability of credit adversely affected private equity activity. Real estate valuations came under pressure in several countries, including most notably where over-leveraged markets were deflating. Given the increase in

correlations between asset classes, the demand for multi-asset class products fell, and poor performance discouraged client flows into absolute return funds. Liquidity in credit markets deteriorated throughout the year, while credit spreads increased dramatically, adversely impacting the private equity and hedge fund industry. The hedge fund industry was further hit by client redemptions and poor performance. After a strong performance in 2007 and the first half of 2008, commodity prices fell sharply, and commodity funds and commodity-linked equity funds saw major client outflows.

The major capital flow into government bonds led to global fixed income being the top performing asset class in 2008. Towards the end of 2008, client positions in cash, cash equivalents and government bonds were at a record high level.

In equities, symmetry across sectors and geographies rose sharply during the second half of 2008, with most developed markets down more than 40% for the year. Capital flows to US and Japanese bonds led to underperformance in emerging equity markets, with Russia and China among the worst.

## Strategic collaboration with Aberdeen Asset Management

We continued to implement our strategy to focus on high-margin, scalable businesses and to reduce our cost base. As part of this strategy, we announced in December the sale of the majority of our global investors business in Europe (excluding Switzerland), the US and Asia Pacific in a strategic collaboration with Aberdeen, one of the UK's leading institutional asset managers, for up to a maximum of 24.9% of the share capital of Aberdeen. The transaction is subject to regulatory approvals in various jurisdictions, and is expected to close in the second quarter of 2009. The business to be sold comprised assets under management of CHF 67.9 billion as of the end of 2008 (CHF 74.9 billion as of November 30, 2008), as well as 400 employees who will transfer to Aberdeen during the course of the year.

The global investors business to be sold to Aberdeen, including the costs associated with the transaction and a charge on the allocated goodwill, has been presented as discontinued operations and therefore has not been included in the Asset Management results. Prior periods have been restated to conform to the current presentation.

## Results summary

In 2008, the loss before taxes was CHF 1,127 million, down CHF 1,324 million, compared to income before taxes of CHF 197 million in 2007. Losses from private equity and other investments were CHF 676 million compared to gains of CHF 681 million in 2007. The vast majority of these were unrealized losses concentrated in middle-market private equity investments related to the real estate, distressed debt, financial services, commodity and energy sectors. Losses on securities purchased from our money market funds were CHF 687 million, compared to losses of CHF 920 million in 2007. We continued to manage down our exposure to securities purchased from our money market funds, with exposure of CHF 567 million as of the end of 2008, compared to CHF 3,921 million as of the end of 2007.

Net revenues were CHF 496 million, down CHF 1,520 million, or 75%, compared to 2007. Net revenues of CHF 1,859 million before securities purchased from our money market funds and private equity and other investment-related gains/(losses) were down CHF 396 million, or 18%, compared to 2007, mainly due to significantly lower asset management fees driven by the 18.3% decline in average assets under management (refer to the table "Results before securities purchased from our money market funds"). Revenues

from alternative investment strategies declined 5%, as stable asset management fees were offset by losses associated with hedge fund strategies and an impairment on our investment in Ospraie. Revenues from traditional investment strategies declined 30%, compared to 2007, primarily reflecting the significant decline in average assets under management, lower performance fees and an impairment charge on a Korean joint venture.

Total operating expenses were CHF 1,623 million, down CHF 195 million, or 11%, compared to 2007, primarily reflecting significantly lower performance-related compensation and lower professional fees, partly offset by impairment charges on acquired intangible assets.

Assets under management were CHF 411.5 billion as of the end of 2008, down CHF 187.9 billion, or 31.3%, compared to 2007, primarily reflecting negative market performance, net asset outflows and adverse foreign exchange-related movements. Net asset outflows in 2008 of CHF 63.3 billion included outflows of CHF 74.8 million in traditional investment strategies, partly offset by net inflows of CHF 11.5 billion in alternative investment strategies. Net asset outflows included CHF 26.6 billion in institutional pension advisory, CHF 17.1 billion in multi-asset class solutions, CHF 14.8 billion in fixed income and CHF 13.5 billion in money market assets.

In 2007, income before taxes was CHF 197 million, down 47%, compared to 2006, reflecting valuation reductions of CHF 920 million from securities purchased from our money market funds, mostly offset by increased revenues from alternative investments and multi-asset class solutions and higher private equity and other investment-related gains. Our results were also positively impacted by the acquisition of Hedging-Griffo. Before the valuation reductions, income before taxes was CHF 1,117 million (refer to the table "Results before securities purchased from our money market funds"). Total operating expenses were CHF 1,818 million, a decrease of 3%, compared to 2006. Assets under management were CHF 599.4 billion as of the end of 2007, up from CHF 587.5 billion as of the end of 2006, primarily reflecting CHF 16.6 billion assets under management from Hedging-Griffo and positive market movements of CHF 11.4 billion.

## Securities purchased from our money market funds

In the second half of 2007, we repositioned our money market funds by purchasing securities of CHF 9,286 million from these funds with the intent to eliminate SIV, ABS, CDO and US subprime exposure. The securities transactions were exe-

## Results before securities purchased from our money market funds

	in / end of			% change	
	2008	2007	2006	08 / 07	07 / 06
<b>Statements of operations (CHF million)</b>					
<b>Net revenues before private equity and other investment-related gains/(losses)</b>	<b>1,859</b>	<b>2,255</b>	<b>1,745</b>	(18)	29
Private equity and other investment-related gains/(losses)	(676)	681	502	–	36
<b>Net revenues</b>	<b>1,183</b>	<b>2,936</b>	<b>2,247</b>	(60)	31
<b>Provision for credit losses</b>	<b>0</b>	<b>1</b>	<b>1</b>	(100)	0
Compensation and benefits	884	1,084	952	(18)	14
Total other operating expenses	739	734	920	1	(20)
<b>Total operating expenses</b>	<b>1,623</b>	<b>1,818</b>	<b>1,872</b>	(11)	(3)
<b>Income/(loss) before taxes</b>	<b>(440)</b>	<b>1,117</b>	<b>374</b>	–	199
<b>Statement of operations metrics (%)</b>					
Compensation/revenue ratio	74.7	36.9	42.4	–	–
Non-compensation/revenue ratio	62.5	25.0	40.9	–	–
Cost/income ratio	137.2	61.9	83.3	–	–
Pre-tax income margin	(37.2)	38.0	16.6	–	–
<b>Gross and net margin on assets under management (bp)</b>					
<b>Gross margin before private equity and other investment-related gains/(losses)</b>	<b>36</b>	<b>36</b>	<b>32</b>	–	–
Gross margin on private equity and other investment-related gains/(losses)	(13)	11	9	–	–
<b>Gross margin</b>	<b>23</b>	<b>47</b>	<b>41</b>	–	–
<b>Net margin (pre-tax)</b>	<b>(9)</b>	<b>18</b>	<b>7</b>	–	–

Management believes that results before securities purchased from our money market funds is meaningful as it more appropriately reflects the performance of the ongoing business.

## Gains/(losses) on securities purchased from our money market funds

in / end of	2008	2007	% change
<b>Gains/(losses) (CHF million)</b>			
Realized gains/(losses)	(36)	(113)	(68)
Unrealized gains/(losses)	(792)	(807)	(2)
<b>Net gains/(losses) <sup>1</sup></b>	<b>(828)</b>	<b>(920)</b>	(10)
Other	141 <sup>2</sup>	0	–
<b>Securities purchased from our money market funds</b>	<b>(687)</b>	<b>(920)</b>	(25)

<sup>1</sup> Includes net interest income. <sup>2</sup> Includes hedging gains of CHF 189 million and losses of CHF 48 million relating to cash infusions and costs associated with the closing of our money market funds.

## Movements of securities purchased from our money market funds

	Fair value end of 2007	Purchased	Net gains/ (losses)	Sold	Matured/ restruc- tured	Foreign exchange	Fair value end of 2008
<b>CP, bonds and other securities issued by (CHF million)</b>							
Structured investment vehicles	2,481	–	(598)	(25)	(1,373)	(129)	<b>356</b>
Asset-backed securities vehicles	1,026	108	(118)	(842)	(117)	(56)	<b>1</b>
Corporates	414	269	(112)	(114)	(242)	(5)	<b>210</b>
<b>Total</b>	<b>3,921</b>	<b>377</b>	<b>(828)</b>	<b>(981)</b>	<b>(1,732)</b>	<b>(190)</b>	<b>567</b>

	Purchased in 2007	Net gains/ (losses)	Sold	Matured/ restruc- tured	Fair value end of 2007
<b>CP, bonds and other securities issued by (CHF million)</b>					
Structured investment vehicles	5,290	(461)	(104)	(2,244)	<b>2,481</b>
Asset-backed securities vehicles	1,031	(325)	(584)	904 <sup>1</sup>	<b>1,026</b>
Corporates	2,965	(134)	(213)	(2,204)	<b>414</b>
<b>Total</b>	<b>9,286</b>	<b>(920)</b>	<b>(901)</b>	<b>(3,544)</b>	<b>3,921</b>

<sup>1</sup> Includes securities of CHF 1,001 million, at amortized cost, received in lieu of payment from a restructured asset-backed vehicle. The fair value of these securities as of the end of 2007 was CHF 576 million.

cutted in order to address liquidity concerns caused by the US market's challenging conditions. We had no legal obligation to purchase these securities. We lifted out CHF 269 million of corporate securities and CHF 108 million of ABS from our money market funds in 2008. As of the end of 2008, the fair value of our balance sheet exposure from these purchased securities was CHF 567 million, down CHF 3,354 million, or 86%, from 2007. Of the CHF 567 million balance sheet exposure, CHF 5 million was US subprime, compared to CHF 419 million as of the end of 2007, and CHF 356 million were securities issued by SIVs, of which the largest position was CHF 319 million. Net losses on securities purchased from our money market funds were CHF 687 million in 2008, compared to CHF 920 million in 2007.

In the third quarter of 2008, one of the money market funds advised by us was under redemption pressure due to the deteriorating money and credit markets. In order to provide liquidity, we invested USD 2.2 billion (CHF 2.5 billion) in units issued by the fund. With redemptions totaling USD 0.7 billion (CHF 0.7 billion) in the fourth quarter, we decreased our investment in this money market fund to USD 1.5 billion (CHF 1.6 billion) as of the end of 2008. This fund is an SEC-registered Rule 2a-7 fund invested in commercial paper and other short-term securities rated at least A1/P1.

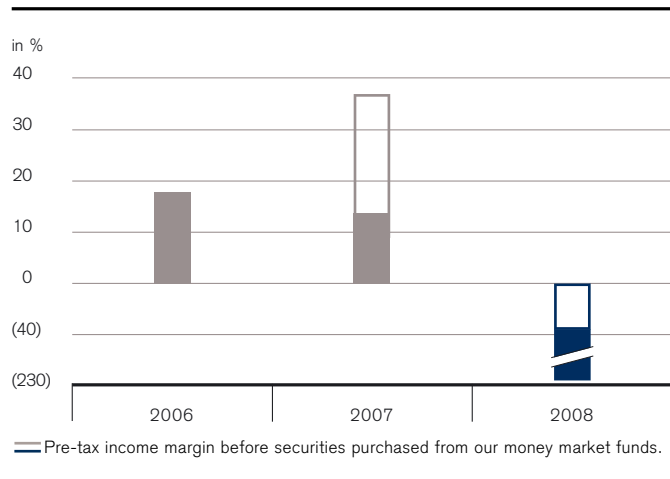
At the end of 2008, in line with our strategy to focus on higher margin, scalable businesses, we decided to close these money market funds. Accordingly, these funds were consolidated as of December 31, 2008.

## Performance indicators

### Pre-tax income margin (KPI)

Our target over market cycles is a pre-tax income margin above 35%. The pre-tax margin was (227.2)% in 2008 compared to 9.8% in 2007. The pre-tax margin before securities purchased from our money market funds and private equity and other investment-related gains/(losses) was (37.2)% in 2008 compared to 38.0% in 2007. Going forward, our target over market cycles will be a pre-tax income margin above 40%.

### Pre-tax income margin



## Assets under management – Asset Management

	in / end of			% change	
	2008	2007	2006	08 / 07	07 / 06
<b>Assets under management (CHF billion)</b>					
Private equity	37.2	32.5	26.1	14.5	24.5
Real estate	34.4	37.4	30.0	(8.0)	24.7
Credit strategies	11.4	26.7	18.3	(57.3)	45.9
Hedge fund strategies	54.3	63.3	55.9	(14.2)	13.2
Other <sup>1</sup>	9.0	19.6	7.0	(54.1)	180.0
<b>Alternative investment strategies</b>	<b>146.3</b>	<b>179.5</b>	<b>137.3</b>	<b>(18.5)</b>	<b>30.7</b>
Multi-asset class solutions	126.7	184.9	171.1	(31.5)	8.1
Equities	5.2	11.0	21.3	(52.7)	(48.4)
Fixed income	63.7	117.4	154.5	(45.7)	(24.0)
Other <sup>2</sup>	69.6	106.6	103.3	(34.7)	3.2
<b>Traditional investment strategies</b>	<b>265.2</b>	<b>419.9</b>	<b>450.2</b>	<b>(36.8)</b>	<b>(6.7)</b>
<b>Assets under management</b>	<b>411.5</b>	<b>599.4</b>	<b>587.5</b>	<b>(31.3)</b>	<b>2.0</b>
of which discretionary assets	351.1	501.4	491.3	(30.0)	2.1
of which advisory assets	60.4	98.0	96.2	(38.4)	1.9
<b>Assets under management by currency (CHF billion)</b>					
USD	105.9	161.2	174.8	(34.3)	(7.8)
EUR	56.5	74.9	75.9	(24.6)	(1.3)
CHF	224.6	297.9	290.9	(24.6)	2.4
Other	24.5	65.4	45.9	(62.5)	42.5
<b>Assets under management</b>	<b>411.5</b>	<b>599.4</b>	<b>587.5</b>	<b>(31.3)</b>	<b>2.0</b>
<b>Growth in assets under management (CHF billion)</b>					
Net new assets	(63.3)	(3.6)	43.8	-	-
Market movements	(78.6)	11.4	25.4	-	-
Currency	(23.5)	(10.3)	(7.5)	-	-
Other	(22.5)	14.4 <sup>3,4</sup>	6.3	-	-
Total other effects	(124.6)	15.5	24.2	-	-
<b>Growth in assets under management</b>	<b>(187.9)</b>	<b>11.9</b>	<b>68.0</b>	<b>-</b>	<b>-</b>
<b>Growth in assets under management (%)</b>					
Net new assets	(10.6)	(0.6)	8.4	-	-
Total other effects	(20.8)	2.6	4.7	-	-
<b>Growth in assets under management</b>	<b>(31.4)</b>	<b>2.0</b>	<b>13.1</b>	<b>-</b>	<b>-</b>
<b>Private equity and other investments (CHF billion)</b>					
Private equity and other investments	4.0	3.3	2.5	21.2	32.0

Excludes assets under management relating to the agreement to sell part of our global investors business. Prior periods have been restated to conform to the current presentation.

<sup>1</sup> Includes Hedging-Griffo. <sup>2</sup> Includes institutional pension advisory business and Credit Suisse (Brazil). <sup>3</sup> Includes CHF 16.6 billion of assets under management relating to the acquisition of Hedging-Griffo. <sup>4</sup> Includes outflows from the sale of the insurance business.

### Net new asset growth rate

In 2008, the growth rate was (10.6)%, compared to (0.6)% in 2007.

### Gross margin

The gross margin on assets under management was 10 basis points in 2008, compared to 32 basis points in 2007. The gross margin on assets under management before securities purchased from our money market funds and private equity and other investment-related gains/(losses) was 36 basis points in both 2008 and 2007.

## Results detail

The following provides a comparison of our 2008 results versus 2007 and 2007 versus 2006.

### Net revenues

Net revenues before private equity and other investment-related gains/(losses) include asset management fees, performance-based fees, fees from fund administration services provided to clients, revenues from joint ventures and strategic collaborations and realized and unrealized gains and losses on securities purchased from our money market funds. Private equity and other investment-related gains/(losses) include realized and unrealized gains and losses on investments and performance-related carried interest.

#### Alternative investment strategies

**2008 vs 2007: Down 5% from CHF 1,126 million to CHF 1,068 million**

The decrease was mainly due to losses associated with proprietary hedge fund positions, including seed capital investments, and losses of CHF 49 million from our investment in the Ospraie management company, which was adversely impacted by the closing of one of its major funds. Revenues also reflected lower fees from our hedge fund strategies, due to the decline in assets under management, and from credit strategies, mainly from our leveraged investment group. This was partially offset by lower allocated costs and increased management fees from Hedging-Griffo, which we acquired in the fourth quarter of 2007. Commissions and fees from private equity were stable, reflecting successful fundraising activities.

**2007 vs 2006: Up 34% from CHF 843 million to CHF 1,126 million**

The increase was primarily from private equity, real estate and credit strategies. Real estate strategies revenues reflected increased management fees on our real estate investment portfolios in Switzerland. Credit strategies reflected higher revenues from our leveraged investment group. Private equity

revenues increased, with higher commissions and fees, reflecting the strength of our private equity franchise, and lower allocated costs. Hedge fund strategies increased slightly, with higher revenues in quantitative and single-manager strategies, partially offset by lower revenues from multi-manager strategies. Other revenues increased due to year end performance-based fees of CHF 70 million from Hedging-Griffo.

#### Traditional investment strategies

**2008 vs 2007: Down 30% from CHF 1,129 million to CHF 791 million**

The decrease was mainly due to lower fees as a result of lower average assets under management across most products, lower fees from our Luxembourg-based funds, reflecting weak performance, and an impairment charge on a Korean joint venture.

**2007 vs 2006: Up 25% from CHF 902 million to CHF 1,129 million**

The increase was mainly from multi-asset class solutions due to higher assets under management and performance-based and administrative fees. The increase in fixed income and money market revenues was due to higher average assets under management in the first half of 2007, primarily reflecting strong asset inflows into our money market funds. Other revenues increased primarily from emerging markets.

#### Private equity and other investment-related gains/(losses)

**2008 vs 2007: Down from CHF 681 million to CHF (676) million**

The decrease was primarily due to the adverse effects of the credit crisis on valuations and exit strategies, including unrealized losses on real estate, energy, distressed debt, commodity and emerging markets investments.

**2007 vs 2006: Up 36% from CHF 502 million to CHF 681 million**

The increase was primarily due to strong private equity and other investment-related gains in 2007, led by gains on Nycomed, Specialized Technology Resources and an IPO of E-House. Gains were also recognized on Advanstar Holdings Corp., CommVault Systems, Inc. and Laramie Energy, LLC.

### Operating expenses

#### Compensation and benefits

**2008 vs 2007: Down 18% from CHF 1,084 million to CHF 884 million**

The decrease was primarily due to lower performance-related compensation reflecting the lower results and the deferral of compensation under the CRA program. Compensation for 2008 included CHF 47 million of severance costs relating to realignments.

**2007 vs 2006: Up 14% from CHF 952 million to CHF 1,084 million**

The increase was primarily due to higher performance-related compensation due to the higher revenues in the alternative

investments business, higher salary and related benefits and increased deferred share-based compensation from prior-year share awards. Performance-related compensation reflected an increase in deferred share-based compensation for 2007. Compensation for 2006 included CHF 53 million of severance costs relating to our realignment.

#### General and administrative expenses

**2008 vs 2007: Up 10% from CHF 526 million to CHF 580 million**

The increase was mainly due to an impairment charge of CHF 41 million on acquired intangible assets and slightly higher general and administrative expenses across most categories, partly offset by lower professional fees.

**2007 vs 2006: Down 28 % from CHF 731 million to CHF 526 million**

The decrease was mainly due to a CHF 140 million impairment charge on acquired intangible assets and CHF 32 million of professional fees relating to our realignment and a CHF 22 million provision relating to a non-proprietary third-party hedge fund product, all in 2006.

#### Personnel

In 2008, headcount was down 600 compared to 2007, reflecting a portion of the overall headcount reduction in conjunction with the acceleration of our strategic plan and a reduction of 400 employees who will transfer to Aberdeen during the course of 2009. In 2008, we continued to hire investment talent and build product development and distribution capabilities in alternative investment strategies.

# Corporate Center

In 2008 we recorded a loss from continuing operations before taxes of CHF 1,036 million primarily associated with costs from the accelerated implementation of our strategic plan.

Corporate Center includes parent company operations such as Group financing, expenses for projects sponsored by the Group and certain expenses that have not been allocated to the segments. In addition, Corporate Center includes consolidation and elimination adjustments required to eliminate inter-company revenues and expenses.

The following provides a comparison of our 2008 results versus 2007 and 2007 results versus 2006.

## Income/(loss) from continuing operations before taxes

**2008 vs 2007: From CHF (192) million to CHF (1,036) million**

The increased loss primarily reflected costs of CHF 833 million associated with the accelerated implementation of our

strategic plan. These costs included CHF 596 million of severance and other compensation expenses and CHF 120 million of IT-related impairments and write-offs. The decision to exit our non-integrated mortgage origination business in Investment Banking resulted in CHF 82 million of goodwill impairment. The increased loss also reflected the CHF 150 million cost for captive insurance settlements relating to ARS.

**2007 vs 2006: From CHF (162) million to CHF (192) million**

The slight decrease primarily reflected additional consolidation adjustments.

## Results

	in			% change	
	2008	2007	2006	08 / 07	07 / 06
<b>Statements of operations (CHF million)</b>					
Net revenues	294	43	86	–	(50)
Provision for credit losses	0	(2)	(1)	100	100
Compensation and benefits	858	178	216	382	(18)
General and administrative expenses	423	136	84	211	62
Commission expenses	49	(77)	(51)	–	51
Total other operating expenses	472	59	33	–	79
<b>Total operating expenses</b>	<b>1,330</b>	<b>237</b>	<b>249</b>	461	(5)
<b>Income/(loss) from continuing operations before taxes</b>	<b>(1,036)</b>	<b>(192)</b>	<b>(162)</b>	440	19

# Results summary

in / end of period	Private Banking								
	Wealth Management			Corporate & Retail Banking					
	2008	2007	2006	2008	2007	2006	2008	2007	2006
<b>Statements of operations (CHF million)</b>									
<b>Net revenues</b>	<b>8,776</b>	<b>9,583</b>	<b>8,181</b>	<b>4,131</b>	<b>3,939</b>	<b>3,497</b>	<b>12,907</b>	<b>13,522</b>	<b>11,678</b>
<b>Provision for credit losses</b>	<b>120</b>	<b>3</b>	<b>(19)</b>	<b>13</b>	<b>(62)</b>	<b>(54)</b>	<b>133</b>	<b>(59)</b>	<b>(73)</b>
Compensation and benefits	2,975	3,177	2,780	1,285	1,352	1,258	4,260	4,529	4,038
General and administrative expenses	2,969	1,770	1,571	950	900	811	3,919	2,670	2,382
Commission expenses	629	768	612	116	128	123	745	896	735
Total other operating expenses	3,598	2,538	2,183	1,066	1,028	934	4,664	3,566	3,117
<b>Total operating expenses</b>	<b>6,573</b>	<b>5,715</b>	<b>4,963</b>	<b>2,351</b>	<b>2,380</b>	<b>2,192</b>	<b>8,924</b>	<b>8,095</b>	<b>7,155</b>
<b>Income/(loss) from continuing operations before taxes</b>	<b>2,083</b>	<b>3,865</b>	<b>3,237</b>	<b>1,767</b>	<b>1,621</b>	<b>1,359</b>	<b>3,850</b>	<b>5,486</b>	<b>4,596</b>
Income tax expense/(benefit)	-	-	-	-	-	-	-	-	-
Minority interests	-	-	-	-	-	-	-	-	-
<b>Income/(loss) from continuing operations</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Income from discontinued operations	-	-	-	-	-	-	-	-	-
Extraordinary items	-	-	-	-	-	-	-	-	-
<b>Net income/(loss)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Statement of operations metrics (%)</b>									
Compensation/revenue ratio	33.9	33.2	34.0	31.1	34.3	36.0	33.0	33.5	34.6
Non-compensation/revenue ratio	41.0	26.5	26.7	25.8	26.1	26.7	36.1	26.4	26.7
Cost/income ratio	74.9	59.6	60.7	56.9	60.4	62.7	69.1	59.9	61.3
Pre-tax income margin	23.7	40.3	39.6	42.8	41.2	38.9	29.8	40.6	39.4
Effective tax rate	-	-	-	-	-	-	-	-	-
Income margin from continuing operations	-	-	-	-	-	-	-	-	-
Net income margin	-	-	-	-	-	-	-	-	-
<b>Utilized economic capital and return</b>									
Average utilized economic capital (CHF million)	2,097	1,755	1,876	3,570	3,462	3,849	5,667	5,217	5,725
Pre-tax return on average utilized economic capital (%) <sup>3</sup>	100.9	222.5	176.6	49.5	46.9	35.4	68.6	105.9	81.7
Post-tax return on average utilized economic capital from continuing operations (%) <sup>3</sup>	-	-	-	-	-	-	-	-	-
Post-tax return on average utilized economic capital (%) <sup>3</sup>	-	-	-	-	-	-	-	-	-
<b>Balance sheet statistics (CHF million)</b>									
Total assets	262,019	268,871	229,731	112,752	107,929	111,010	374,771	376,800	340,741
Net loans	71,481	76,265	69,156	103,399	99,241	94,514	174,880	175,506	163,670
Goodwill	584	794	610	181	181	181	765	975	791
<b>Number of employees (full-time equivalents)</b>									
Number of employees	15,400	14,300	13,400	9,000	8,900	8,800	24,400	23,200	22,200

<sup>1</sup> Core Results include the results of our integrated banking business, excluding revenues and expenses in respect of minority interests without SEI. <sup>2</sup> Includes diversification benefit. <sup>3</sup> Calculated using a return excluding interest costs for allocated goodwill.

Investment Banking			Asset Management			Corporate Center			Core Results <sup>1</sup>			Credit Suisse		
2008	2007	2006	2008	2007	2006	2008	2007	2006	2008	2007	2006	2008	2007	2006
(1,835)	18,958	20,469	496	2,016	2,247	294	43	86	11,862	34,539	34,480	9,268	39,321	38,143
680	300	(38)	0	1	1	0	(2)	(1)	813	240	(111)	813	240	(111)
7,177	10,191	10,261	884	1,084	952	858	178	216	13,179	15,982	15,467	13,254	16,098	15,520
2,817	3,435	3,077	580	526	731	423	136	84	7,739	6,767	6,274	7,809	6,833	6,324
1,341	1,383	1,218	159	208	189	49	(77)	(51)	2,294	2,410	2,091	2,294	2,410	2,091
4,158	4,818	4,295	739	734	920	472	59	33	10,033	9,177	8,365	10,103	9,243	8,415
11,335	15,009	14,556	1,623	1,818	1,872	1,330	237	249	23,212	25,159	23,832	23,357	25,341	23,935
(13,850)	3,649	5,951	(1,127)	197	374	(1,036)	(192)	(162)	(12,163)	9,140	10,759	(14,902)	13,740	14,319
-	-	-	-	-	-	-	-	-	(4,596)	1,248	2,394	(4,596)	1,248	2,394
-	-	-	-	-	-	-	-	-	120	138	70	(2,619)	4,738	3,630
-	-	-	-	-	-	-	-	-	(7,687)	7,754	8,295	(7,687)	7,754	8,295
-	-	-	-	-	-	-	-	-	(531)	6	3,056	(531)	6	3,056
-	-	-	-	-	-	-	-	-	0	0	(24)	0	0	(24)
-	-	-	-	-	-	-	-	-	(8,218)	7,760	11,327	(8,218)	7,760	11,327
-	53.8	50.1	178.2	53.8	42.4	-	-	-	111.1	46.3	44.9	143.0	40.9	40.7
-	25.4	21.0	149.0	36.4	40.9	-	-	-	84.6	26.6	24.3	109.0	23.5	22.1
-	79.2	71.1	327.2	90.2	83.3	-	-	-	195.7	72.8	69.1	252.0	64.4	62.8
-	19.2	29.1	(227.2)	9.8	16.6	-	-	-	(102.5)	26.5	31.2	(160.8)	34.9	37.5
-	-	-	-	-	-	-	-	-	37.8	13.7	22.3	30.8	9.1	16.7
-	-	-	-	-	-	-	-	-	(64.8)	22.4	24.1	(82.9)	19.7	21.7
-	-	-	-	-	-	-	-	-	(69.3)	22.5	32.9	(88.7)	19.7	29.7
17,197	20,125	19,037	2,469	2,185	1,712	735 <sup>2</sup>	899 <sup>2</sup>	1,574 <sup>2</sup>	26,037	28,398	27,791	26,037	28,398	27,791
(79.8)	19.2	33.5	(43.9)	11.5	28.3	-	-	-	(45.9)	33.3	41.0	(56.5)	49.5	53.8
-	-	-	-	-	-	-	-	-	(28.9)	28.2	31.6	(28.9)	28.2	31.6
-	-	-	-	-	-	-	-	-	(30.9)	28.2	42.5	(30.9)	28.2	42.5
976,713	1,140,740	1,046,557	21,580	27,784	20,448	(217,147)	(201,947)	(167,794)	1,155,917	1,343,377	1,239,952	1,170,350	1,360,680	1,255,956
60,837	64,892	44,285	-	-	-	80	136	172	235,797	240,534	208,127	235,797	240,534	208,127
6,972	7,465	7,809	1,593	2,442	2,423	-	-	-	9,330	10,882	11,023	9,330	10,882	11,023
19,700	20,600	18,700	3,000	3,600	3,400	700	700	600	47,800	48,100	44,900	47,800	48,100	44,900

# Assets under management

As of December 31, 2008, assets under management from continuing operations were CHF 1,106.1 billion, down 24.4%, compared to December 31, 2007, reflecting primarily adverse market and foreign exchange-related movements and net asset outflows of CHF 63.3 billion in Asset Management. The outflows were largely offset by strong net new assets of CHF 50.9 billion in Private Banking.

## Assets under management and client assets

	2008	2007	end of 2006	% change	
				08 / 07	07 / 06
<b>Assets under management (CHF billion)</b>					
Wealth Management	646.0	838.6	784.2	(23.0)	6.9
Corporate & Retail Banking	142.9	156.8	156.1	(8.9)	0.4
Private Banking	788.9	995.4	940.3	(20.7)	5.9
Asset Management	411.5	599.4	587.5	(31.3)	2.0
Assets managed on behalf of other segments	(94.3)	(132.0)	(125.1)	(28.6)	5.5
<b>Assets under management from continuing operations</b>	<b>1,106.1</b>	<b>1,462.8</b>	<b>1,402.7</b>	(24.4)	4.3
of which discretionary assets	416.1	586.9	573.8	(29.1)	2.3
of which advisory assets	690.0	875.9	828.9	(21.2)	5.7
Discontinued operations <sup>1</sup>	67.9	91.9	82.4	(26.1)	11.5
<b>Assets under management</b>	<b>1,174.0</b>	<b>1,554.7</b>	<b>1,485.1</b>	(24.5)	4.7
<b>Client assets (CHF billion)</b>					
Wealth Management	720.3	928.8	848.0	(22.4)	9.5
Corporate & Retail Banking	199.6	230.6	221.7	(13.4)	4.0
Private Banking	919.9	1,159.4	1,069.7	(20.7)	8.4
Asset Management	425.1	629.8	594.0	(32.5)	6.0
Assets managed on behalf of other segments	(94.3)	(132.0)	(125.1)	(28.6)	5.5
<b>Client assets from continuing operations</b>	<b>1,250.7</b>	<b>1,657.2</b>	<b>1,538.6</b>	(24.5)	7.7
Discontinued operations <sup>1</sup>	67.9	91.9	82.4	(26.1)	11.5
<b>Client assets</b>	<b>1,318.6</b>	<b>1,749.1</b>	<b>1,621.0</b>	(24.6)	7.9

<sup>1</sup> Includes assets under management relating to our agreement to sell part of our global investors business in Asset Management. Prior periods have been restated to conform to the current presentation.

## Growth in assets under management

in	2008	2007	2006
<b>Growth in assets under management (CHF billion)</b>			
Wealth Management	42.2	50.2	50.5
Corporate & Retail Banking	8.7	3.3	1.7
Private Banking	50.9	53.5	52.2
Asset Management	(63.3)	(3.6)	43.8
Assets managed on behalf of other segments	9.4	(6.7)	(7.6)
<b>Net new assets</b>	<b>(3.0)</b>	<b>43.2</b>	<b>88.4</b>
Wealth Management	(234.8)	4.2	40.4
Corporate & Retail Banking	(22.6)	(2.5)	10.1
Private Banking	(257.4)	1.7	50.5
Asset Management	(124.6)	15.5	24.2
Assets managed on behalf of other segments	28.3	(0.3)	(9.9)
<b>Other effects</b>	<b>(353.7)</b>	<b>16.9</b>	<b>64.8</b>
Wealth Management	(192.6)	54.4	90.9
Corporate & Retail Banking	(13.9)	0.8	11.8
Private Banking	(206.5)	55.2	102.7
Asset Management	(187.9)	11.9	68.0
Assets managed on behalf of other segments	37.7	(7.0)	(17.5)
<b>Total growth in assets under management from continuing operations</b>	<b>(356.7)</b>	<b>60.1</b>	<b>153.2</b>
Total growth in assets under management from discontinued operations <sup>1</sup>	(24.0)	9.5	12.5
<b>Total growth in assets under management</b>	<b>(380.7)</b>	<b>69.6</b>	<b>165.7</b>
<b>Growth in assets under management (%) <sup>2</sup></b>			
Wealth Management	5.0	6.4	7.3
Corporate & Retail Banking	5.5	2.1	1.2
Private Banking	5.1	5.7	6.2
Asset Management	(10.6)	(0.6)	8.4
Assets managed on behalf of other segments	(7.1)	5.4	7.1
<b>Net new assets</b>	<b>(0.2)</b>	<b>3.1</b>	<b>7.1</b>
Wealth Management	(28.0)	0.5	5.8
Corporate & Retail Banking	(14.4)	(1.6)	7.0
Private Banking	(25.9)	0.2	6.0
Asset Management	(20.8)	2.6	4.7
Assets managed on behalf of other segments	(21.4)	0.2	9.2
<b>Other effects</b>	<b>(24.2)</b>	<b>1.2</b>	<b>5.2</b>
Wealth Management	(23.0)	6.9	13.1
Corporate & Retail Banking	(8.9)	0.5	8.2
Private Banking	(20.8)	5.9	12.2
Asset Management	(31.4)	2.0	13.1
Assets managed on behalf of other segments	(28.5)	5.6	16.3
<b>Total growth in assets under management</b>	<b>(24.4)</b>	<b>4.3</b>	<b>12.3</b>

<sup>1</sup> Includes assets under management relating to our agreement to sell part of our global investors business in Asset Management. Prior periods have been restated to conform to the current presentation. <sup>2</sup> Calculated based on continuing operations.

## Assets under management

Assets under management comprise assets which are placed with us for investment purposes and include discretionary and advisory counterparty assets.

Discretionary assets are assets for which the customer fully transfers the discretionary power to a Credit Suisse entity with a management mandate. Discretionary assets are reported in the segment in which the advice is provided, as well as in the segment in which the investment decisions take place. Any duplication of assets managed on behalf of other segments is eliminated at the Group level.

Advisory assets include assets placed with us where the client is provided access to investment advice but retains discretion over investment decisions.

As of December 31, 2008, assets under management from continuing operations were CHF 1,106.1 billion, down CHF 356.7 billion, or 24.4%, compared to December 31, 2007, reflecting primarily adverse market and foreign exchange-related movements, net asset outflows of CHF 63.3 billion in Asset Management and the closure of certain US money market funds. The outflows were largely offset by strong net new assets of CHF 50.9 billion in Private Banking. Discontinued operations reflect CHF 67.9 billion of assets under management relating to the part of our global investors business in Asset Management to be sold to Aberdeen.

In Private Banking, assets under management were CHF 788.9 billion, down CHF 206.5 billion, or 20.7%, compared to the end of 2007. In Asset Management, assets under management were CHF 411.5 billion, down CHF 187.9 billion, or 31.3%, compared to the end of 2007. For further information, refer to II – Operating and financial review – Private Banking and – Asset Management.

## Net new assets

Net new assets include individual cash payments, security deliveries and cash flows resulting from loan increases or repayments. Interest and dividend income credited to clients, commissions, interest and fees charged for banking services are not included as they do not reflect success in acquiring assets under management. Furthermore, changes due to currency and market movements as well as asset inflows and outflows due to the acquisition or divestiture of businesses are not part of net new assets.

Private Banking recorded net new assets of CHF 50.9 billion, down slightly compared to 2007. Asset Management recorded net asset outflows of CHF 63.3 billion, including CHF 26.6 billion of net asset outflows in institutional pension advisory, CHF 17.1 billion in multi-asset class solutions, CHF 14.8 billion in fixed income and CHF 13.5 billion in money market assets, partly offset by net new asset inflows of CHF 11.5 billion in alternative investment strategies.

## Client assets

Client assets is a broader measure than assets under management as it includes transactional and custody accounts (assets held solely for transaction-related or safekeeping/custody purposes) and assets of corporate clients and public institutions used primarily for cash management or transaction-related purposes.

# Critical accounting estimates

In order to prepare the consolidated financial statements in accordance with US GAAP, management is required to make certain accounting estimates to ascertain the value of assets and liabilities. These estimates are based upon judgment and the information available at the time, and actual results may differ materially from these estimates. Management believes that the estimates and assumptions used in the preparation of the consolidated financial statements are prudent, reasonable and consistently applied. For further information on significant accounting policies and new accounting pronouncements, refer to Note 1 – Summary of significant accounting policies and Note 2 – Recently issued accounting standards in V – Consolidated financial statements – Credit Suisse Group. Note references are to the consolidated financial statements of the Group. For financial information related to the Bank, see the corresponding note in the consolidated financial statements of the Bank.

We believe that the critical accounting estimates discussed below involve the most complex judgments and assessments.

## Fair value

A significant portion of our assets and liabilities are carried at fair value. The fair value of the majority of these financial instruments is based on quoted prices in active markets or observable inputs.

In addition, we hold financial instruments for which no prices are available and which have little or no observable inputs. For these instruments, the determination of fair value requires subjective assessment and varying degrees of judgment depending on liquidity, concentration, pricing assumptions, the current economic and competitive environment and the risks affecting the specific instrument. In such circumstances, valuation is determined based on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). These instruments include certain OTC derivatives, most mortgage-related and CDO securities, certain equity derivatives and equity-linked securities, private equity investments, certain loans and credit products (including leveraged finance, certain syndicated loans and certain high-grade bonds) and life finance instruments.

We have availed ourselves of the simplification in accounting offered under SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities – Including an

amendment of FASB Statement No. 115" (SFAS 159), primarily in the Investment Banking and Asset Management segments. This has been accomplished generally by electing the fair value option, both at initial adoption and for subsequent transactions, on items impacted by the hedge accounting requirements of SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." For instruments for which there was an inability to achieve hedge accounting and we are economically hedged, we have elected the fair value option. Also, where we manage an activity on a fair value basis but previously have been unable to achieve fair value accounting, we have utilized the fair value option to align our risk management monitoring and reporting to our financial reporting.

Control processes are applied to ensure that the fair values 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.

In connection with ongoing control processes, we identified mismarks and pricing errors in 2007 by a small number of traders in certain ABS positions in our CDO trading business in Investment Banking and, as a result, we concluded that a material weakness in internal controls over financial reporting existed as of the end of 2007. As of December 31, 2008, this material weakness no longer existed. For further information on this prior year material weakness and its remediation, refer to Controls and procedures in V – Consolidated financial statements – Credit Suisse Group.

In conjunction with the adoption of SFAS 159, on January 1, 2007, we early adopted SFAS No. 157, "Fair Value Measurements".

For further information on fair value, refer to Note 2 – Recently issued accounting standards and Note 33 – Financial instruments in V – Consolidated financial statements – Credit Suisse Group.

## Variable interest entities

As a normal part of our business, we engage in various transactions that include entities which are considered VIEs. A VIE 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 gains and losses of the entity. Such entities are required to be assessed for consolidation under FASB FIN No. 46, as revised by FIN No. 46(R), "Consolidation of Variable Interest Entities – an interpretation of ARB No. 51" (FIN 46(R)), which requires that the primary beneficiary consolidate the VIE. The primary beneficiary is the party that will absorb the majority of expected losses, receive the majority of the expected residual returns, or both. We consolidate all VIEs where we are the primary beneficiary. VIEs may be sponsored by us, unrelated third parties or clients. Application of the accounting requirements for consolidation of VIEs, initially and if certain events occur that require us to reassess whether consolidation is required, can require the exercise of significant management judgment.

For further information on VIEs, refer to Note 32 – Transfers of financial assets and variable interest entities in V – Consolidated financial statements – Credit Suisse Group.

## Contingencies and loss provisions

A contingency is an existing condition that involves a degree of uncertainty that will ultimately be resolved upon the occurrence or non-occurrence of future events.

### Litigation contingencies

From time to time, we are involved in a variety of legal, regulatory and arbitration matters in connection with the conduct of our 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 our consolidated financial statements, management makes estimates regarding the outcome of legal, regulatory and arbitration matters and takes a charge to income when losses with respect to such matters are probable and can be reasonably estimated in accordance with SFAS No. 5 "Accounting for contingencies" (SFAS 5). Charges, other than those taken periodically for costs of defense, are not established for matters when losses cannot be reasonably estimated. Estimates, by their nature, are based on judgment 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, our defenses and experience in similar cases or proceedings as well as our assessment of matters, including settlements, involving other defendants in similar or related cases or proceedings.

For further information on legal proceedings, refer to IX – Additional information – Legal proceedings and Note 37 – Litigation in V – Consolidated financial statements – Credit Suisse Group.

### Allowances and provisions for losses

As a normal part of our business, we are exposed to credit risks through our lending relationships, commitments and letters of credit as well as 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, we generally incur 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 allowances for loan losses are considered adequate to absorb credit losses existing at the dates of the consolidated balance sheets. These allowances are for probable credit losses inherent in existing exposures in accordance with SFAS 5 and credit exposures specifically identified as impaired.

For further information on allowances for loan losses, refer to Note 1 – Summary of significant accounting policies and Note 17 – Loans in V – Consolidated financial statements – Credit Suisse Group.

### Inherent loan loss allowance

The inherent loan loss allowance is for all credit exposures not specifically identified as impaired and that, on a portfolio basis, are considered to contain probable inherent loss in accordance with SFAS 5. The loan valuation allowance is established by analyzing historical and current default probabilities, historical recovery assumptions and internal risk ratings. The methodology for Investment Banking adjusts the rating-specific default probabilities to incorporate not only historic third-party data over a period but also those implied from current quoted credit spreads.

Many factors are evaluated in estimating probable credit losses inherent in existing exposures. These factors include: the volatility of default probabilities; rating changes; the magnitude of the potential loss; internal risk ratings; geographic, industry and other economic factors; and imprecision in the methodologies and models used to estimate credit risk. Overall credit risk indicators are also considered, such as trends in internal risk-rated exposures, classified exposures, cash-basis

loans, recent loss experience and forecasted write-offs, as well as industry and geographic concentrations and current developments within those segments or locations. Our current business strategy and credit process, including credit approvals and limits, underwriting criteria and workout procedures, are also important factors.

Significant judgment is exercised in the evaluation of these factors. For example, estimating the amount of potential loss requires an assessment of the period of the underlying data. Data that does not capture a complete credit cycle may compromise the accuracy of loss estimates. Determining which external data relating to default probabilities should be used and when they should be used, also requires judgment. The use of market indices and ratings that do not sufficiently correlate to our specific exposure characteristics could also affect the accuracy of loss estimates. Evaluating the impact of uncertainties regarding macroeconomic and political conditions, currency devaluations on cross-border exposures, changes in underwriting criteria, unexpected correlations among exposures and other factors all require significant judgment. Changes in our estimates of probable credit losses inherent in the portfolio could have an impact on the provision and result in a change in the allowance.

### Specific loan loss allowances

We make provisions for specific credit losses on impaired loans based on regular and detailed analysis of each loan in the portfolio. This analysis includes an estimate of the realizable value of any collateral, the costs associated with obtaining repayment and realization of any such collateral, the counterparty's overall financial condition, resources and payment record, the extent of our other commitments to the same counterparty and prospects for support from any financially responsible guarantors.

The methodology for calculating specific allowances involves judgments at many levels. First, it involves the early identification of deteriorating credits. Extensive judgment is required in order to properly evaluate the various indicators of financial condition of a counterparty and likelihood of repayment. The failure to identify certain indicators or give them proper weight could lead to a different conclusion about the credit risk. The assessment of credit risk is subject to inherent limitations with respect to the completeness and accuracy of relevant information (for example, relating to the counterparty, collateral or guarantee) that is available at the time of the assessment. Significant judgment is exercised in determining the amount of the provision. Whenever possible, independent, verifiable data or our own historical loss experience is used in models for estimating loan losses. However, a significant degree of uncertainty remains when applying such valuation

techniques. Under our loan policy, the classification of loan status also has a significant impact on the subsequent accounting for interest accruals.

For loan portfolio disclosures, valuation adjustment disclosures and certain other information relevant to the evaluation of credit risk and credit risk management, refer to III – Treasury, Risk, Balance sheet and Off-balance sheet, – Risk Management.

### Goodwill impairment

In accordance with SFAS 142, "Goodwill and Other Intangible Assets", goodwill is not amortized, but is reviewed for a potential impairment on an annual basis as of December 31 and at any other time that events or circumstances indicate that the carrying value of goodwill may not be recoverable. Circumstances that could trigger an impairment test include, but are not limited to: a significant adverse change in the business climate or legal factors; an adverse action or assessment by a regulator; unanticipated competition; loss of key personnel; the likelihood that a reporting unit or significant portion of a reporting unit will be sold or otherwise disposed of; results of testing for recoverability of a significant asset group within a reporting unit; and recognition of a goodwill impairment loss in the financial statements of a subsidiary that is a component of a reporting unit.

For the purpose of testing goodwill for impairment, each reporting unit is assessed individually. A reporting unit is an operating segment or one level below an operating segment, also referred to as a component. A component of an operating segment is deemed to be a reporting unit if the component constitutes a business for which discrete financial information is available and management regularly reviews the operating results of that component. In Private Banking, Wealth Management and Corporate & Retail Banking are considered to be reporting units, and Investment Banking is considered to be one reporting unit. In Asset Management, alternative investment strategies and traditional investment strategies are considered to be reporting units. If the estimated fair value of a reporting unit exceeds its carrying value, there is no goodwill impairment. Factors considered in determining the fair value of reporting units include, among other things: an evaluation of recent acquisitions of similar entities in the market place; current share values in the market place for similar publicly traded entities, including price multiples; recent trends in our share price and those of competitors; estimates of our future earnings potential based on our three-year strategic business plan; and the level of interest rates.

Estimates of our future earnings potential, and that of the reporting units, involve considerable judgment, including management's view on future changes in market cycles, the anticipated result of the implementation of business strategies, competitive factors and assumptions concerning the retention of key employees. Adverse changes in the estimates and assumptions used to determine the fair value of the Group's reporting units may result in a goodwill impairment charge in the future.

For further information on goodwill and related impairment testing, refer to Note 19 – Goodwill in V – Consolidated financial statements – Credit Suisse Group.

## Taxes

### Uncertainty of income tax positions

The Group has applied the guidance contained in FIN No. 48, "Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109" (FIN 48), to evaluate income tax positions.

Significant judgment is required in determining whether it is more likely than not that an income tax position will be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. Further judgment is required to determine the amount of benefit eligible for recognition in the consolidated financial statements.

For further information on FIN 48, refer to Note 2 – Recently issued accounting standards and Note 26 – Tax in V – Consolidated financial statements – Credit Suisse Group.

### Deferred tax valuation allowances

Deferred tax assets and liabilities are recognized for the estimated future tax effects of operating loss carry-forwards and temporary differences between the carrying amounts of existing assets and liabilities and their respective tax bases at the dates of the consolidated balance sheets.

The realization of deferred tax assets on temporary differences is dependent upon the generation of taxable income during the periods in which those temporary differences become deductible. The realization of such deferred tax assets on net operating losses is dependent upon the generation of taxable income during the periods prior to their expiration, if applicable. Management regularly evaluates whether deferred tax assets can be realized. If management considers it more likely than not that all or a portion of a deferred tax asset will not be realized, a corresponding valuation allowance is established. In evaluating whether deferred tax assets can be realized, management considers projected future taxable income,

the scheduled reversal of deferred tax liabilities and tax planning strategies.

This evaluation requires significant management judgment, primarily with respect to projected taxable income. The future taxable income can never be predicted with certainty. It is derived from budgets and strategic business plans but is dependent on numerous factors, some of which are beyond management's control. Substantial variance of actual results from estimated future taxable profits, or changes in our estimate of future taxable profits, could lead to changes in deferred tax assets being realizable, or considered realizable, and would require a corresponding adjustment to the valuation allowance.

The Group has concluded that, with one exception noted below, no valuation allowance is needed against the deferred tax assets of its major operating entities. As part of its normal practice, the Group has conducted a detailed evaluation of its expected future results. This evaluation has taken into account the Group's commitment to the integrated banking model and the importance of the Investment Banking segment within the integrated bank, as well as the changes in the Group's core businesses and the de-risking announced in December 2008. This evaluation has indicated the expected future results that are likely to be earned in jurisdictions where the Group has significant deferred tax assets, such as the US and UK. The Group then compared those expected future results with the applicable law governing utilization of deferred tax assets. US tax law allows for a 20 year carry forward period for net operating losses and UK tax law allows for an unlimited carry forward period for net operating losses. The Group has concluded, based on this analysis, that a partial valuation allowance against deferred tax assets is appropriate for one of its operating entities in the US.

As of December 31, 2008 and 2007, we had deferred tax assets resulting from temporary differences and from net operating losses that could reduce taxable income in future periods. The consolidated balance sheets as of December 31, 2008 and 2007 included gross deferred tax assets of CHF 15.4 billion and CHF 7.7 billion, respectively, and gross deferred tax liabilities of CHF 2.7 billion and CHF 1.3 billion, respectively. The increase in net deferred tax assets from 2007 to 2008 was primarily due to the increase in deferred tax assets on net operating losses. Due to uncertainty concerning our ability to generate the necessary amount and mix of taxable income in future periods, we recorded a valuation allowance against deferred tax assets in the amount of CHF 3.0 billion and CHF 1.4 billion as of December 31, 2008 and 2007, respectively, which related primarily to deferred tax assets on net operating loss carry-forwards.

For further information on deferred tax assets, refer to Note 26 – Tax in V – Consolidated financial statements – Credit Suisse Group.

## Pension plans

### The Group

The Group covers pension requirements, in both Swiss and non-Swiss locations, through various defined benefit pension plans and defined contribution pension plans.

Our funding policy with respect to the non-Swiss pension plans is consistent with local government and tax requirements. In certain non-Swiss locations, the amount of our contribution to defined contribution pension plans is linked to the return on equity of the respective segments and, as a result, the amount of our contribution may differ materially from year to year.

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

Following the implementation of SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans — an amendment of FASB Statements No. 87, 88, 106, and 132(R)" (SFAS 158), the funded status of our defined benefit pension and other post-retirement defined benefit plans are recorded in the consolidated balance sheets. The actuarial gains and losses, prior service costs and net transition assets or obligations are recognized in equity as a component of AOCI. In 2008 the Group changed the measurement date used to perform the actuarial valuation from September 30 to December 31.

The PBO of our total defined benefit pension plans as of December 31, 2008 included an amount related to our assumption for future salary increases of CHF 1,297 million, compared to CHF 1,296 million as of September 30, 2007. The ABO is defined as the PBO less the aforementioned amount related to estimated future salary increases. The dif-

ference between the fair value of plan assets and the ABO was an overfunding of CHF 211 million for 2008, compared to an overfunding of CHF 1,601 million for 2007.

We are required to estimate the expected long-term rate of return on plan assets, which is then used to compute pension cost recorded in the consolidated statements of operations. Estimating future returns on plan assets is particularly subjective, as the estimate requires an assessment of possible future market returns based on the plan asset mix and observed historical returns. In calculating pension expense and in determining the expected long-term rate of return, we use the market value of assets. The assumptions used to determine the benefit obligation as of the measurement date are also used to calculate the net periodic pension cost for the 12-month period following this date.

The expected weighted-average long-term rate of return used to determine the expected return on plan assets as a component of the net periodic pension costs in 2008 and 2007 was 5% for the Swiss plans and 7.6% and 7.2%, respectively, for the international plans. In 2008, if the expected long-term rate of return had been increased/decreased 1%, net pension expense for the Swiss plans would have decreased/increased CHF 122 million and net pension expense for the international plans would have decreased/increased CHF 23 million.

The discount rate used in determining the benefit obligation is based either upon 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, we take into consideration the relationship between the corporate bonds and the timing and amount of the future cash outflows of its benefit payments. The average discount rate used for Swiss plans decreased 0.1% from 4.0% as of September 30, 2007, to 3.9% as of December 31, 2008, mainly due to a decrease in Swiss bond market rates. The average discount rate used for international plans increased 0.4% from 5.9% as of September 30, 2007, to 6.3% as of December 31, 2008, mainly due to an increase in bond market rates in the EU, the UK and the US. The discount rate affects both the pension expense and the PBO. For the year ended December 31, 2008, a 1% decline in the discount rate for the Swiss plans would have resulted in an increase in the PBO of CHF 1,715 million and an increase in pension expense of CHF 81 million, and a 1% increase in the discount rate would have resulted in a decrease in the PBO of CHF 1,494 million and a decrease in the pension expense of CHF 6 million. A 1% decline in the discount rate for the international plans as of December 31, 2008 would have resulted in an increase in the PBO of CHF 401 million and an increase in pension expense of CHF 49 million, and a 1% increase in the discount rate would

have resulted in a decrease in the PBO of CHF 323 million and a decrease in the pension expense of CHF 45 million.

Actuarial losses and prior service cost are amortized over the average remaining service period of active employees expected to receive benefits under the plan, which, as of December 31, 2008, was approximately ten years for the Swiss plans and six to 24 years for the international plans. The expense associated with the amortization of net actuarial losses and prior service cost for defined benefit pension plans for the years ended December 31, 2008, 2007 and 2006 was CHF 79 million, CHF 158 million and CHF 152 million, respectively. The amortization of recognized actuarial losses and prior service cost for defined benefit pension plans for the year ending December 31, 2009, which is assessed at the beginning of the plan year, is expected to be CHF 44 million, net of tax. The amount by which the actual return on plan assets differs from our estimate of the expected return on those assets further impacts the amount of net recognized actuarial losses, resulting in a higher or lower amount of amortization expense in periods after 2009.

For further information on our pension benefits, refer to Note 29 – Pension and other post-retirement benefits in V – Consolidated financial statements – Credit Suisse Group.

### **The Bank**

The Bank covers pension requirements for its employees in Switzerland through participation in a defined benefit pension plan sponsored by the Group (Group plan). Various legal entities within the Group participate in the Group plan, which is set up as an independent trust domiciled in Zurich. The Group accounts for the Group plan as a single-employer defined benefit pension plan and uses the projected unit credit actuarial method to determine the net periodic pension expense, PBO, ABO and the related amounts recognized in the consolidated balance sheets. Following the implementation of SFAS 158, the funded status of the Group plan is recorded in the consolidated balance sheets. The previously unrecognized actuarial gains and losses and prior service costs are recognized in equity as a component of AOCI. In 2008 the Bank changed the measurement date used to perform the actuarial valuation from September 30 to December 31.

The Bank accounts for the Group plan on a defined contribution basis whereby it only recognizes the amounts required to be contributed to the Group plan during the period as net periodic pension expense and only recognizes a liability for any contributions due and unpaid. No other expense or balance sheet amounts related to the Group plan are recognized by the Bank.

The Bank covers pension requirements for its employees in international locations through participation in various pension

plans, which are accounted for as single-employer defined benefit pension plans or defined contribution pension plans.

In 2008, if the Bank had accounted for the Group plan as a defined benefit plan, the expected long-term rate of return used to determine the expected return on plan assets as a component of the net periodic pension costs would have been 5%. In 2008, the weighted-average expected long-term rate of return used to calculate the expected return on plan assets as a component of the net periodic pension cost for the international single-employer defined benefit pension plans was 7.6%.

The discount rate used in determining the benefit obligation is based either upon high quality corporate bond rates or government bond rates plus a premium in order to approximate high quality corporate bond rates. For the year ended December 31, 2008, if the Bank had accounted for the Group plan as a defined benefit plan, the discount rate used in the measurement of the benefit obligation and net periodic pension cost would have been 3.9% and 4.0%, respectively. For the year ended December 31, 2008, the weighted-average discount rates used in the measurement of the benefit obligation and the net periodic pension costs for the international single-employer defined benefit pension plans were 6.3% and 5.9%, respectively. A 1% decline in the discount rate for the international single-employer plans would have resulted in an increase in PBO of CHF 396 million and an increase in pension expense of CHF 48 million, and a 1% increase in the discount rate would have resulted in a decrease in PBO of CHF 319 million and a decrease in pension expense by CHF 44 million.

The Bank does not recognize any amortization of actuarial losses and prior service cost for the Group pension plan. Actuarial losses and prior service cost related to the international single-employer defined benefit pension plans are amortized over the average remaining service period of active employees expected to receive benefits under the plan. The expense associated with the amortization of recognized net actuarial losses and prior service cost for the years ended December 31, 2008, 2007 and 2006 was CHF 40 million, CHF 76 million and CHF 72 million, respectively. The amortization of recognized actuarial losses and prior service cost for the year ending December 31, 2009, which is assessed at the beginning of the plan year, is expected to be CHF 10 million, net of tax.

For further information with respect to the Bank's pension benefits associated with the Credit Suisse Group plan and international single-employer defined benefit and defined contribution pension plans, refer to Note 28 – Pension and other post-retirement benefits in VII – Consolidated financial statements – Credit Suisse (Bank).