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Treasury management

During 2008, we maintained a conservative liquidity and funding profile. The distribution of our unsecured funding remained largely stable, with the majority from client deposits and long-term debt. Despite the financial crisis, we were able to raise debt and capital in the markets. Our consolidated BIS tier 1 ratio was 13.3% as of the end of 2008.

Funding, liquidity, capital and foreign exchange exposures are managed centrally by Treasury. Oversight of these activities is provided by CARMC, a committee that includes the CEOs of the Group and the divisions, the CFO, the CROs of the Group and the Bank, the COO and the Treasurer. It is CARMC's responsibility to review the capital position, balance sheet development, current and prospective funding and foreign exchange exposure and to define and monitor adherence to internal treasury risk limits.

Liquidity and funding management

Our liquidity and funding strategy is approved by CARMC and overseen by the Board of Directors. The implementation and execution of the funding and liquidity strategy is managed by Treasury. Treasury ensures adherence to our funding policy and the efficient coordination of the various funding desks. This approach enhances our ability to monitor potential liquidity and funding risks in order to promptly adjust our liquidity and funding levels to meet any projected stress situation. Our liquidity and funding profile is regularly reported to CARMC and the Board of Directors, who define our risk tolerance and the balance sheet usage of the businesses.

Our liquidity and funding profile reflects our risk appetite, business activities and strategy and the markets and operating environment. We have adapted our liquidity and funding profile to reflect the unprecedented credit crisis and market dislocations and the related changes in our business activities, risk reductions and strategy. Our liquidity risk management also reflects evolving best practice standards in light of the challenging environment. We are an active participant in regulatory and industry forums to promote best practice standards on liquidity management, including the Basel Committee on Banking Supervision and Institute of International Finance forums.

We discuss below how we manage our liquidity and funding and how our approach has enabled us to manage through the credit and financial markets dislocations in 2008.

For further information on the market environment, refer to II – Operating and financial review – Operating environment.

Liquidity risk management

Our liquidity and funding policy is designed to ensure that funding is available to meet all obligations in times of stress, whether caused by market events or issues specific to Credit Suisse. We achieve this primarily by adhering to a conservative ALM strategy to maintain both a highly liquid balance sheet and total capitalization (long-term debt and equity) in excess of aggregate long-term unsecured liabilities and anticipated contingent commitments.

Our targeted funding profile is designed to enable us to continue to pursue activities for an extended period of time without changing business plans during times of stress. The principal measure used to monitor our liquidity position is the "liquidity barometer," which allows us to manage the time horizon over which the adjusted market value of unencumbered assets (including cash) exceeds the aggregate value of contractual outflows of unsecured liabilities plus a conservative forecast of anticipated contingent commitments. The barometer models both Credit Suisse specific and systemic market stress scenarios and constitutes the foundation of our liquidity risk management framework. This framework is supplemented by the modeling of additional stress events required by our regulators and additional liquidity risk measurement tools such as the MFCA, which is explained below.

CARMC reviews the methodology and assumptions of the internal liquidity risk framework and determines the liquidity horizon to be maintained by Treasury in order to ensure that the liquidity profile is managed at an appropriate level such that, in the event that we are unable to access unsecured funding, we will have sufficient liquidity for a period of 120 days. There are no quantitative standards on liquidity management, stress assumptions and funding horizons, and therefore the comparability of this measure among financial institutions is limited.

The stress assumptions used to determine the conservative funding profile of our balance sheet include, but are not limited to, the following:

- A two-notch downgrade in the Bank’s long-term debt credit ratings, which would require additional funding as a result of certain contingent off-balance sheet obligations, including a CP conduit and draw-downs on unfunded bank liabilities, as well as increased collateral requirements to support derivatives contracts;
- Significant withdrawals from retail and private banking client deposits;
- Potential cash outflows associated with the prime brokerage business;
- Availability of secured funding is subject to significant over-collateralization depending on the collateral type, and certain asset classes such as real estate loans and emerging market securities may become ineligible for secured funding;
- Capital markets, certificates of deposit and CP markets will not be available;
- Other money market access will be significantly reduced;
- A loss in funding value of unencumbered assets;
- The inaccessibility of assets held by subsidiaries due to regulatory, operational and other constraints; and
- The possibility of providing non-contractual liquidity support in times of market stress, including purchasing our unsecured debt.

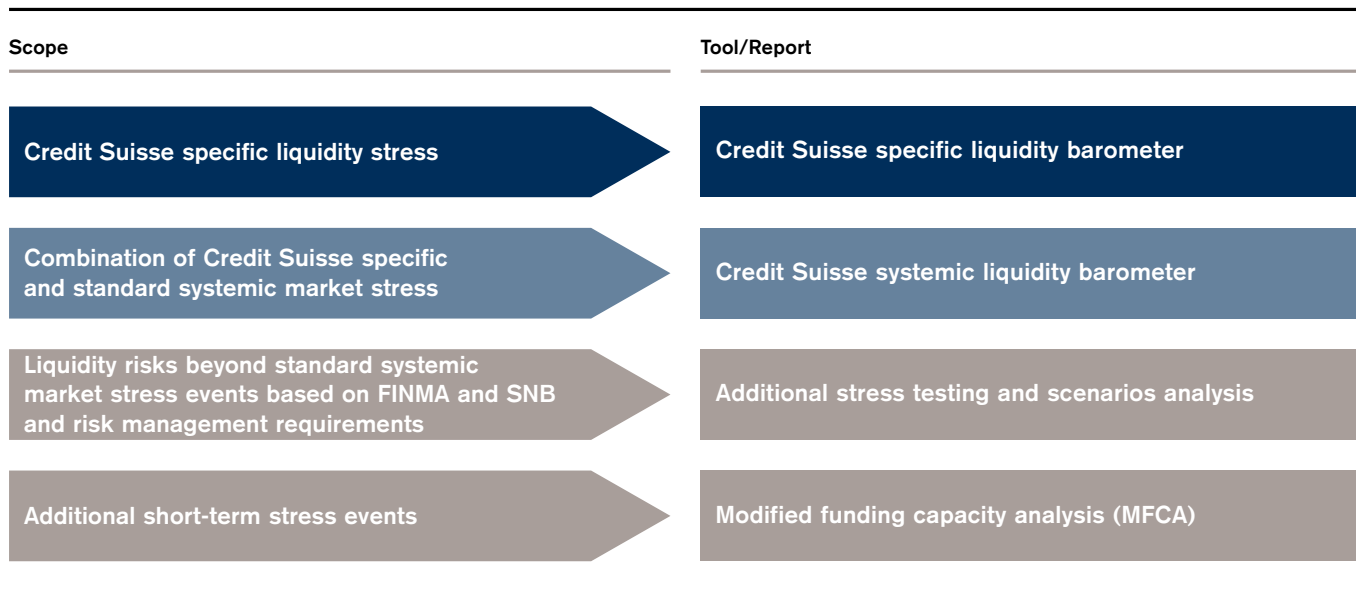
shore and country risks and adopted new liquidity risk measurement tools such as the MFCA. The MFCA deals specifically with potential impacts and risks from severe market dislocations. The MFCA aggregates possible adverse scenarios where we have potential exposure in our business. We combine the results of the analysis with our contingency plans in order to prepare an adequate response. MFCA is particularly valuable in assessing short-term impacts on funding in an adverse market environment, including specific counterparty stress, and it complements our liquidity barometer methodology, which is based more on longer term stress scenarios.

Treasury also manages a sizeable portfolio of trading and liquid assets, a core component of which is made up of high grade bonds, which serves as a liquidity buffer. These positions are eligible for repo transactions with various central banks including the SNB, the Fed, the ECB and the BoE. In response to the credit crisis, many central banks have widened the range of eligible securities which they accept as collateral. We assume that these programs are only temporary in nature and therefore do not rely on them as a primary source of funding. In light of the continued deterioration in the credit markets, we also took measures to further widen our contingent funding sources by implementing enhanced credit facilities with central banks, such as the Primary Dealer Credit Facility with the Fed. These facilities have been tested and serve as a secondary source of liquidity if necessary.

As of the end of 2008, our liquid assets included CHF 136 billion of cash and securities accepted under central bank facilities. Our liquid assets include an increase in cash from

Prior to the start of the current market crisis, we increased the frequency of our risk reporting, improved transfer pricing processes to promote efficient usage of liquidity, reviewed emerging market funding risks with a particular focus on off-

Overview liquidity risk management framework



the proceeds from the sale of assets in Investment Banking as part of our risk reduction strategy and from loan repayments in Private Banking related to deleveraging in the fourth quarter.

Our internal liquidity management framework has been subject to review and monitoring by regulators and rating agencies for many years.

In the event of a liquidity crisis, we would activate our liquidity contingency plan, which focuses on the specific actions that would be taken in the event of a crisis, including a detailed communication plan for creditors, investors and customers. The plan, which is regularly updated, sets out a three-stage process of the specific actions that would be taken:

- Stage I – Market disruption or Group/Bank event
- Stage II – Unsecured markets partially inaccessible
- Stage III – Unsecured funding totally inaccessible

The contingency plan would be activated by the Liquidity Crisis Committee, which includes senior business line, funding and finance department management. This committee would meet frequently throughout the crisis to ensure that the plan is executed. In response to the severe dislocation in the credit markets, we introduced additional liquidity stress assumptions to address systemic liquidity risk inherent in the current market environment and increased our liquid assets and funding profile for scenarios in which the dislocation in the credit markets worsens.

Funding

Our primary source of funding is our core customer deposits, which make up approximately 117% of loans outstanding as measured by our loans to deposits ratio. Core customer deposits are deposits from clients with whom we have had a longstanding relationship. Core customer deposits exclude deposits with banks and certificates of deposits. We place a priority on maintaining and growing customer deposits, as they usually prove to be a stable and resilient source of funding even in difficult market conditions. Core customer deposits as of December 31, 2008 decreased 7% compared to December 31, 2007, reflecting mostly foreign exchange translation impacts.

Our customer deposit funding is supplemented by the issuance of long-term debt, where we were able to fully execute the 2008 funding plan despite an extremely challenging market environment. Secured funding is also raised in the form of mortgage-backed covered bonds issued through Pfandbriefbank schweizerischer Hypothekarinstitute, one of two institutions established by a 1930 act of the Swiss parliament to centralize the issuance of covered bonds. We are actively developing further sources of secured funding, and we have taken measures to adapt our secured funding profile,

including the collateral classes used, haircuts applied and counterparties with whom we trade, to a more conservative basis following the near-failure of Bear Stearns in March 2008. The Bank also manages short-term and medium-term funding desks.

The Bank lends 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 support business initiatives.

Treasury is responsible for the development, execution and regular updating of our funding plan which reflects projected business growth, development of the balance sheet, future funding needs and maturity profiles as well as the effects of changing market conditions. Our centralized funding provided for a controlled and flexible response to the volatile market conditions in 2008. Representatives from the secured and unsecured funding desks met on a daily basis to ensure optimal communication of market developments and management of funding.

Due to the worsening market turbulence in the fourth quarter of 2008, particularly following the bankruptcy of Lehman Brothers, the Swiss Federal Council announced on October 16, 2008 that, in the event that financing problems should emerge for Swiss banks, the government was prepared to guarantee new short-term and medium-term interbank liabilities and money market transactions of Swiss banks. The amount guaranteed for this purpose would depend on the specific needs of the banking system. Credit Suisse has been able to raise debt and capital in the capital markets and has not required Swiss government support.

Debt issuances

Our capital markets debt issuance includes issues of senior and subordinated debt in US registered offerings and medium-term note programs, euro market medium-term note programs and a samurai shelf registration statement in Japan.

Our long-term debt decreased CHF 9.4 billion from the end of 2007, primarily due to a decrease in senior debt, partly offset by an increase in subordinated debt capital securities. Despite the deterioration in credit and financial markets, we successfully completed our long-term funding plan for 2008, raising CHF 37.1 billion. In 2008, we issued approximately CHF 23.9 billion of senior debt securities and CHF 2.6 billion of subordinated debt securities, while CHF 10.4 billion of senior debt securities and CHF 1.8 billion of subordinated debt securities matured or were redeemed. For information on additional issuance of capital securities, refer to – Capital management.

Interest expense on long-term debt, excluding structured notes, is monitored and managed relative to certain indices,

such as LIBOR, that are relevant to the financial services industry. This approach to term funding best reflects the sensitivity of both our liabilities and our assets to changes in interest rates. During the latter half of 2007 and throughout 2008, funding spreads relative to such indices generally widened for borrowers, including Credit Suisse. We work to minimize these funding spreads through careful management of our liability maturity mix and opportunistic issuance of debt. The effect of wider spreads on interest expense will depend on many market factors, including the absolute level of the indices upon which our funding is based. The average spread widened, and the interest coupons on new issuances increased, on our long-term debt and hybrid tier 1 capital issued in 2008, reflecting the effect of the dislocation in the financial markets on financial industry capital markets funding costs.

We diversify our funding sources by issuing structured notes, which are debt securities on which the return is linked to commodities, stocks, indices or currencies or other assets. We generally hedge structured notes with positions in the underlying assets and/or derivatives. Our liquidity planning includes settlement of structured notes. We had CHF 48.7 billion of structured notes outstanding as of the end of 2008 compared to CHF 75.9 billion as of the end of 2007, reflecting the change in client activity and risk aversion in 2008.

Our primary sources of liquidity are through consolidated entities. The funding through non-consolidated SPEs and asset securitization activity is immaterial.

For further information, refer to Note 24 – Long-term debt in V – Consolidated financial statements – Credit Suisse Group.

Funds transfer pricing

We maintain an internal funds transfer pricing system based on market rates. Our funds transfer pricing system is designed to allocate to our businesses all funding costs in a way that incentivizes their efficient use of funding. Our funds transfer pricing system is an essential tool that allocates to the businesses the short-term and long-term costs of funding their balance sheet and the costs associated with funding balance sheet items, such as goodwill, which are beyond the control of individual businesses. This is of greater importance in a stressed capital markets environment where raising funds is more challenging and expensive. Under this system, our businesses are also credited to the extent they provide long-term stable funding.

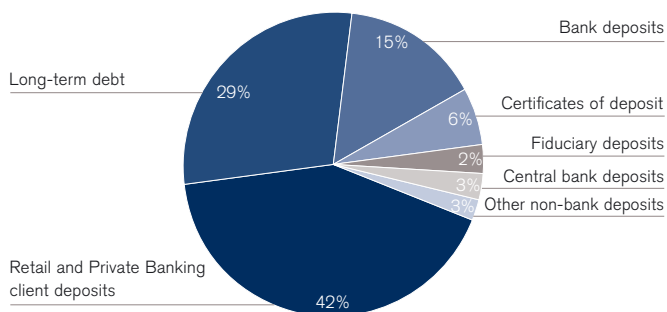
Cash flows from operating, investing and financing activities

As a global financial institution, our cash flows are complex and interrelated and bear little relation to our net earnings and net assets. Consequently, we believe that traditional cash flow analysis is less meaningful in evaluating our liquidity position than the funding and liquidity policies described above. Cash flow analysis may, however, be helpful in highlighting certain macro trends in our business.

For the year ended December 31, 2008, net cash provided by operating activities of continuing operations was CHF 129.9 billion. The increase primarily reflected cash generated from trading assets and liabilities, including the proceeds from the sale of assets in Investment Banking as part of our risk reduction strategy. Our operating assets and liabilities vary significantly in the normal course of business due to the amount and timing of cash flows. Management believes cash flows

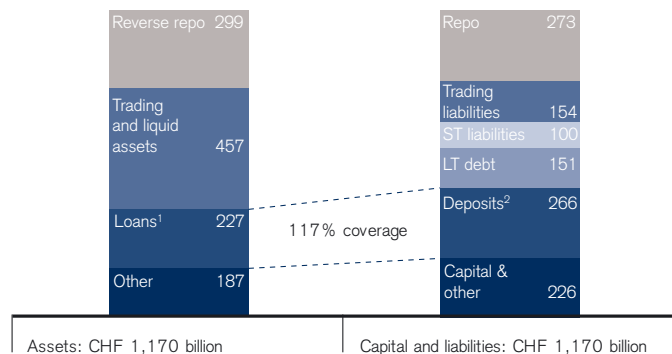
Unsecured funding distribution

as of December 31, 2008



Funding by asset category

as of December 31, 2008



from operations, available cash balances and short-term and long-term borrowings will be sufficient to fund our operating liquidity needs.

Our investing activities primarily include originating loans to be held to maturity, other receivables and the investment securities portfolio. For the year ended December 31, 2008, net cash of CHF 5.8 billion was provided by investing activities of continuing operations, primarily due to the decrease in central bank funds sold, securities purchased under resale agreements and securities borrowing transactions.

Our financing activities primarily include the issuance of debt and receipt of customer deposits. We pay annual dividends on our common shares and had a share buyback program, which we cancelled in October. In 2008, net cash used in financing activities of continuing operations was CHF 82.0 billion due to the decrease in deposits, short-term borrowings and central bank funds purchased, securities sold under repurchase agreements and securities lending transactions, partly offset by net long-term debt issuances.

Credit ratings

Our access to the debt capital markets and our borrowing costs depend significantly on our credit ratings. Rating agencies take many factors into consideration in determining a company's rating, including such factors as earnings performance, business mix, market position, ownership, financial strategy, level of capital, risk management policies and practices, management team and the broader outlook for the financial services industry. The rating agencies may raise, lower or withdraw their ratings, or publicly announce an intention to raise or lower their ratings, at any time.

Although retail and private bank deposits are generally less sensitive to changes in a bank's credit ratings, the cost and availability of other sources of unsecured external funding is generally a function of credit ratings. Credit ratings are especially important to us when competing in certain markets and when seeking to engage in longer-term transactions, including OTC derivative instruments.

A downgrade in credit ratings could reduce our access to capital markets, increase our borrowing costs, require us to post additional collateral or allow counterparties to terminate transactions under certain of our trading and collateralized financing contracts. This, in turn, could reduce our liquidity and negatively impact our operating results and financial position. Our liquidity barometer takes into consideration contingent events associated with a two notch downgrade in our credit ratings. The impact of a one or two notch downgrade in the Bank's long-term debt ratings would result in additional collateral requirements of CHF 6.4 billion and CHF 7.7 billion, respectively, and would not be material to our liquidity and funding planning.

In the fourth quarter of 2008, S&P downgraded the Bank's long-term debt ratings from AA- to A+ and changed its outlook from negative to stable, and Moody's changed its outlook from stable to negative. In January 2009, Fitch Ratings changed its outlook from stable to rating watch negative. For more information on the Group and Bank credit ratings, refer to X – Investor information.

Capital management

Our capital management framework is intended to ensure that there is sufficient capital to support our underlying risks and to achieve management's regulatory and credit rating objectives. Our overall capital needs are continually reviewed to ensure that our capital base can appropriately support the anticipated needs of our business and the regulatory capital requirements of our activities. Multi-year projections and capital plans are prepared for the Group and its major subsidiaries. These plans are subjected to various stress tests, reflecting both macroeconomic and specific risk scenarios. Capital contingency plans are developed in connection with these stress tests to ensure that mitigating actions are consistent with both the amount of capital at risk and the market conditions for accessing additional capital.

BIS statistics

	Group				Bank			
	Basel II	Basel I	Basel II % change	Basel II % change	Basel II	Basel I	Basel II % change	Basel II % change
end of	2008	2007	2007	08 / 07	2008	2007	2007	08 / 07
Risk-weighted assets (CHF million)								
Credit risk	180,425	252,400	270,266	(29)	169,561	240,843	253,313	(30)
Non-counterparty-related risk	6,994	7,304	7,262	(4)	6,370	6,648	6,602	(4)
Market risk	39,911	34,739	34,540	15	39,108	33,869	33,680	15
Operational risk	30,137	29,197	-	3	30,137	29,197	-	3
Risk-weighted assets	257,467	323,640	312,068	(20)	245,176	310,557	293,595	(21)
Eligible capital (CHF million)								
Total shareholders' equity	32,302	43,199	43,199	(25)	26,868	31,334	31,334	(14)
Goodwill and other intangible assets	(9,932)	(11,370)	(10,882)	(13)	(8,785)	(10,210)	(9,746)	(14)
Hybrid instruments ^{1, 2, 3}	12,140	4,136	4,136	194	11,897	3,514	3,514	239
Qualifying minority interests	1,701	63	79	-	4,860	5,443	5,458	(11)
Capital deductions 50% from tier 1	(479)	(2,014)	(71)	(76)	(484)	(2,004)	(71)	(76)
Other adjustments	(1,524)	(1,774)	(1,724)	(14)	(164)	1,751	1,765	-
Tier 1 capital	34,208	32,240	34,737	6	34,192	29,828	32,254	15
Upper tier 2	3,021	2,860	2,860	6	3,581	3,759	3,759	(5)
Lower tier 2	9,340	8,515	8,565	10	10,550	9,309	9,345	13
Capital deductions 50% from tier 2	(479)	(2,014)	-	(76)	(484)	(2,004)	-	(76)
Tier 2 capital	11,882	9,361	11,425	27	13,647	11,064	13,104	23
Investments in non-consolidated banking and finance participations and credit enhancements	-	-	(989)	-	-	-	(969)	-
Investments in insurance entities (50%)	-	-	(71)	-	-	-	(71)	-
Total eligible capital	46,090	41,601	45,102	11	47,839	40,892	44,318	17
Capital ratios (%)								
Tier 1 ratio	13.3	10.0	11.1	-	13.9	9.6	11.0	-
Total capital ratio	17.9	12.9	14.5	-	19.5	13.2	15.1	-

¹ Non-cumulative perpetual preferred securities and capital notes. ² The FINMA has advised that Credit Suisse Group and the Bank may continue to include as tier 1 capital CHF 1.8 billion and CHF 4.6 billion, respectively, in 2008 (2007: CHF 1.8 billion and CHF 4.8 billion, respectively) of equity from special purpose entities that are deconsolidated under FIN 46(R). ³ Hybrid tier 1 capital represented 35.0% and 34.3% of the Group's and the Bank's adjusted tier 1 capital, respectively, as of the end of 2008. Under the decree with the FINMA, a maximum of 35% of tier 1 capital can be in the form of these hybrid capital instruments.

Regulatory capital

Overview

Both the Group and the Bank are subject to regulation by the FINMA. In addition, since January 1, 2008, Credit Suisse has operated under the international capital adequacy standards set forth by the Basel Committee on Banking Supervision, known as Basel II, as implemented by FINMA. These standards affect the measurement of both risk-weighted assets and eligible capital, and are summarized below. In November 2008, a decree was issued by the FINMA defining new capital adequacy and leverage ratio requirements, with compliance to be phased in by 2013. The new capital adequacy target will be in a range between 50% and 100% above the Pillar I requirements under Basel II. Under the new agreement with the FINMA, lower tier 2 capital will no longer qualify for regulatory capital after 2020,

but can be issued through 2010. In addition, the decree includes leverage limits that require us to maintain by 2013 a leverage ratio of tier 1 capital to total assets (on a non-risk-weighted basis) of 3% at the Group and Bank consolidated level and 4% at the Bank on an unconsolidated basis. Total assets are adjusted for purposes of calculating this leverage ratio. The adjustments include assets from Swiss lending activities (excluding Swiss interbank lending), cash and balances with central banks, certain Swiss franc reverse repurchase agreements and certain other assets, such as goodwill and intangibles, that are excluded in determining regulatory tier 1 capital. The FINMA has indicated that it expects the appropriate size of the additional capital buffer will be impacted by market conditions, but the intention is to ensure it can accommodate the pro-cyclical aspects of this measurement tool.

The following table sets forth the pro forma leverage ratio of the Group as of December 31, 2008.

Leverage ratio – Group

	2008
Adjusted assets (CHF billion) ¹	
Total assets	1,312
Adjustments:	
Assets from Swiss lending activities ²	(138)
Cash and balances with central banks	(38)
Other	(18)
Total adjusted assets	1,118
Tier 1 capital	34.2
Leverage ratio (%)	3.1

¹ Total assets are calculated as the average of the month-end values for the previous three calendar months. ² Excludes Swiss interbank lending.

Group

Our consolidated BIS tier 1 ratio was 13.3% as of the end of 2008, compared to 10.0% as of the end of 2007. The increase in the tier 1 ratio reflected the decrease in risk-weighted assets and the increase in tier 1 capital. The reported BIS tier 1 ratio under Basel I as of the end of 2007 was 11.1%.

Risk-weighted assets decreased CHF 66.2 billion to CHF 257.5 billion as of the end of 2008, primarily due to credit risk reduction initiatives and the US dollar translation impact, partially offset by an increase in market risk mainly due to changes in the regulatory VaR calculation. For further information, refer to – Basel II – Description of regulatory approaches and Risk management – Market risk.

Our tier 1 capital increased from CHF 32.2 billion as of the end of 2007 to CHF 34.2 billion as of the end of 2008, as the decrease in shareholders' equity was more than offset by the issuance of tier 1 capital in the form of hybrid instruments, and the issuance of tier 1 capital securities recorded in qualifying minority interests. Tier 1 capital also benefited from the change in goodwill and intangible assets, primarily reflecting the translation impact of the depreciation of the US dollar against the Swiss franc and the charges on allocated goodwill. Total eligible capital increased from CHF 41.6 billion as of the end of 2007 to CHF 46.1 billion as of the end of 2008. Tier 2 capital increased from CHF 9.4 billion to CHF 11.9 billion due to the issuance of lower tier 2 instruments. The capital deductions from both tier 1 and tier 2 capital decreased mainly due to lower deductions for securitization exposure and lower fails on non-delivery-versus-payment transactions. In addition, the

tier 2 capital benefited from an excess in eligible credit provisions over expected losses. For further information, refer to the table "BIS statistics".

Our total capital ratio was 17.9% as of the end of 2008, an increase from 12.9% as of the end of 2007, primarily reflecting the decrease in risk-weighted assets and the increase in tier 1 capital. The reported total capital ratio under Basel I as of the end of 2007 was 14.5%.

Comparison of Basel I to Basel II as of the end of 2007

The tier 1 ratio declined from 11.1% under Basel I to 10.0% under Basel II as of the end of 2007, primarily related to decreased tier 1 capital and increased risk-weighted assets. The total capital ratio decreased from 14.5% under Basel I to 12.9% under Basel II, in line with the impact on tier 1 capital, primarily from increased capital deductions.

Tier 1 and total capital declined CHF 2.5 billion, or 7%, and CHF 3.5 billion, or 8%, respectively, due to the deductions relating to intangible assets, increased securitization exposures and expected losses in excess of eligible provisions.

Total risk-weighted assets increased CHF 11.6 billion, or 4%, due to the inclusion of operational risk, offset in part by a decrease in credit risk. Risk-weighted assets derived from market risk and non-counterparty-related risk, primarily fixed assets, were mostly unchanged.

Bank

The Bank's consolidated BIS tier 1 ratio was 13.9% as of the end of 2008, an increase from 9.6% as of the end of 2007. The increase in the tier 1 ratio reflected the decrease in risk-

weighted assets and the increase in tier 1 capital. The reported BIS tier 1 ratio under Basel I as of the end of 2007 was 11.0%.

Risk-weighted assets decreased CHF 65.4 billion to CHF 245.2 billion as of the end of 2008, primarily due to credit risk reduction initiatives and the US dollar translation impact, partially offset by an increase in market risk mainly due to changes in the regulatory VaR calculation. For further information, refer to – Basel II – Description of regulatory approaches and Risk management – Market risk.

The Bank's tier 1 capital increased from CHF 29.8 billion as of the end of 2007 to CHF 34.2 billion as of the end of 2008 as the decrease in shareholder's equity was more than offset by the issuance of hybrid tier 1 capital. Tier 1 capital also benefited from the change in goodwill and intangible assets, primarily reflecting the translation impact of the depreciation of the US dollar against the Swiss franc and the charges on allocated goodwill. The Bank's consolidated total eligible capital increased from CHF 40.9 billion as of the end of 2007 to CHF 47.8 billion as of the end of 2008. Tier 2 capital increased from CHF 11.1 billion to CHF 13.6 billion due to the issuance of lower tier 2 instruments. The capital deductions from both tier 1 and tier 2 capital decreased mainly due to lower deductions for securitization exposure and lower fails on non-delivery-versus-payment transactions. In addition, the tier 2 capital benefited from an excess in eligible credit provisions over expected losses. For further information, refer to the table "BIS Statistics".

The total capital ratio was 19.5% as of the end of 2008, an increase from 13.2% as of the end of 2007, primarily reflecting the decrease in risk-weighted assets and the increase in tier 1 capital. The reported total capital ratio under Basel I as of the end of 2007 was 15.1%.

Capital issuances in 2008

Our capital position remained strong, as we raised CHF 14.2 billion of tier 1 capital during 2008, net of fees.

- In March, the Bank issued USD 1.5 billion of hybrid instruments in the form of capital notes, callable in 2013 and with a coupon of 7.9%;
- In June, the Bank issued USD 1.5 billion of qualifying minority interests in the form of tier 1 capital securities, callable in 2013 and with a coupon of 8.25%;
- In October, we issued CHF 1.7 billion of mandatory convertible bonds that convert into 50 million common shares, subject to customary adjustments, at a conversion price of CHF 32.55 per share in October 2009. The bonds, subject to certain conditions, pay a fixed coupon of 2% and a floating coupon equal to the common dividends. The conversion price resets in the case of certain equity issuances

of the Group prior to maturity at a net price per common share below CHF 23.50. The underlying shares for these convertible bonds have already been issued and are treated as outstanding shares as of December 31, 2008;

- In October, we sold 93 million treasury shares for CHF 3.2 billion;
- In October, the Bank issued CHF 5.5 billion of hybrid instruments in the form of capital notes, callable in 2013, denominated in US dollars and Swiss francs and with coupons of 11% and 10%, respectively; and
- In December, the Bank issued CHF 1.2 billion of hybrid instruments in the form of capital notes, callable in 2018 and with a par value of CHF 3.2 billion and a coupon of 3.3% until 2018, at which time the coupon increases to 14%.

Capital structure

Tier 1 capital

Tier 1 capital in aggregate consists of shareholders' equity, qualifying minority interests in subsidiaries and hybrid tier 1 capital.

Qualifying minority interests include common shares in majority-owned and consolidated banking and finance subsidiaries as well as participation securities of the Bank issued to a third party special purpose entity (tier 1 capital securities). The third party SPE issued perpetual, non-cumulative notes secured by the tier 1 capital securities of the Bank and preferred securities issued by a subsidiary of the Group that are guaranteed on a subordinated basis by the Bank. Payments of dividends on the tier 1 capital securities and preferred securities are subject to adequacy of distributable profits, no regulatory prohibition on payments on the tier 1 capital securities or the preferred securities and compliance with capital adequacy and liquidity requirements. The redemption of the tier 1 capital securities or the preferred securities is subject to capital adequacy, solvency and prior approval of FINMA.

Hybrid tier 1 instruments include preferred securities, which are issued by special purpose entities, and capital notes issued directly by the Bank. These hybrid tier 1 instruments are unsecured, perpetual, non-cumulative, deeply subordinated instruments senior only to common shares and qualifying minority interests. We are obligated to pay interest or dividends on hybrid tier 1 instruments only if we pay dividends on common shares and qualifying minority interests. These hybrid tier 1 instruments are risk-bearing on a comparable basis with common shares and qualifying minority interests and can, up to a 15% limit, have moderate step-ups in conjunction with call options only after a minimum of five years from the issue date. Payment of interest or dividends on these instruments is subject to adequacy of distributable profits, compliance with

capital adequacy requirements and solvency. The redemption of these instruments is subject to capital adequacy, solvency and prior approval of the FINMA.

Hybrid tier 1 capital instruments are subject to a limit of 50% of tier 1 capital. The following categories and maximum values determine the extent to which these hybrid instruments can be attributed to tier 1 capital:

- A maximum of 15% of tier 1 capital can be in the form of “innovative instruments” that either have a fixed maturity or an incentive to repay, such as a step-up in the coupon if the instrument is not redeemed when callable.
- A maximum of 35% of tier 1 capital, less the instruments subject to the 15% limit, can be in the form of other hybrid capital instruments that have no fixed maturity and no incentive for repayment.
- A maximum of 50% of tier 1 capital, less the instruments subject to the 15% and 35% limits, can be in the form of instruments that include a predefined mechanism that

converts them into tier 1 capital, such as mandatory convertible bonds convertible into common shares.

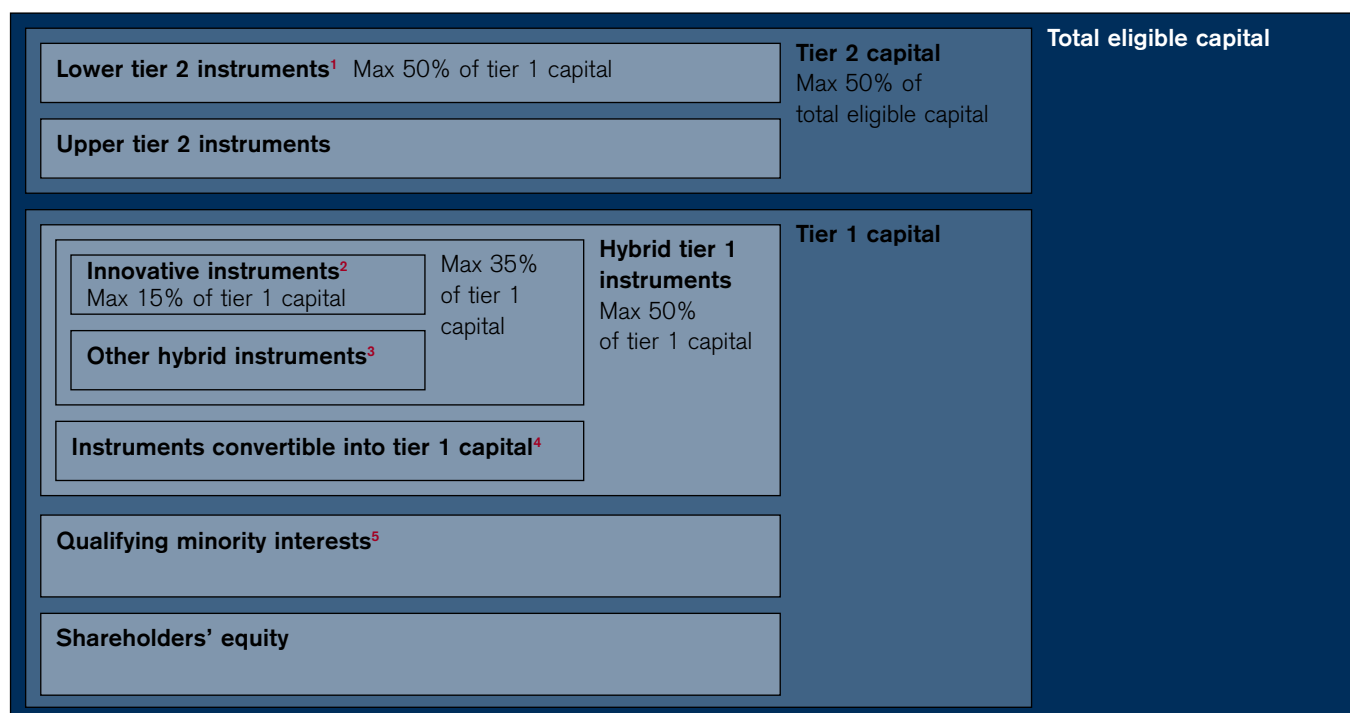
To derive eligible tier 1 capital, certain deductions are made from the tier 1 instruments, as follows:

- goodwill and other intangible assets;
- participations in insurance entities, investments in certain bank and finance entities, and certain securitization exposures (equally deducted from tier 1 and tier 2 capital); and
- other adjustments, including cumulative fair value adjustments on Credit Suisse debt, net of tax, anticipated but not yet declared dividends, the net long position in own treasury shares in the trading book and an adjustment for the accounting treatment of pension plans.

Tier 2 capital

Tier 2 capital consists of upper and lower tier 2 instruments. Upper tier 2 instruments are unsecured, perpetual, subordi-

Capital structure



Does not show deductions. Percentages refer to tier 1 and total eligible capital before capital deductions.

¹ Lower tier 2 capital will no longer qualify for regulatory capital after 2020 but can be issued through 2010.

² Hybrid instruments in the form of non-cumulative perpetual preferred securities and capital notes that either have a fixed maturity or an incentive to repay, such as a step-up coupon if the instrument is not redeemed callable.

³ Hybrid instruments in the form of non-cumulative perpetual preferred securities and capital notes that have no fixed maturity and no incentive for repayment.

⁴ Hybrid instruments with a pre-defined mechanism that converts them into tier 1 capital, such as mandatory convertible bonds convertible into common shares.

⁵ Qualifying minority interests including common shares in majority owned and consolidated banking and finance subsidiaries and tier 1 capital securities securing deeply subordinated notes issued by SPEs.

nated instruments that are senior only to tier 1 instruments. Interest payments are deferrable, but we are obligated to pay interest (including deferred interest) on these upper tier 2 instruments if we pay dividends on tier 1 capital or on redemption. These upper tier 2 instruments can have moderate step-ups in conjunction with call options only after a minimum of five years from the issue date. The redemption of these instruments is subject to solvency. Upper tier 2 capital also includes any excess in eligible provisions over expected losses (up to a maximum amount of 0.6% of the risk-weighted positions) for exposures subject to the credit risk A-IRB.

Lower tier 2 instruments are unsecured, subordinated instruments that are senior only to tier 1 instruments and upper tier 2 instruments and have a fixed maturity of at least five years. Lower tier 2 capital eligibility is subject to amortization for regulatory purposes over the five years prior to redemption.

Basel II

Overview

In June 2006, the Basel Committee on Banking Supervision published its comprehensive version of the revised framework for the international convergence of capital measurement and capital standards known as Basel II. Basel II describes the framework for measuring capital adequacy and the minimum standards to be achieved by the adopting supervisory authorities. This framework is based on three pillars, which are viewed as mutually reinforcing:

- Pillar 1: Minimum Capital Requirements – requires an institution to hold sufficient capital to cover its credit, market and operational risks.
- Pillar 2: Supervisory Review Process – discusses the role of supervisors in ensuring that institutions have in place a proper process for assessing and maintaining their capital ratios above the minimum requirements.
- Pillar 3: Market Discipline – sets out disclosure requirements, especially for those institutions seeking approval to use their own internal models to calculate their capital requirements.

Information required under Pillar 3 related to capital adequacy will be published by the end of April 2009 on our website at www.credit-suisse.com/investors/en.

Description of regulatory approaches

Basel II describes a range of options for determining capital requirements in order to provide banks and supervisors the

ability to select approaches that are most appropriate for their operations and their financial market infrastructure. In general, Credit Suisse has adopted the most advanced approaches, which align with the way that risk is internally managed and provide the greatest risk sensitivity.

We have received approval from the FINMA to use the A-IRB for measuring credit risk. Under the A-IRB for measuring credit risk, risk weights are determined by using internal risk parameters for PD, LGD and transactional maturity. The exposure at default is either derived from balance sheet values or by using models.

For calculating the capital requirements for market risk, the IMA or the Standardized approach is used. We have received approval from the FINMA, as well as from certain other regulators of our subsidiaries, to use our scaled VaR model in the calculation of trading book market risk capital requirements under the IMA. For further information regarding scaled VaR refer to Risk management – Market risk.

In addition to the Basel II requirements on VaR backtesting exceptions, the FINMA imposes capital requirements for trading book market risk. In the fourth quarter of 2008, FINMA revised its requirements to impose an increase in market risk capital for every scaled VaR backtesting exception over ten in the prior rolling twelve month period, calculated using backtesting profit and loss, a subset of actual daily trading revenues that includes only the impact of daily movements in financial market variables such as interest rates, equity prices and foreign exchange rates on the previous night's positions. In 2008, we incurred significant additional incremental capital charges on trading book market risk-weighted assets under these FINMA requirements.

We have received approval from the FINMA to use the AMA for measuring operational risk. Under Basel II, operational risk is included in risk-weighted assets. Under the AMA for measuring operational risk, we have identified key scenarios that describe our major operational risks using an event model.

Eligible capital (tier 1 and tier 2 capital) under Basel II is more affected by changes in deductions to shareholders' equity than under Basel I. Under Basel II, intangible assets (except software) are deducted and a broader scope of securitization risk exposures and expected losses in excess of eligible provisions are deducted (50% from tier 1 capital and 50% from tier 2 capital).

Capital

	Group			Bank		
	end of	% change		end of	% change	
	2008	2007	08 / 07	2008	2007	08 / 07
Shares outstanding (million)						
Common shares issued	1,184.6	1,162.4	2	44.0	44.0	0
Second trading line treasury shares ¹	- ²	(46.1)	100	-	-	-
Other treasury shares	(20.7)	(95.7)	(78)	-	-	-
Treasury shares	(20.7)	(141.8)	(85)	-	-	-
Shares outstanding	1,163.9	1,020.6	14	44.0	44.0	0
Par value (CHF)						
Par value	0.04	0.04	0	100.00	100.00	0
Shareholders' equity (CHF million)						
Common shares	47	46	2	4,400	4,400	0
Additional paid-in capital	25,166	24,553	2	25,059	20,849	20
Retained earnings	18,780	33,670	(44)	5,132	15,872	(68)
Second trading line treasury shares, at cost	-	(3,918)	100	-	-	-
Other treasury shares, at cost	(752)	(5,460)	(86)	18 ³	(5,497) ³	-
Treasury shares, at cost	(752)	(9,378)	(92)	18	(5,497)	-
Accumulated other comprehensive income/(loss)	(10,939)	(5,692)	92	(7,741)	(4,290)	80
Total shareholders' equity	32,302	43,199	(25)	26,868	31,334	(14)
Goodwill	(9,330)	(10,882)	(14)	(8,195)	(9,746)	(16)
Other intangible assets	(423)	(444)	(5)	(412)	(421)	(2)
Tangible shareholders' equity ⁴	22,549	31,873	(29)	18,261	21,167	(14)
Book value per share (CHF)						
Total book value per share	27.75	42.33	(34)	610.63	712.14	(14)
Goodwill per share	(8.02)	(10.66)	(25)	(186.25)	(221.50)	(16)
Other intangible assets per share	(0.36)	(0.44)	(18)	(9.36)	(9.57)	(2)
Tangible book value per share	19.37	31.23	(38)	415.02	481.07	(14)

¹ These shares were repurchased in connection with our share buyback program for subsequent cancellation upon shareholder approval. ² On April 25, 2008, the shareholders of Credit Suisse Group approved the cancellation of 49,700,000 shares. ³ Reflects Credit Suisse Group shares held to economically hedge share award obligations. ⁴ Tangible shareholders' equity 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.

Shareholders' equity

Group

The Group's shareholders' equity decreased from CHF 43.2 billion as of the end of 2007 to CHF 32.3 billion as of the end of 2008. The decrease was primarily due to the loss in 2008, the change in other comprehensive income reflecting the negative effect of foreign exchange rate changes on cumulative translation adjustments and pension actuarial losses, and the cash dividend payment, partly offset by the issuance of common shares, including shares underlying mandatory convertible bonds, and the effect of share-based compensation.

Bank

The Bank's shareholder's equity decreased from CHF 31.3 billion as of the end of 2007 to CHF 26.9 billion as of the end

of 2008. The decrease was primarily due to the loss in 2008, the change in other comprehensive income reflecting the negative effect of foreign exchange rate changes on cumulative translation adjustments and pension actuarial losses, and the cash dividend payment, partly offset by the deconsolidation of an SPE (now merged into the Group) used to hedge share-based compensation awards through treasury shares, the issuance of tier 1 participation certificates, a capital injection of CHF 1.4 billion by the Group and the effect of share-based compensation.

Share repurchase activities

The Swiss Code of Obligations limits a corporation's ability to hold or repurchase its own shares. We may only repurchase shares if we have sufficient free reserves to pay the purchase

price, and if the aggregate nominal value of the repurchased shares does not exceed 10% of our nominal share capital. Furthermore, we must create a special reserve in our parent company financial statements in the amount of the purchase price of the acquired shares. In our consolidated financial statements, own shares are recorded at cost and reported as treasury shares, resulting in a reduction in total shareholders' equity. Shares repurchased by us do not carry any voting rights at shareholders' meetings.

We repurchase shares as part of our market-making commitments, for the purpose of satisfying our obligations under our employee benefit plans or for cancellation.

At the AGM in May 2007, the shareholders approved a new share repurchase program of up to CHF 8.0 billion, of

which CHF 4.1 billion, or 52%, were repurchased as of the end of 2008. In light of the market environment, we cancelled this buyback program in October 2008. Shares repurchased for the purpose of cancellation are done through a so-called "second trading line".

We purchased 511.4 million common shares and sold or re-issued 583.0 million common shares in 2008, predominantly for market-making purposes. As of December 31, 2008, the Group held 20.7 million treasury shares. For further information, refer to the table "Capital" and to the consolidated statements of changes in shareholders' equity in V – Consolidated financial statements – Credit Suisse Group.

Purchases and sales of treasury shares

	2007-2010 buyback program (second trading line)		Other share re- purchases		Total
	Number of shares	Value of remaining shares in CHF million	Number of shares	Average price per share in CHF	
In million, except where indicated					
2008					
January	3.6	3,879.2	39.0	59.35	42.6
February	–	3,876.6	43.1	56.37	43.1
March	–	3,876.6	49.8	51.45	49.8
April	–	3,876.6	30.1	55.71	30.1
May	–	3,876.6	33.6	55.66	33.6
June	–	3,876.6	50.8	49.06	50.8
July	–	3,876.6	31.3	46.37	31.3
August	–	3,876.6	27.9	50.64	27.9
September	–	3,876.6	56.4	50.64	56.4
October	–	– ¹	74.7	45.28	74.7
November	–	–	34.5	33.98	34.5
December	–	–	40.2	29.88	40.2
Total purchase of treasury shares	3.6	–	511.4 ²	–	515.0
Total sale of treasury shares	–	–	–	–	583.0

¹ The buyback program was cancelled in October 2008. ² Predominantly for market-making purposes.

Dividends and dividend policy

Under the Swiss Code of Obligations, dividends may be paid out only if and to the extent the corporation has distributable profits from previous business years, or if the free reserves of the corporation are sufficient to allow distribution of a dividend. In addition, at least 5% of the annual net profits must be

retained and booked as general legal reserves for so long as these reserves amount to less than 20% of the paid-in share capital. Our reserves currently exceed this 20% threshold. Furthermore, dividends may be paid out only after approval at the shareholders' meeting. The Board of Directors may propose that a dividend be paid out, but cannot itself set the div-

idend. The auditors must confirm that the dividend proposal of the Board of Directors conforms to statutory law. In practice, the shareholders usually approve the dividend proposal of the Board of Directors. Dividends are usually due and payable after the shareholders' resolution relating to the allocation of profits has been passed. Under the Swiss Code of Obligations, the statute of limitations in respect of claims for declaring dividend payments is five years.

Our dividend payment policy seeks to provide investors with a stable and efficient form of capital distribution. Dividend payments in 2008, for 2007, were comprised of a cash dividend of CHF 2.50 per share

In light of the current environment, our Board of Directors will propose a cash dividend for 2008 of CHF 0.10 per share to the shareholders at the AGM on April 24, 2009. The distribution is subject to shareholder approval at the AGM.

The subsidiaries of the Group are generally subject to legal restrictions on the amount of dividends they can pay. We do not believe that legal or regulatory restrictions constitute a material limitation on the ability of our subsidiaries to pay dividends to the Group. The amount of dividends paid by operating subsidiaries is determined after consideration of the expectations for future results and growth of the operating businesses.

Dividend per ordinary share

end of	USD ¹	CHF
Dividend per ordinary share		
2007	2.01	2.50
2006 ²	2.16	2.70
2005	1.61	2.00
2004	1.20	1.50
2003 ³	0.40	0.50

¹ For details of the exchange rates used, refer to IX – Additional information. ² Distribution consisted of a dividend of CHF 2.24 and a par value reduction of CHF 0.46 as approved on May 4, 2007 for the financial year 2006. ³ Repayment out of share capital as approved on April 30, 2004, in lieu of a dividend for financial year 2003.

Economic capital

Overview

Economic capital is used as a consistent and comprehensive tool for risk management, capital management and performance measurement. Economic capital measures risks in terms of economic realities rather than regulatory or accounting rules and is the estimated capital needed to remain solvent and in business, even under extreme market, business and operational conditions, given our target financial strength (that is, long-term credit rating).

Under Pillar II of the Basel II framework (also referred to as the Supervisory Review Process), banks are required to implement a robust and comprehensive framework for assessing capital adequacy, defining internal capital targets and ensuring that these capital targets are consistent with their overall risk profile and the current operating environment. Our economic capital framework has an important role under Pillar II, as it represents our internal view of the amount of capital required to support our business activities.

Economic capital is calculated separately for position risk, operational risk and other risks. These three risks are used to determine our utilized economic capital and are defined as follows:

- Position risk: the level of unexpected loss in economic value on our portfolio of positions over a one-year horizon which is exceeded with a given small probability (1% for risk management purposes; 0.03% for capital management purposes);
- Operational risk: the level of loss resulting from inadequate or failed internal processes, people and systems or from external events over a one-year horizon which is exceeded with a given small probability (0.03%). Estimating this type of economic capital is inherently more subjective, and reflects both quantitative tools as well as senior management judgment; and
- Other risks: the risks not captured by the above, including expense risk, pension risk and owned real estate risk. Expense risk is defined as the difference between expenses and revenues in a severe market event, exclusive of the elements captured by position risk and operational risk. Pension risk is defined as the potential underfunding of our pension obligations in an extreme event and owned real estate risk is defined as the risk associated with the buildings we own.

We regularly review the economic capital methodology in order to ensure that the model remains relevant as markets and

business strategies evolve. In 2008, a number of enhancements were implemented to refine the modeling of the components of economic capital. This included a methodology enhancement to measure economic capital for pension plans and various enhancements to the modeling of position risk. Prior-period balances have been restated for methodology changes in order to show meaningful trends. The total impact of the methodology changes on 2007 utilized economic capital

was an increase of approximately CHF 2,304 million, or 9%. For further details of the enhancements made to position risk, refer to Risk management – Economic capital and position risk.

We have determined to update certain aspects of our economic capital model, mainly for increased severity of stress events and for assumed correlation between types of risks, in light of the extreme market dislocation and volatility in 2008.

Economic capital

	Group			Bank ¹		
	end of	% change		end of	% change	
	2008	2007	08 / 07	2008	2007	08 / 07
Economic capital resources (CHF million)						
Tier 1 capital ²	34,208	34,737	(2)	34,192	32,254	6
Economic adjustments ³	5,310	4,768	11	4,718	3,996	18
Economic capital resources	39,518	39,505	0	38,910	36,250	7
Utilized economic capital (CHF million)						
Position risk (99.97% confidence level)	17,867	22,863	(22)	17,158	22,266	(23)
Operational risk	2,677	2,469	8	2,677	2,469	8
Other risks ⁴	3,378	2,141	58	2,987	1,798	66
Utilized economic capital	23,922	27,473 ⁵	(13)	22,822	26,533 ⁵	(14)
Economic capital coverage ratio (%)						
Economic capital coverage ratio	165.2	143.8 ⁵	–	170.5	136.6 ⁵	–

¹ The major difference between economic capital of the Group and the Bank relates to the risks within Clariden Leu, Neue Aargauer Bank, BANK-now and Corporate Center. These risks include position and other risks. ² Under Basel II from January 1, 2008. Prior period ratios are reported under Basel I and are therefore not comparable. ³ Includes unrealized gains from fair value measurement and unrealized gains on owned real estate. Economic adjustments are made to tier 1 capital to enable comparison between economic capital resources and utilized economic capital. ⁴ Includes expense risk, pension risk, owned real estate risk, foreign exchange risk between economic capital resources and utilized economic capital and diversification benefit. ⁵ 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.

Economic capital by segment

	in / end of		% change
	2008	2007	08 / 07
Utilized economic capital by segment (CHF million)			
Wealth Management	2,284	1,923	19
Corporate & Retail Banking	3,807	3,463	10
Private Banking	6,091	5,386	13
Investment Banking	14,838	19,368 ¹	(23)
Asset Management	2,506	2,364	6
Corporate Center	518	358	45
Utilized economic capital – Group ²	23,922	27,473 ¹	(13)
Utilized economic capital – Bank ³	22,822	26,533 ¹	(14)
Average utilized economic capital by segment (CHF million)			
Wealth Management	2,097	1,755	19
Corporate & Retail Banking	3,570	3,462	3
Private Banking	5,667	5,217	9
Investment Banking	17,197	20,125 ¹	(15)
Asset Management	2,469	2,185	13
Corporate Center	735	899	(18)
Average utilized economic capital – Group ⁴	26,037	28,398 ¹	(8)
Average utilized economic capital – Bank ³	24,731	27,014 ¹	(8)

¹ 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. ² Includes a diversification benefit of CHF 31 million and CHF 3 million in 2008 and 2007 respectively. ³ The major difference between economic capital of the Group and the Bank relates to the risks within Clariden Leu, Neue Aargauer Bank, BANK-now and Corporate Center. These risks include position and other risks. ⁴ Includes a diversification benefit of CHF 31 million and CHF 28 million in 2008 and 2007, respectively.

Utilized economic capital trends

Over the course of 2008, our utilized economic capital decreased 13%. This was partly due to the depreciation of the US dollar against the Swiss franc as of the end of 2008. Excluding the US dollar translation impact, utilized economic capital decreased 9%, mainly due to reductions in position risk partially offset by higher expense risk.

The utilized economic capital for Wealth Management increased 19% due to increased position risks in private banking corporate & retail lending and equity trading & investments. Corporate & Retail Banking utilized economic capital increased 10% due to higher private banking corporate & retail lending position risk and increased emerging markets trade finance exposures.

For Investment Banking, utilized economic capital decreased 23%. Excluding the US dollar translation impact, utilized economic capital decreased 19%, mainly driven by reductions in most position risk categories, partially offset by increased expense risk.

For Asset Management, utilized economic capital increased 6%. Excluding the US dollar translation impact, utilized economic capital increased 13% as a result of increased

equity trading & investments position risk and increased expense risk.

Corporate Center utilized economic capital increased 45%, due to increased equity trading & investments position risk and increased foreign exchange risk between economic capital resources and utilized economic capital within the other risks category.

Economic capital coverage ratio

We use the economic capital framework to provide a reference point for a structured internal assessment of our solvency. Our solvency assessment is performed by comparing the economic capital required to support the current risk profile (utilized economic capital) with the amount of economic capital available to absorb losses (economic capital resources). We define economic capital coverage ratio as the ratio between economic capital resources and utilized economic capital. Economic capital resources are defined as reported capital (for example, tier 1 capital) net of adjustments required to provide consistency with economic capital. Our economic capital resources represent a bridge between accounting-based capital measures (for example, tier 1 capital) and the economic-based economic

capital framework, allowing for meaningful comparison between capital needs and resources.

We have established economic capital coverage ratio targets to provide a structured escalation process for potential discrepancies between overall risk-taking levels and capital resources. Our current target band is from 100% to 140%. The economic capital coverage ratio improved 21 percentage points from 144% to 165% during 2008, reflecting the reduction in utilized economic capital due to reduced position risk. Our coverage ratio remained significantly above our target band, however, we expect the ratio to decline to the lower part of our target band in 2009 as we implement updates to our economic capital model.

Foreign exchange exposure and interest rate management

Foreign exchange risk related to accrued net income and net assets is centrally managed with a focus on risk reduction and diversification. Currency risk of accrued profit and losses in

currencies other than the functional currency is managed through systematic sell-down. On the Bank level, we manage foreign exchange volatility through hedging of foreign currency net assets and through cash flow hedging of certain revenues and expenses.

Additional activities at the Group level are aimed at diversifying our returns on invested capital into foreign currencies. These activities need CARMC approval and are made with various considerations in mind, such as changes to our capital adequacy ratios from foreign exchange-related movements.

Interest rate risk inherent in banking book activities, such as lending and deposit taking, is transferred from the divisions to Treasury, which centrally manages the interest rate exposures. Treasury also develops and maintains the models needed to determine interest rate risks of products that do not have a defined maturity, such as demand and savings accounts. For this purpose, a replicating methodology is applied in close coordination with Risk Management to maximize stability and sustainability of spread revenues at the divisions. Further, Treasury manages the interest exposure of the Bank's equity to targets agreed with senior management.

Risk management

During 2008, our overall 99% position risk, measured on the basis of the economic capital model, decreased 22% compared to 2007. Average one-day, 99% VaR for our trading books increased 55% to CHF 178 million, primarily reflecting increased market volatility. After adjusting for data and methodology changes during the year, the December 31, 2008 VaR would have shown a significant decrease compared to December 31, 2007.

Impact of the financial crisis and responses

In line with our priority to reduce risk, established in 2007 at an early stage of the financial crisis, we continued to reduce risk exposures throughout 2008. Contagion effects emerging from the dislocation of the US mortgage-backed securities market increasingly affected interbank lending, credit, equity and emerging markets, leading to market correlations and volatilities at the highest level of expectations. The widespread deleveraging of market participants also adversely impacted our trading activities, particularly in the fourth quarter. While we were able to quickly reduce exposures in some trading strategies, the illiquid nature of holdings in other strategies meant that some risk positions can only be reduced over a longer period of time.

In addition to the hedges controlled at the trading desks, further hedges at a portfolio level mandated by risk management and senior management helped to mitigate the losses. However, due to basis risk between the trading positions and related hedges, we experienced higher daily trading volatility. In these adverse market conditions, we experienced a significant number of backtesting exceptions in our VaR model. To ensure our VaR model is more responsive to stressed market conditions, we introduced a scaling technique that adjusts the level of VaR for the most recent market volatilities.

To reflect changed market conditions, we adjusted and improved a number of the parameters used to calculate economic capital to address higher than anticipated stress severity and enhanced other aspects of the model during the year. We also further developed our scenario analyses to reflect the latest extreme market events, including recalibrating scenario severities for leveraged finance and commercial real estate underwriting and developing a more severe flight to quality scenario.

In our Investment Banking business, a buy and sell business model has generally mitigated risks and limited our exposure, but the further dislocation in the structured and credit markets during 2008 affected our efficiency in reducing risk exposure. In light of this environment, we have further limited

certain new business activities and reduced risk exposures in structured products, leveraged finance and securities purchased from our money market portfolios. Additional macro and single-position hedges have been purchased to further mitigate our risk exposure.

Risk management oversight

Risk governance

The prudent taking of risk in line with our strategic priorities is fundamental to our business as a leading global bank. To meet the challenges in a fast-changing industry with new market players and innovative and complex products, we established and continuously strengthen our risk function, which is independent of, but closely interacts with, the sales and trading functions to ensure the appropriate flow of information. Our risk management framework is based on transparency, management accountability and independent oversight. As a consequence of the increased complexity of risks, we have defined our risk perspective broadly. Risk management plays an important role in our business planning process and is strongly supported by senior management and the Board of Directors. The primary objectives of risk management are to protect our financial strength and reputation, while ensuring that capital is well deployed to support business activities and grow shareholder value. Although we have implemented comprehensive risk management processes and sophisticated control systems, we work to limit the impact of negative developments by carefully managing concentrations of risks. Further, the business mix of Private Banking, Investment Banking and Asset Management provides a certain amount of risk diversification.

Risk organization

Risks arise in all of our business activities and cannot be completely eliminated, however we work to manage risk in our internal control environment. Our risk management organization reflects the specific nature of the various risks in order to

ensure that risks are managed within limits set in a transparent and timely manner. At the level of the Board of Directors, this includes the following responsibilities:

- Group/Bank Board of Directors: responsible to shareholders for the strategic direction, supervision and control of the Group and for defining our overall tolerance for risk;
- Risk Committee: responsible for assisting the Board of Directors in fulfilling their oversight responsibilities by providing guidance regarding risk governance and the development of the risk profile and capital adequacy, including the regular review of major risk exposures and the approval of overall risk limits; and
- Audit Committee: responsible for assisting the Board of Directors in fulfilling their oversight responsibilities by monitoring management's approach with respect to financial reporting, internal controls, accounting and legal and regulatory compliance. Additionally, the Audit Committee is responsible for monitoring the independence and the performance of the internal and external auditors.

Overall risk limits are set by the Board of Directors and its Risk Committee. On a monthly basis, CARMC reviews risk exposures, concentration risks and risk-related activities. CARMC is responsible for supervising and directing our risk profile on a consolidated basis, recommending risk limits to the Board of Directors and its Risk Committee and for establishing and allocating risk limits within the various businesses. CARMC meet-

ings focus on the following three areas on a rotating basis: asset and liability management/liquidity; market and credit risk; and operational risk/legal and compliance.

Committees are implemented at a senior management level to support risk management. The Risk Processes and Standards Committee is responsible for establishing and approving standards regarding risk management and risk measurement, including methodology and parameters. The Credit Portfolio and Provisions Review Committee reviews the quality of the credit portfolio with a focus on the development of impaired assets and the assessment of related provisions and valuation allowances. The Reputational Risk and Sustainability Committee sets policies, and reviews processes and significant cases relating to reputational risks. There are also divisional risk management committees, which are closer to the daily business and established to manage risk on a divisional basis.

The risk committees are further supported by Treasury, which is responsible for the management of our balance sheet, capital management, liquidity and related hedging policies. The risk management function, which is independent of the business, includes:

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

Key management bodies and committees

Group / Bank		
Board of Directors		
Audit Committee Risk Committee		
Chief Executive Officer		
Executive Board		
Capital Allocation & Risk Management Committee (CARMC)		
ALM ¹ / Capital / Funding / Liquidity	Position Risks	OpRisk / LCD ²
Risk Processes & Standards Committee	Credit Portfolio & Provisions Review Committee	Reputational Risk & Sustainability Committee
Divisions		
PB RMC	IB RMC	AM RMC

¹ Asset and Liability Management ² Legal and Compliance Department

The CRO area is responsible for providing risk management oversight and establishing an organizational basis to manage all risk management matters through four primary risk functions: SRM assesses the overall risk profile on a Group-wide portfolio level and for individual businesses, and recommends corrective action where necessary; RMM is responsible for the measurement and reporting of credit risk, market risk and economic capital, managing risk limits and establishing policies on market risk and economic capital; CRM has a Chief Credit Officer for Private Banking and a Chief Credit Officer for Investment Banking and Asset Management, with responsibility for approving credit limits, monitoring and managing individual exposures and assessing and managing the quality of credit portfolios and allowances; and BORO acts as the central hub for the divisional operational risk functions. The CRO area also addresses critical risk areas such as business continuity and reputational risk management.

Risk types

Within our risk framework, we have defined the following types of risk:

Management risks:

- Strategy risk: outcome of strategic decisions or developments; and
- Reputational risk: damage to our standing in the market.

Chosen risks:

- Market risk: changes in market factors such as prices, volatilities and correlations;
- Credit risk: changes in the creditworthiness of other entities; and
- Expense risk: difference between operating expenses and income in a crisis.

Consequential risks:

- Operational risk: inadequate or failed internal processes, people and systems or external events; and
- Liquidity risk: inability to fund assets or meet obligations at a reasonable price.

Management risks are difficult to quantify. While management of strategy risk is at the Board of Directors and Executive Board level, a process has been implemented to globally capture and manage reputational risk. Chosen risks are, in general, highly quantifiable, but are challenging in complexity and scale, especially when aggregated across all positions and types of financial instruments. Additionally, the traditional boundaries between market risks and credit risk have become blurred. For operational risk management, we have primarily

set up processes on divisional and regional levels. Liquidity management is centralized with Treasury.

Information required under Pillar 3 related to risk will be published by the end of April 2009 on our website at www.credit-suisse.com/investors/en.

Risk limits

A sound system of risk limits is fundamental to effective risk management. The limits define our maximum balance sheet and off-balance sheet exposure given the market environment, business strategy and financial resources available to absorb losses.

We use an economic capital limit structure to manage overall risk taking. The level of risks incurred by the divisions is further restricted by a variety of specific limits. For example, there are consolidated controls over trading exposures, the mismatch of interest-earning assets and interest-bearing liabilities, private equity and seed money and emerging market country exposures. Risk limits are allocated to lower organizational levels within the businesses, and numerous other limits are established for specific risks, including a system of individual counterparty credit limits that is used to control concentration risks.

Economic capital and position risk

Concept

Economic capital is our core Group-wide risk management tool. It represents good current market practice for measuring and reporting all quantifiable risks and measures risk in terms of economic realities rather than regulatory or accounting rules. It also provides a common terminology for risk across the Group, which increases risk transparency and improves knowledge sharing. The development and usage of economic capital methodologies and models have evolved over time without a standardized approach within the industry, therefore comparisons across firms may not be meaningful.

Position risk, which is a component of the economic capital framework, is used to assess, monitor and report risk exposures throughout the Group. Position risk is the level of unexpected loss in economic value on our portfolio of positions over a one-year horizon which is exceeded with a given small probability (1% for risk management purposes; 0.03% for capital management purposes). For further details of the economic capital framework, refer to Treasury management – Economic capital.

We regularly review the economic capital methodology to ensure the model remains relevant as markets and business strategies evolve. In 2008, a number of enhancements were

implemented to refine the modeling of the position risk component of economic capital. The key changes were refinements to the treatment of leveraged finance commitments in the international lending & counterparty exposures calculation, methodology enhancements to capture contingent fixed income trading position risks related to certain of our money market funds and updates to the parameters for merger arbitrage risk in the equity trading & investments position risk category. Prior-period balances have been restated for methodology changes in order to show meaningful trends. The total impact of methodology changes on year-end 2007 99% position risk was an increase of approximately CHF 693 million, or 6%.

In light of the extreme market dislocation and volatility in 2008, certain aspects of our economic capital model will be updated in 2009, mainly for increased severity of stress events and assumed correlation between types of risk.

Limit management

Position risk is managed through a system of integrated risk limits to control the range of risks inherent in business activities. The limit structure restricts overall risk-taking capacity and triggers senior management risk discussions in the event of substantial changes in our overall risk profile. The calibration of limits is performed in conjunction with the annual planning process in order to ensure our risk appetite is in line with our financial resources.

The Board of Directors and senior management are regularly provided with economic capital results, trends and ratios,

together with supporting explanations to provide risk transparency and facilitate the decision-making process of the firm.

Key position risk trends

Compared to 2007, position risk for risk management purposes decreased 22%. 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 following sales, net valuation reductions and risk reductions associated with the PAF compensation plan, and reductions in international lending & counterparty exposures, mainly due to reductions in leveraged finance following loan writedowns, the expiration of lending commitments and risk reductions associated with the PAF compensation plan. Fixed income trading decreased due to reduced traded credit spread, commodity and foreign exchange exposures, partially offset by increased interest rate exposures. Equity trading & investments decreased due to reduced equity trading exposures, and emerging markets decreased due to reduced exposures in Latin America and Asia. Private banking corporate & retail lending increased due to updated loan default and recovery parameters and higher commercial loan exposures and commercial mortgages.

As part of our overall risk management, we hold a portfolio of hedges. Hedges are impacted by market movements, similar to other trading securities, and may result in gains or losses on the hedges which offset losses or gains on the portfolios they were designed to hedge. Due to the varying nature and structure of hedges, these gains or losses may not wholly offset the losses or gains on the portfolio.

Group position risk

			end of	% change	
	2008	2007 ¹	2006	08 / 07	07 / 06
Position risk (CHF million)					
Fixed income trading ²	1,570	2,226	2,623	(29)	(15)
Equity trading & investments	2,405	3,052	2,601	(21)	17
Private banking corporate & retail lending	2,490	2,286	2,174	9	5
International lending & counterparty exposures	3,294	4,384	3,974	(25)	10
Emerging markets	1,741	2,040	1,775	(15)	15
Real estate & structured assets ³	2,012	3,421	4,984	(41)	(31)
Simple sum across risk categories	13,512	17,409	18,131	(22)	(4)
Diversification benefit	(3,684)	(4,759)	(4,979)	(23)	(4)
Position risk (99% confidence level for risk management purposes)	9,828	12,650	13,152	(22)	(4)
Position risk (99.97% confidence level for capital management purposes)	17,867	22,863	22,548	(22)	1

Prior balances have been restated for methodology changes in order to show meaningful trends.

¹ 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. ² This category comprises fixed income trading, foreign exchange and commodity exposures. ³ This category comprises the real estate investments of the Group, commercial and residential real estate, ABS exposure and real estate acquired at auction.

Market risk

Market risk is the risk of loss arising from adverse changes in interest rates, foreign currency exchange rates, equity prices, commodity prices and other relevant parameters, such as market volatility. We define our market risk as potential changes in the fair values of financial instruments in response to market movements. A typical transaction may be exposed to a number of different market risks.

We devote considerable resources to ensure that market risk is comprehensively captured, accurately modeled and reported and effectively managed. Trading and non-trading portfolios are managed at various organizational levels, from the overall risk positions at the Group level down to specific portfolios. We use market risk measurement and management methods designed to meet or exceed industry standards. These include general tools capable of calculating comparable exposures across our many activities and focused tools that can specifically model unique characteristics of certain instruments or portfolios. The tools are used for internal market risk management, internal market risk reporting and external disclosure purposes. The principal measurement methodologies are VaR and scenario analysis. Additionally, our market risk exposures are reflected in our economic capital calculations. The risk management techniques and policies are regularly reviewed to ensure they remain appropriate.

Value at Risk

VaR measures the potential loss in terms of fair value changes due to adverse market movements over a given time interval at a given confidence level. VaR as a concept is applicable for all financial risk types with valid regular price histories. Positions are aggregated by risk type rather than by product. For example, interest rate risk includes risk arising from interest rate, foreign exchange, equity and commodity options, money market and swap transactions and bonds. The use of VaR allows the comparison of risk in different businesses, such as fixed income and equity, and also provides a means of aggregating and netting a variety of positions within a portfolio to reflect actual correlations and offsets between different assets.

Historical financial market rates, prices and volatility serve as a basis for the statistical VaR model underlying the potential loss estimation. We use a ten-day holding period and a confidence level of 99% to model the risk in our trading portfolios. These assumptions are compliant with the standards published by the Basel Committee on Banking Supervision and other related international standards for market risk management. For some purposes, such as backtesting, disclosure and benchmarking with competitors, the resulting VaR figures are scaled down or calculated to a one-day holding period level.

We use a historical simulation model for the majority of risk types and businesses within our trading portfolios. Where insufficient data is available for such an approach, an "extreme-move" methodology is used. The model is based on the profit and loss distribution resulting from historical changes

in market rates, prices and volatility applied to evaluate the portfolio. This methodology also avoids any explicit assumptions on correlation between risk factors. We use a three-year historical dataset to compute VaR. To ensure that VaR responds appropriately in times of market stress, we introduced a new scaling technique in the fourth quarter that adjusts the level of VaR to reflect current market conditions more rapidly. This new technique, scaled VaR, adjusts VaR in cases where the short-term market volatility is higher than the long-term volatility from the full three year dataset. This results in a more responsive VaR model, as the impact of changes in overall market volatility is reflected almost immediately in the scaled VaR model. We monitor VaR on both an unscaled and scaled basis for risk management purposes.

Credit Suisse has approval from the FINMA, as well as from certain other regulators of our subsidiaries, to use our VaR model in the calculation of trading book market risk capital requirements. We continue to receive regulatory approval for ongoing enhancements to the methodology, and the model is subject to regular reviews by regulators.

The VaR model uses assumptions and estimates that we believe are reasonable, but changes to assumptions or estimates could result in a different VaR measure. As a risk measure, VaR only quantifies the potential loss on a portfolio under normal market conditions. Other risk measures, such as scenario analysis, are used to estimate losses associated with unusually severe market movements. VaR also assumes that price data from the recent past can be used to predict future events. If future market conditions differ substantially from past market conditions, the risk predicted by VaR may be overestimated or underestimated.

Scenario analysis

We regularly perform scenario analysis for all of our businesses exposed to market risk to estimate the potential economic loss that could arise from extreme, but plausible, stress events. The scenario analysis calculations performed are specifically tailored towards their respective risk profile. In addition, to identify areas of risk concentration and potential vulnerability to stress events across the Group, we have developed a set of scenarios which are consistently applied across all businesses. Key scenarios include significant movements in credit markets, interest rates, equity prices and exchange rates, as well as adverse changes in counterparty default and recovery rates. We also use combination scenarios, which consider the impact of significant, simultaneous movements across a broad range of markets and asset classes, to analyze the impact of wider market turbulence. The scenario analysis framework also considers the impact of various scenarios on key capital adequacy measures such as regulatory capital and

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

Scenario analysis estimates the impact that could arise from extreme, but plausible, stress events by applying predefined scenarios to the relevant portfolios. Scenarios are typically defined in light of past economic or financial market stress periods, but statistical analysis is also used to define the less severe scenarios in the framework.

Scenario analysis estimates the loss that could arise if specific events in the economy or in financial markets were to occur. Seldom do past events recur in exactly the same way. Therefore, it is necessary to use business experience to choose a set of meaningful scenarios and to assess the scenario results in light of current economic and market conditions.

The scenario analysis framework is periodically reviewed to help ensure that it remains relevant given changes in portfolio composition and market conditions. Each primary scenario is typically run at several different levels of severity to provide information on possible losses over a range of market circumstances. In response to the financial market turbulence experienced in 2008, the parameter shocks for most types of scenarios were updated to reflect more volatile market conditions, particularly for credit and mortgage-related positions. Several new scenarios were also introduced to focus on specific markets or risks, including underwriting, basis and regional risks. Finally, a new combination scenario was introduced that incorporated more severe market changes.

Trading portfolios

Risk measurement and management

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

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

We are active in most of the principal trading markets of the world, using the majority of common trading and hedging products, including derivatives such as swaps, futures, options and structured products (some of which are customized transactions using combinations of derivatives and executed to meet specific client or proprietary needs). As a result of our

broad participation in products and markets, our trading strategies are correspondingly diverse and exposures are generally spread across a range of risk factors and locations.

Development of trading portfolio risks

The table entitled "One-day, 99% VaR" shows our trading-related market risk exposure, as measured by one-day, 99% VaR. The VaR in the table has been calculated using a three-year historical dataset. As we measure trading book VaR for internal risk management purposes using the US dollar as the base currency, the VaR figures were translated into Swiss francs using daily currency translation rates. VaR estimates are computed separately for each risk type and for the whole portfolio using the historical simulation methodology. The diversification benefit reflects the net difference between the sum of

the 99th percentile loss for each individual risk type and for the total portfolio.

Our one-day, 99% VaR as of December 31, 2008 was CHF 123 million, compared to CHF 216 million as of December 31, 2007. The average VaR was CHF 178 million for 2008, compared to CHF 115 million for 2007. VaR declined significantly in the second half of 2008 due to active risk reduction programs in equity trading, commercial and residential mortgages and commodities trading. The decline in VaR due to these exposure reductions was partly offset as increased market volatility was included in the historical dataset used to calculate VaR. After adjusting for data and methodology changes during the year, the December 31, 2008 VaR would have shown a significant decrease compared to December 31, 2007.

One-day, 99% VaR

in / end of period	Interest rate and credit spread	Foreign exchange	Commodity	Equity	Diversi- fication benefit	Total VaR	Total scaled VaR
2008 (CHF million)							
Average	149	22	36	65	(94)	178	252
Minimum	103	7	18	29	- ¹	123	160
Maximum	232	57	60	126	- ¹	272	360
End of period	107	16	18	39	(57)	123	185
2007 (CHF million)							
Average ²	74	25	17	79	(80)	115	148
Minimum ²	46	8	8	51	- ¹	56	60
Maximum ²	131	58	36	126	- ¹	216	320
End of period ²	124	48	31	91	(78)	216	291
2006 (CHF million)							
Average	57	19	10	59	(65)	80	81
Minimum	42	9	6	44	- ¹	53	53
Maximum	82	38	20	90	- ¹	124	124
End of period	62	24	15	57	(69)	89	89

¹ As the maximum and minimum occur on different days for different risk types, it is not meaningful to calculate a portfolio diversification benefit. ² 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.

Scaled VaR as of December 31, 2008 was CHF 185 million, compared to CHF 291 million as of December 31, 2007, and average scaled VaR was CHF 252 million for 2008, compared to CHF 148 million for 2007.

Various techniques are used to assess the accuracy of the VaR model used for trading portfolios, including backtesting. In line with industry practice, we present backtesting using actual daily trading revenues. Actual daily trading revenues are compared with scaled VaR calculated using a one-day holding

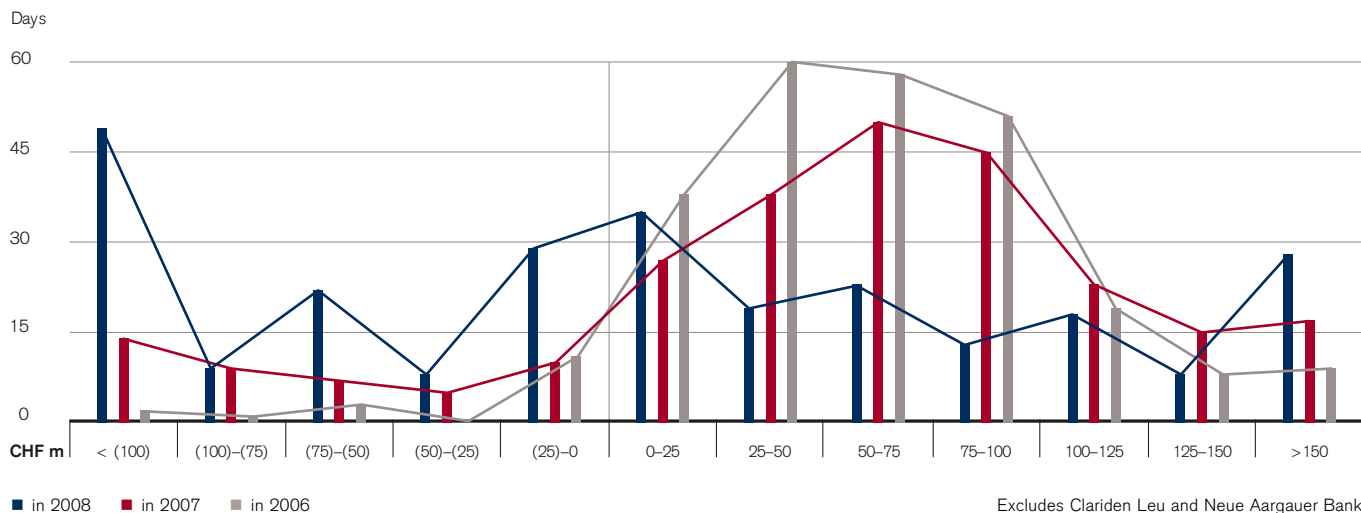
period. A backtesting exception occurs when the daily loss exceeds the daily scaled VaR estimate.

We had 25 backtesting exceptions in 2008, compared with nine backtesting exceptions in 2007. These exceptions were calculated using the scaled VaR model following its introduction in the fourth quarter. The backtesting exceptions in 2008 were primarily driven by extreme movements in US mortgage markets, particularly in the first quarter, coupled with contagion effects across the wider credit, equity, interest rate and

Daily VaR



Actual daily trading revenues



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.

foreign exchange markets throughout 2008. The VaR model is subject to regular assessment and evaluation to seek to maintain accuracy given current market conditions and positions. In response to the backtesting performance, we made a series of changes to the methodology in 2008 to enhance the modeling of structured credit products, to improve the capture of basis risk and to make the VaR model more responsive to sharp increases in market volatility. VaR also increased as more volatile data for 2008 replaced less volatile data from 2005. If these methodology and data changes had been in place at the start of 2008, we would have experienced signif-

icantly fewer backtesting exceptions for the year. The output of our VaR model is used in the calculation of our regulatory capital requirement for market risk. For further information, refer to Treasury management – Capital management – Description of regulatory approaches.

The histogram entitled “Actual daily trading revenues” compares the actual trading revenues for 2008 with those for 2007 and 2006. The dispersion of trading revenues indicates the day-to-day volatility in our trading activities.

Banking portfolios

Risk measurement and management

The market risks associated with our non-trading portfolios primarily relate to asset and liability mismatch exposures, equity instrument participations and investments in bonds and money market instruments. All of our businesses and the Corporate Center have non-trading portfolios that carry some market risks.

The market risks associated with the non-trading portfolios are measured, monitored and limited using several tools, including economic capital, scenario analysis, sensitivity analysis and VaR. For the purpose of this disclosure, the aggregated market risks associated with our non-trading portfolios are measured using sensitivity analysis. The sensitivity analysis for the non-trading activities measures the amount of potential change in economic value resulting from specified hypothetical shocks to market factors. It is not a measure for the potential impact on reported earnings in the current period, since the non-trading activities generally are not marked to market through earnings.

Development of non-trading portfolio risks

We assume non-trading interest rate risks through interest rate-sensitive positions originated by Private Banking and risk-transferred to Treasury, money market and funding activities by Treasury and the deployment of our consolidated equity as well as other activities, including market-making and trading activities involving banking book positions at the divisions. Savings accounts and many other retail banking products have no contractual maturity date or direct market-linked interest rate and are risk-transferred from Private Banking to Treasury on a pooled basis using replicating portfolios (approximating the re-pricing and client behavior on the underlying product). Treasury and other desks running interest rate risk positions actively manage the positions within approved limits.

The impact of a one-basis-point parallel increase in yield curves on the fair value of interest rate-sensitive non-trading book positions would have been an increase of CHF 5.3 million as of December 31, 2008, compared to a decrease of CHF 4.4 million as of December 31, 2007. The change was mainly due to the impact of hybrid capital instruments issued in 2008. Non-trading interest rate risk is assessed using other measures including the potential value change resulting from a significant change in yield curves in relation to total eligible regulatory capital, which is regularly assessed on a consolidated and legal entity basis. As of December 31, 2008, the fair value impacts of an adverse 200-basis-point move in yield curves and of a statistical one-year, 99% adverse change in yield curves in relation to total eligible regulatory capital were 2.45% and 1.29%, respectively, which are significantly below

the 20% threshold used by regulators to identify banks that potentially run excessive levels of non-trading interest rate risk.

Our non-trading equity portfolio includes positions in hedge funds, private equity and other instruments. These positions may not be strongly correlated with general equity markets. Equity risk on non-trading positions is measured using sensitivity analysis that estimates the potential change in value resulting from a 10% decline in the equity markets of developed nations and a 20% decline in the equity markets of emerging market nations. The estimated impact of this scenario would be a decrease of approximately CHF 542 million in the value of the non-trading portfolio as of December 31, 2008, compared to a decrease of approximately CHF 515 million in the value of the non-trading portfolio as of December 31, 2007. The impact for 2007 has been restated in order to show meaningful trends. The main reason for the change was an increase in private equity and hedge fund exposures.

Commodity risk on non-trading positions is measured using sensitivity analysis that estimates the potential change in value resulting from a 20% weakening in commodity prices. The estimated impact of this scenario would be a decrease of approximately CHF 29 million in the value of the non-trading portfolio as of December 31, 2008 compared to a decrease of less than CHF 1 million as of December 31, 2007. The main reason for the change was an increase in holdings of carbon credits.

For details of the exposure to foreign exchange risk in our non-trading portfolio, refer to Treasury management – Foreign exchange exposure and interest rate management.

Credit risk

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

The majority of our credit risk is concentrated in Private Banking and Investment Banking. Credit risk exists within lending products, commitments and letters of credit, and results from counterparty exposure arising from derivatives, foreign exchange and other transactions.

Credit risk management approach

Effective credit risk management is a structured process to assess, quantify, price, monitor and manage risk on a consistent basis. This requires careful consideration of proposed

extensions of credit, the setting of specific limits, diligent ongoing monitoring during the life of the exposure, active use of credit mitigation tools and a disciplined approach to recognizing credit impairment.

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

- individual counterparty rating systems;
- transaction rating systems;
- a counterparty credit limit system;
- country concentration limits;
- risk-based pricing methodologies;
- active credit portfolio management; and
- a credit risk provisioning methodology.

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

Counterparty and transaction rating

We have developed a set of credit rating models tailored for different client segments in both Private Banking and Investment Banking (for example, international corporates, financial institutions, asset finance, small and medium-sized entities, commodity traders, residential mortgages) for the purpose of internally rating counterparties to whom we are exposed to credit risk as the contractual party to a loan, loan commitment or OTC derivative contract. The models are built from statistical data and then subject to a thorough business review before implementation. Each credit rating model is validated independently prior to implementation and on a regular basis. At the time of initial credit approval and review, relevant quantitative data (such as financial statements and financial projections) and qualitative factors relating to the counterparty are used in the models and result in the assignment of a credit rating or PD, which measures the counterparty's risk of default over a one-year period. To ensure that ratings are consistent and comparable across all businesses, we have used an internal rating scale which is benchmarked to the external rating agencies using the historical PD associated with external ratings. The relationship between the PD and external agency ratings is reviewed annually and adjustments are made to calibrate the internal rating classification to the assumed PD in the external ratings.

Additionally, an estimate of expected loss in the event of a counterparty default is assigned based on the structure of each transaction. The counterparty credit rating is used in combination with credit (or credit equivalent) exposure and the LGD assumption to estimate the potential credit loss. LGD represents the expected loss on a transaction should default occur and takes into account structure, collateral, seniority of the claim and, in certain areas, the type of counterparty. These credit risk estimates are used consistently for the purposes of business and credit portfolio steering, credit policy, approval and monitoring, management reporting, risk-adjusted performance measurement, economic capital measurement and allocation and certain financial accounting purposes. The overall internal credit rating system has been approved by the FINMA for application under the Basel II A-IRB approach. This approach also allows us to price transactions involving credit risk more accurately, based on risk/return estimates.

Credit approval process and provisioning

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

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

A rigorous credit quality review process provides an early identification of possible changes in the creditworthiness of clients and includes regular asset and collateral quality reviews, business and financial statement analysis and relevant economic and industry studies. Other key factors considered in the review process include current and projected business and economic conditions, historical experience, regulatory requirements and concentrations of credit by industry, country, product and counterparty rating. Regularly updated watch lists and review meetings are used for the identification of counterparties where adverse changes in creditworthiness could occur due to events such as announced mergers and acquisitions, earnings weaknesses and lawsuits.

Our regular review of the creditworthiness of clients and counterparties does not depend on the accounting treatment of the asset or commitment. Adverse changes in the creditworthiness of counterparties of loans held at fair value are reflected in valuation changes reported directly in revenues, and therefore are not part of the impaired loans balance. We regularly review the appropriateness of allowances for credit losses. A systematic provisioning methodology is used to identify potential credit risk-related losses. Impaired transactions are classified as potential problem exposure, non-performing exposure or non-interest-earning exposure, and the exposures are generally managed within credit recovery units. The Credit Portfolio and Provisions Review Committee regularly deter-

mines the adequacy of allowances, taking into consideration whether the levels are sufficient for credit losses and whether allowances can be released or if they should be increased.

Credit risk overview

All transactions that are exposed to potential losses due to a counterparty failing to meet an obligation are subject to credit risk exposure measurement and management. The following table represents credit risk from loans, loan commitments and certain other contingent liabilities, loans held for sale, traded loans and derivative instruments before consideration of risk mitigation such as cash collateral and marketable securities or credit hedges, as of December 31, 2007 and 2008.

Credit risk

end of	2008	2007
Credit risk (CHF million)		
Balance sheet		
Gross loans	237,463	241,788
of which reported at fair value	32,314	31,047
Loans held-for-sale	23,166	47,975
Traded loans	2,846	15,906
Derivative instruments ¹	108,620	99,550
Total balance sheet	372,095	405,219
Off-balance sheet		
Loan commitments	238,128	249,025
Credit guarantees and similar instruments	7,493	9,469
Irrevocable commitments under documentary credits	4,220	5,970
Total off-balance sheet	249,841	264,464
Total credit risk	621,936	669,683

Before risk mitigation, for example, collateral, credit hedges.

¹ Positive replacement value after netting agreements.

Loans and loan commitments

Loans where we have the intention and ability to hold to maturity are initially recognized at fair value, including direct and incremental transactions costs, and subsequently valued at amortized cost less any provision for impairment. Loan commitments include irrevocable credit facilities for Investment

Banking and Private Banking and, additionally in Private Banking, unused credit limits which can be revoked at our sole discretion upon notice to the client. Loans and loan commitments for which the fair value option (SFAS 159) is elected are reported at fair value with changes in fair value reported in trading revenues.

Loans and loan commitments

end of	2008	2007
Loans and loan commitments (CHF million)		
Gross loans	237,463	241,788
of which Private Banking	175,758	176,393
of which Investment Banking	61,625	65,259
Loan commitments	238,128	249,025
Total loans and loan commitments	475,591	490,813
of which Private Banking	337,220	309,899
of which Investment Banking ¹	135,274	178,394

¹ Excludes non-rated positions of CHF 1,357 million and of CHF 688 million in 2008 and 2007, respectively, representing unsettled positions in non-broker dealer entities.

Risk mitigation

We actively manage our credit exposure utilizing credit hedges and collateral, such as cash and marketable securities. A large part of the Private Banking lending portfolio, primarily within the BBB counterparty rating classes, is collateralized by securities which can be readily liquidated. In Investment Banking

we manage credit exposures primarily with credit hedges and monetizable collateral. Credit hedges represent the notional exposure that has been transferred to other market counterparties, generally through the use of credit default swaps.

The following tables illustrate the effects of risk mitigation on a combined exposure of loans and loan commitments.

Loans and loan commitments – Private Banking

end of	2008			2007		
Internal counterparty ratings	Gross exposure	Cash collateral and marketable securities	Net exposure	Gross exposure	Cash collateral and marketable securities	Net exposure
Risk mitigation (CHF million)						
AAA	1,406	(29)	1,377	1,057	(12)	1,045
AA	2,973	(32)	2,941	4,432	(24)	4,408
A	19,980	(1,211)	18,769	14,206	(785)	13,421
BBB	231,354	(130,609)	100,745	212,437	(113,102)	99,335
BB	75,609	(4,844)	70,765	71,572	(4,332)	67,240
B	3,755	(91)	3,664	4,374	(67)	4,307
CCC	345	(5)	340	283	0	283
D	1,798	(456)	1,342	1,538	(17)	1,521
Total loans and loan commitments	337,220	(137,277)	199,943 ¹	309,899	(118,339)	191,560 ¹

Includes irrevocable credit facilities and unused credit limits which can be revoked at our sole discretion upon notice to the client.

¹ In addition, we have a synthetic collateralized loan portfolio, Clock Finance No. 1, which effectively transfers the first loss credit risk on a CHF 4.8 billion portfolio of originated loans within Corporate & Retail Banking to capital market investors.

Loans and loan commitments – Investment Banking

end of	2008							2007
Internal counterparty ratings	Gross exposure	Credit hedges	Cash collateral and marketable securities	Net exposure	Gross exposure	Credit hedges	Cash collateral and marketable securities	Net exposure
Risk mitigation (CHF million)								
AAA	9,503	0	(554)	8,949	8,928	0	(337)	8,591
AA	18,885	(1,662)	(478)	16,745	18,096	(2,614)	(51)	15,431
A	30,889	(5,349)	(3,754)	21,786	37,290	(7,265)	(4,205)	25,820
BBB	34,233	(12,190)	(438)	21,605	42,789	(15,625)	(631)	26,533
BB	14,056	(2,604)	(499)	10,953	20,366	(3,356)	(595)	16,415
B	22,334	(2,500)	(827)	19,007	42,296	(4,248)	(2,367)	35,681
CCC	4,024	(787)	(147)	3,090	5,724	(526)	(153)	5,045
CC	85	0	0	85	541	(301)	0	240
C	552	0	0	552	340	0	0	340
D	713	(37)	(6)	670	2,024	(1)	0	2,023
Total loans and loan commitments	135,274¹	(25,129)	(6,703)	103,442¹	178,394¹	(33,936)	(8,339)	136,119¹

Includes undrawn irrevocable credit facilities.

¹ Excludes non-rated positions of CHF 1,357 million and of CHF 688 million in 2008 and 2007, respectively, representing unsettled positions in non-broker dealer entities.

Loss given default

The Private Banking LGD measurement system takes into account collateral pledged against the exposure and guarantees received. The LGD measurement system is validated independently on a regular basis and has been approved by the regulatory authorities for application in the Basel II A-IRB approach. The concentration in BBB and BB rated counterparties with low LGD exposure largely reflects the Private

Banking residential mortgage business, which is highly collateralized. In Investment Banking, the LGD measurement is primarily determined by the seniority ranking of the exposure, with the exposure adjusted for risk mitigation and guarantees received. The tables below present our loans, net of risk mitigation, across LGD buckets for Private Banking and Investment Banking.

Loans – Private Banking

end of 2008	Loss given default buckets							
Internal counterparty ratings	Funded gross exposure	Funded net exposure	0-10%	11-20%	21-40%	41-60%	61-80%	81-100%
Loss given default (CHF million)								
AAA	631	630	329	158	41	9	79	14
AA	2,001	1,993	385	1,102	170	33	287	16
A	12,446	12,225	4,604	4,182	2,310	453	598	78
BBB	100,158	70,532	29,996	15,080	17,255	2,587	5,569	45
BB	55,904	54,178	13,687	11,621	20,055	4,162	3,535	1,118
B	3,006	2,987	1,015	480	971	272	248	1
CCC	125	125	62	12	31	20	0	0
D	1,487	1,269	94	176	268	283	387	61
Total loans	175,758	143,939	50,172	32,811	41,101	7,819	10,703	1,333

Loans – Investment Banking

end of 2008	Loss given default buckets							
Internal counterparty ratings	Funded gross exposure	Funded net exposure	0-10%	11-20%	21-40%	41-60%	61-80%	81-100%
Loss given default (CHF million)								
AAA	921	755	0	0	5	750	0	0
AA	7,278	7,202	81	0	105	7,016	0	0
A	9,350	5,376	0	0	642	4,734	0	0
BBB	17,572	10,327	117	0	4,523	5,687	0	0
BB	7,927	6,271	8	0	3,597	2,666	0	0
B	12,673	10,168	146	0	7,008	2,790	224	0
CCC	3,297	2,518	62	0	1,338	963	59	96
CC	70	70	0	0	20	50	0	0
C	543	543	433	0	110	0	0	0
D	637	600	7	0	533	60	0	0
Total loans	60,268¹	43,830¹	854	0	17,881	24,716	283	96

¹ Excludes non-rated positions of CHF 1,357 million representing unsettled positions in non-broker dealer entities.

Loans

Compared to the end of 2007, gross loans decreased CHF 4.3 billion, or 2%. In Private Banking, the loan book of Corporate & Retail Banking in Switzerland continued to grow during 2008, while the decrease in loans within Wealth Management mainly reflected loan repayments as clients deleveraged their portfolios in the fourth quarter as a result of the unprecedented market dislocations. In Investment Banking, gross loans decreased 6% to CHF 61.6 billion, due to decreases in commercial and industrial loans, partially offset by increased loans to financial institutions. The decreases in commercial and industrial loans were largely due to risk reduction in our leveraged finance exposures.

For further information on our loan portfolio, refer to IX – Additional information – Statistical information.

Impaired loans

A loan held for investment, valued at amortized cost, is considered impaired when we believe it is probable that we will be unable to collect all amounts due in accordance with the contractual terms of the loan agreement. Impaired loans exclude loans which are reported at fair value. A loan is classified as non-performing no later than when the contractual payments of principal and/or interest are more than 90 days past due. However, management may determine that a loan should be classified as non-performing notwithstanding that contractual payments of principal and/or interest are less than 90 days past due. We continue to accrue interest for collection purposes; however, a corresponding provision against the accrual is booked through the consolidated statements of operations.

In addition, for any accrued but unpaid interest at the date the loan is deemed non-performing, a corresponding provision is booked against the accrual through the consolidated statements of operations. At the time a loan is deemed non-performing and on a periodic basis, the remaining principal is evaluated for collectability and an allowance is established for any shortfall between the net recoverable amount and the remaining principal balance.

A loan can be further downgraded to non-interest-earning when the collection of interest is in such a doubtful state that further accrual of interest is deemed inappropriate. At that time and on a periodic basis, any unreserved remaining principal balance is evaluated for collectability and an additional provision is established as required. A write-off of a loan occurs when it is determined that there is no possibility to recover the principal. Write-offs also occur due to the sale, settlement or restructuring of a loan, or when uncertainty as to the repayment of either principal or accrued interest exists.

Generally, a loan may be restored to performing status when all delinquent principal and interest payments become current in accordance with the terms of the loan agreement and certain performance criteria are met.

Total gross impaired loans increased CHF 779 million to CHF 2.7 billion in 2008. Total non-performing and non-interest-earning loans increased CHF 562 million to CHF 1.9 billion and total other impaired loans increased CHF 217 million to CHF 813 million. In Investment Banking this was mainly the result of impairment on loans made to various borrowers in Asia. In Private Banking it was mainly the result of the deteriorating equity markets as increasing loan-to-value ratios of

Loans

end of	Wealth Management		Corporate & Retail Banking	
	2008	2007	2008	2007
Loans (CHF million)				
Mortgages	32,759	31,450	47,824	48,128
Loans collateralized by securities	20,898	23,267	252	202
Consumer finance	771	916	4,077	3,786
Consumer loans	54,428	55,633	52,153	52,116
Real estate	5,437	4,996	16,399	15,888
Commercial and industrial loans	7,999	10,661	29,353	27,910
Loans to financial institutions	3,737	4,970	5,058	2,803
Governments and public institutions	32	67	1,162	1,349
Corporate and institutional loans	17,205 ²	20,694 ²	51,972	47,950
Gross loans	71,633	76,327	104,125	100,066
of which reported at fair value	–	–	–	–
Net (unearned income) / deferred expenses	13	12	21	40
Allowance for loan losses ³	(165)	(74)	(747)	(865)
Net loans	71,481	76,265	103,399	99,241
Impaired loans (CHF million)				
Non-performing loans	306	101	582	638
Non-interest-earning loans	40	31	236	346
Total non-performing and non-interest-earning loans	346	132	818	984
Restructured loans	0	0	2	7
Potential problem loans	65	6	312	366
Total other impaired loans	65	6	314	373
Gross impaired loans ³	411	138	1,132	1,357
of which with a specific allowance	386	137	967	1,182
of which without a specific allowance	25	1	165	175
Allowance for loan losses (CHF million)				
Balance at beginning of period ³	74	78	865	1,150
Change in accounting	0	0	0	0
Net movements recognized in statements of operations	117	4	20	(62)
Gross write-offs	(24)	(6)	(180)	(267)
Recoveries	1	0	48	64
Net write-offs	(23)	(6)	(132)	(203)
Provisions for interest	7	(1)	1	(16)
Foreign currency translation impact and other adjustments, net	(10)	(1)	(7)	(4)
Balance at end of period ³	165	74	747	865
of which a specific allowance	142	50	557	731
of which an inherent credit loss allowance	23	24	190	134
Loan metrics (%)				
Total non-performing and non-interest-earning loans / Gross loans ⁴	0.5	0.2	0.8	1.0
Gross impaired loans / Gross loans ⁴	0.6	0.2	1.1	1.4
Allowance for loan losses / Total non-performing and non-interest-earning loans ³	47.7	56.1	91.3	87.9
Allowance for loan losses / Gross impaired loans ³	40.1	53.6	66.0	63.7

The disclosure presents our lending exposure from a risk management perspective and, as such, differs from the loans presentation in Note 17 – Loans in V – Consolidated financial statements – Credit Suisse Group.

¹ Includes Asset Management and Corporate Center. ² Of which CHF 15,572 million and CHF 19,629 million were secured by financial collateral and mortgages in 2008 and 2007, respectively. ³ Impaired loans and allowance for loan losses are only based on loans which are not carried at fair value. ⁴ Excludes loans carried at fair value.

Private Banking		Investment Banking		Other ¹		Credit Suisse	
2008	2007	2008	2007	2008	2007	2008	2007
80,583	79,578	0	0	0	0	80,583	79,578
21,150	23,469	0	0	0	0	21,150	23,469
4,848	4,702	1,292	1,017	0	0	6,140	5,719
106,581	107,749	1,292	1,017	0	0	107,873	108,766
21,836	20,884	1,869	2,675	0	0	23,705	23,559
37,352	38,571	31,577	36,788	0	11	68,929	75,370
8,795	7,773	24,670	22,349	80	125	33,545	30,247
1,194	1,416	2,217	2,430	0	0	3,411	3,846
69,177	68,644	60,333	64,242	80	136	129,590	133,022
175,758	176,393	61,625	65,259	80	136	237,463	241,788
-	-	32,314	31,047	-	-	32,314	31,047
34	52	(61)	(72)	0	0	(27)	(20)
(912)	(939)	(727)	(295)	0	0	(1,639)	(1,234)
174,880	175,506	60,837	64,892	80	136	235,797	240,534
888	739	748	234	0	0	1,636	973
276	377	0	0	0	0	276	377
1,164	1,116	748	234	0	0	1,912	1,350
2	7	8	42	0	0	10	49
377	372	426	175	0	0	803	547
379	379	434	217	0	0	813	596
1,543	1,495	1,182	451	0	0	2,725	1,946
1,353	1,319	1,180	244	0	0	2,533	1,563
190	176	2	207	0	0	192	383
939	1,228	295	255	0	1	1,234	1,484
0	0	0	(61)	0	0	0	(61)
137	(58)	448	99	0	(1)	585	40
(204)	(273)	(26)	(22)	0	0	(230)	(295)
49	64	40	29	0	0	89	93
(155)	(209)	14	7	0	0	(141)	(202)
8	(17)	11	16	0	2	19	1
(17)	(5)	(41)	(21)	0	(2)	(58)	(28)
912	939	727	295	0	0	1,639	1,234
699	781	468	68	0	1	1,167	850
213	158	259	227	0	(1)	472	384
0.7	0.6	2.6	0.7	-	-	0.9	0.6
0.9	0.8	4.0	1.3	-	-	1.3	0.9
78.4	84.1	97.2	126.1	-	-	85.7	91.4
59.1	62.8	61.5	65.4	-	-	60.1	63.4

loans collateralized by securities led to margin calls which could not be cleared.

As of December 31, 2008, we had potential problem loans of CHF 803 million, an increase of CHF 256 million from the end of 2007. These loans are considered potential problem loans because, although interest payments are being made, doubt exists as to the timing and/or certainty of the repayment of contractual principal. These loans are classified as impaired.

Allowances and provisions for loan losses

We maintain valuation allowances on loans valued at amortized cost which we consider adequate to absorb losses inherent in from the existing credit portfolio. Valuation allowances are deducted from total assets while provisions are included in total liabilities. We provide for loan losses based on a regular and detailed analysis of all counterparties, taking collateral value into consideration. If uncertainty exists as to the repayment of either principal or interest, a valuation allowance is either created or adjusted accordingly. Allowance for loan losses are reviewed on a quarterly basis by senior management.

In determining the amount of the credit provisions, loans are assessed on a case-by-case basis, and the following factors are considered:

- the financial standing of a customer based on financial and business information, including a realistic assessment of the likelihood of repayment of the loan within an acceptable period of time considering the net present value of future cash flows;
- the extent of other commitments to the same customer;
- the realizable fair value of any collateral for the loans;
- the recovery rate; and
- the costs associated with obtaining repayment and realization of any such collateral.

Judgment is exercised in determining the extent of the valuation allowance and is based on management's evaluation of the risk in the portfolio, current economic conditions, recent loss experience and credit and geographic concentration trends. Vulnerable sectors continue to be tracked and monitored closely, with active management leading to the requirement of collateral, the purchase of credit protection and/or the tightening of credit terms or maturities where appropriate.

Loan valuation allowances and provisions for inherent credit losses

In accordance with SFAS 5, an inherent loss allowance is estimated for all loans not specifically identified as impaired, which, on a portfolio basis, are considered to contain inherent loss. Inherent losses in the Private Banking lending portfolio

are determined based on current risk ratings, collateral and exposure structure, applying historical default and loss experience in the ratings and loss parameters. In Investment Banking, loans are segregated by risk, industry or country rating in order to estimate the inherent losses. Inherent losses on loans and lending-related commitments are estimated based on historical loss and recovery experience and recorded in valuation allowances and provisions. A provision for inherent loss for off-balance sheet lending-related exposure, such as contingent liabilities and irrevocable commitments, is also determined, using a methodology similar to that used for the loan portfolio.

Provision for credit losses

Net provisions charged to the statement of operations in 2008 were CHF 813 million, compared to CHF 240 million in 2007. 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. A portion of these provisions was offset by gains on credit default swaps recorded in trading revenues. In addition, we expect additional loss mitigation from insurance coverage.

Loans held for sale

Loans which the Group has the intent to sell in the foreseeable future are considered held for sale and are carried at the lower of amortized cost or market value determined on either an individual method basis, or in the aggregate for pools of similar loans if sold or securitized as a pool. As there is no liquid market for these loans, they do not meet the criteria for trading assets. Loans held for sale are included in other assets. Gains and losses on loans held for sale are recorded in other revenues.

Traded loans

Traded loans are carried at fair value and meet the criteria for trading assets. These loans are secondary trading loans held with the intention to sell.

Derivative instruments

We enter into derivative contracts in the normal course of business for market-making, positioning and arbitrage purposes, as well as for our own risk management needs, including mitigation of interest rate, foreign currency and credit risk.

Derivatives are either privately negotiated OTC contracts or standard contracts transacted through regulated exchanges.

The most frequently used derivative products include interest rate, cross-currency and credit default swaps, interest rate and foreign currency options, foreign exchange forward contracts and foreign currency and interest rate futures.

The replacement values of derivative financial instruments correspond to the fair values at the dates of the consolidated balance sheets and which arise from transactions for the account of customers or for our own account. Positive replacement values for a derivative constitute a receivable, exposed to credit risk. The fair value of a derivative is the amount for which it could be exchanged in an arm's-length transaction between knowledgeable, willing parties.

The tables below illustrate how credit risk on derivatives receivables is reduced by the use of legally enforceable netting agreements and collateral agreements. Netting agreements allow us to net the effect of derivative assets and liabilities

transacted with the same counterparty when the netting agreements are legally enforceable and there is intent to settle net with the counterparty. Replacement values are disclosed net of such agreements in the consolidated balance sheets. Collateral agreements are entered into with certain counterparties based upon the nature of the counterparty and/or the transaction and require the placement of cash or securities with us. The significant increases in replacement values in 2008 compared to 2007 were primarily the result of movements in the underlying asset prices, markets or reference rates.

For further information on derivatives and hedging activities, refer to Balance sheet, off-balance sheet and other contractual obligations – Off-balance sheet and Note 30 – Derivatives and hedging activities in V – Consolidated financial statements – Credit Suisse Group.

Derivative instruments by maturity – Group

end of / due within	2008			2007			Positive replacement value	Positive replacement value
	Less than 1 year	1 to 5 years	More than 5 years	Less than 1 year	1 to 5 years	More than 5 years		
Derivative instruments (CHF billion)								
Interest rate products	56.7	220.7	438.3	715.7	22.3	76.3	138.3	236.9
Foreign exchange products	70.6	36.2	16.1	122.9	33.5	17.3	10.2	61.0
Precious metals products	1.5	0.5	0.1	2.1	1.4	0.9	0.1	2.4
Equity/index-related products	22.5	20.1	6.1	48.7	19.6	21.2	3.8	44.6
Credit derivatives	5.7	119.0	72.4	197.1	0.8	39.6	40.4	80.8
Other products	20.0	16.2	1.4	37.6	8.6	7.4	0.2	16.2
OTC derivative instruments	177.0	412.7	534.4	1,124.1	86.2	162.7	193.0	441.9
Exchange traded derivative instruments ¹				7.1				4.0
Netting agreements ¹				(1,022.6)				(346.3)
Total derivative instruments				108.6				99.6
of which recorded in trading assets				105.3				98.5
of which recorded in other assets				3.3				1.1

¹ Taking into account legally enforceable netting agreements.

Derivative instruments by maturity – Bank

end of / due within	2008				2007			
	Less than 1 year	1 to 5 years	More than 5 years	Positive replacement value	Less than 1 year	1 to 5 years	More than 5 years	Positive replacement value
Derivative instruments (CHF billion)								
Interest rate products	56.8	220.7	438.3	715.8	22.3	76.3	138.5	237.1
Foreign exchange products	70.4	35.7	16.1	122.2	33.2	16.9	9.9	60.0
Precious metals products	1.5	0.5	0.1	2.1	1.4	0.9	0.1	2.4
Equity/index-related products	22.4	20.1	6.2	48.7	19.6	21.2	3.8	44.6
Credit derivatives	5.7	119.0	72.4	197.1	0.8	39.6	40.4	80.8
Other products	20.0	16.2	1.4	37.6	8.6	7.4	0.2	16.2
OTC derivative instruments	176.8	412.2	534.5	1,123.5	85.9	162.3	192.9	441.1
Exchange traded derivative instruments ¹				7.1				3.9
Netting agreements ¹				(1,022.4)				(346.6)
Total derivative instruments				108.2				98.4
of which recorded in trading assets				104.9				97.4
of which recorded in other assets				3.3				1.0

¹ Taking into account legally enforceable netting agreements.

Derivative transactions exposed to credit risk are subject to a credit request and approval process, ongoing credit and counterparty monitoring and a credit quality review process. The

following table represents the rating split of our credit exposure from derivative instruments.

Derivative instruments by counterparty credit rating

end of	Group		Bank	
	2008	2007	2008	2007
Derivative instruments (CHF billion)				
AAA	8.7	12.5	8.7	12.4
AA	32.7	42.9	32.6	42.3
A	31.3	21.1	31.3	21.1
BBB	13.9	9.4	13.7	9.2
BB or lower	14.9	9.7	14.8	9.5
OTC derivative instruments	101.5	95.6	101.1	94.5
Exchange traded derivative instruments ¹	7.1	4.0	7.1	3.9
Total derivative instruments ¹	108.6	99.6	108.2	98.4

¹ Taking into account legally enforceable netting agreements.

Derivative instruments are categorized as exposures from trading activities (trading) and those qualifying for hedge accounting (hedging). Trading includes activities relating to market-making, positioning and arbitrage. It also includes economic hedges where the Group enters into derivative contracts for

its own risk management purposes, but where the contracts do not qualify for hedge accounting under US GAAP. Hedging includes contracts that qualify for hedge accounting under US GAAP, such as fair value hedges, cash flow hedges and net investment hedges.

Derivative instruments – Group

	Trading			Hedging ¹		
	Notional amount	Positive replacement value	Negative replacement value	Notional amount	Positive replacement value	Negative replacement value
end of 2008						
Derivative instruments (CHF billion)						
Forwards and forward rate agreements	6,314.5	16.2	17.8	0.0	0.0	0.0
Swaps	20,169.7	638.5	628.2	181.4	1.5	1.0
Options bought and sold (OTC)	2,564.3	59.5	62.7	0.0	0.0	0.0
Futures	1,985.0	0.0	0.0	0.0	0.0	0.0
Options bought and sold (exchange traded)	1,320.7	0.3	0.3	0.0	0.0	0.0
Interest rate products	32,354.2	714.5	709.0	181.4	1.5	1.0
Forwards	1,416.2	46.2	50.3	24.7	1.9	0.1
Swaps	814.8	46.1	46.2	0.0	0.0	0.0
Options bought and sold (OTC)	874.0	28.7	29.7	0.0	0.0	0.0
Futures	22.6	0.0	0.0	0.0	0.0	0.0
Options bought and sold (exchange traded)	7.6	0.4	0.6	0.0	0.0	0.0
Foreign exchange products	3,135.2	121.4	126.8	24.7	1.9	0.1
Forwards	9.7	0.9	1.1	0.0	0.0	0.0
Swaps	0.1	0.0	0.0	0.0	0.0	0.0
Options bought and sold (OTC)	21.8	1.2	1.0	0.0	0.0	0.0
Futures	2.0	0.0	0.0	0.0	0.0	0.0
Options bought and sold (exchange traded)	0.2	0.0	0.0	0.0	0.0	0.0
Precious metals products	33.8	2.1	2.1	0.0	0.0	0.0
Forwards	11.3	2.3	0.0	0.0	0.0	0.0
Swaps	246.2	17.0	13.3	0.0	0.0	0.0
Options bought and sold (OTC)	326.8	29.4	30.2	0.0	0.0	0.0
Futures	42.8	0.0	0.0	0.0	0.0	0.0
Options bought and sold (exchange traded)	490.4	2.4	2.0	0.0	0.0	0.0
Equity/index-related products	1,117.5	51.1	45.5	0.0	0.0	0.0
Credit derivatives	3,244.7	197.1	176.0	0.0	0.0	0.0
Forwards	40.9	5.0	4.9	0.0	0.0	0.0
Swaps	205.6	25.1	25.1	0.0	0.0	0.0
Options bought and sold (OTC)	78.9	7.5	7.6	0.0	0.0	0.0
Futures	156.0	0.0	0.0	0.0	0.0	0.0
Options bought and sold (exchange traded)	49.2	4.5	4.4	0.0	0.0	0.0
Other products	530.6	42.1	42.0	0.0	0.0	0.0
Total derivative instruments	40,416.0	1,128.3	1,101.4	206.1	3.4	1.1

The notional amount for derivative instruments (trading and hedging) was CHF 40,622.1 billion and CHF 40,313.1 billion as of December 31, 2008 and 2007, respectively.

¹ Relates to derivative contracts that qualify for hedge accounting under US GAAP.

	2008		2007	
	Positive replacement value	Negative replacement value	Positive replacement value	Negative replacement value
end of				
Derivative instruments (CHF billion)				
Replacement values (trading and hedging) before netting agreements	1,131.7	1,102.5	445.8	425.4
Replacement values (trading and hedging) after netting agreements ¹	108.6	94.8	99.6	79.2

¹ Taking into account legally enforceable netting agreements.

Derivative instruments – Bank

	Trading			Hedging ¹		
	Notional amount	Positive replacement value	Negative replacement value	Notional amount	Positive replacement value	Negative replacement value
end of 2008						
Derivative instruments (CHF billion)						
Interest rate products	32,358.6	714.6	709.0	178.7	1.5	0.9
Foreign exchange products	3,136.9	120.7	126.8	24.7	1.9	0.1
Precious metals products	33.5	2.1	2.0	0.0	0.0	0.0
Equity/index-related products	1,122.7	51.1	45.1	0.0	0.0	0.0
Credit derivatives	3,244.6	197.1	176.0	0.0	0.0	0.0
Other products	530.5	42.1	42.0	0.0	0.0	0.0
Total derivative instruments	40,426.8	1,127.7	1,100.9	203.4	3.4	1.0

The notional amount for derivative instruments (trading and hedging) was CHF 40,630.2 billion and CHF 40,279.3 billion as of December 31, 2008 and 2007, respectively.

¹ Relates to derivative contracts that qualify for hedge accounting under US GAAP.

	2008		2007	
	Positive replacement value	Negative replacement value	Positive replacement value	Negative replacement value
end of				
Derivative instruments (CHF billion)				
Replacement values (trading and hedging) before netting agreements	1,131.1	1,101.9	444.8	424.6
Replacement values (trading and hedging) after netting agreements	108.2	94.1	98.4	78.0

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Our primary aim is the early identification, recording, assessment, monitoring, prevention and mitigation of operational risks, as well as timely and meaningful management reporting. Where appropriate, we transfer operational risks to third-party insurance companies.

Operational risk is inherent in most aspects of our activities and is comprised of a large number of disparate risks. While market and credit risk are often chosen for the prospect of gain, operational risk is normally accepted as a necessary consequence of doing business. In comparison to market or credit risk, the sources of operational risk are difficult to identify comprehensively and the amount of risk is also intrinsically difficult to measure. We therefore manage operational risk differently from market and credit risk. We believe that effective management of operational risk requires a common firm-wide framework with ownership residing with the management responsible for the relevant business process. Additionally, we have the central BORO team within the CRO function, which focuses on the coordination of consistent policy, tools and practices throughout the firm for the management, measure-

ment, monitoring and reporting of relevant operational risks. This team is also responsible for the overall operational risk framework, measurement methodology and capital calculations. Knowledge and experience are shared throughout the Group to maintain a coordinated approach.

Each individual business and management level takes responsibility for its own operational risks and the provision of adequate resources and procedures for the management of those risks. Operational risk is thus controlled through a network of controls, procedures, reports and responsibilities. In addition to the quarterly firm-level CARMC meetings covering operational risk, operational risk exposures are discussed at divisional risk management committees, which have senior staff representatives from all the relevant functions. We utilize a number of firm-wide tools for the management, measurement, monitoring and reporting of operational risk. These include self-assessments, scenario analysis, key risk indicator reporting and the collection, reporting and analysis of internal and external loss data.

We have employed the same methodology to calculate economic capital for operational risk since 2000, and have approval from the FINMA to use a similar methodology for the Advanced Measurement Approach (AMA) under the Basel II Accord. The economic capital/AMA methodology is based

upon the identification of a number of key risk scenarios that describe all of the major operational risks that we face. Groups of senior staff review each scenario and discuss the likelihood of occurrence and the potential severity of loss. Internal and external loss data, along with certain business environment and internal control factors, such as self-assessment results and key risk indicators, are considered as part of this process. Based on the output from these meetings, we enter the scenario probabilities and severities into an event model that generates a loss distribution. Insurance mitigation is included in the capital assessment where appropriate, by considering the level of insurance coverage for each scenario and incorporating haircuts as appropriate. Based on the loss distribution, the level of capital required to cover operational risk can then be calculated.

Reputational risk

Our policy is to avoid any transaction or service that brings with it the risk of a potentially unacceptable level of damage to our reputation.

Reputational risk may arise from a variety of sources, including the nature or purpose of a proposed transaction or service, the identity or activity of a controversial potential client, the regulatory or political climate in which the business will be transacted and the potentially controversial environmental or social impacts of a transaction or significant public attention surrounding the transaction itself. Where the presence of these or other factors gives rise to potential reputational risk, the relevant business proposal or service is required to be submitted through the globally standardized reputational risk review process. This involves a vetting of the proposal by senior management and, by agreement, its subsequent referral to one of the four regional reputational risk approvers, each of whom is an experienced and high-ranked senior manager, independent of the business segments, who has authority to approve, reject, or impose conditions on our participation on the transaction or service. In order to inform our stakeholders about how we manage some of the environmental and social risks inherent to the banking business, we publish our Corporate Citizenship Report, in which we also describe our efforts to conduct our operations in a manner that is environmentally and socially responsible and broadly contributes to society.

Reputational risk process

Responsible	Tasks
<div style="display: flex; align-items: center;"> <div style="writing-mode: vertical-rl; transform: rotate(180deg); font-weight: bold; margin-right: 5px;">Policy</div> <div style="background-color: #4a7c9c; color: white; padding: 5px;">Global reputational risk committee</div> </div>	<ul style="list-style-type: none"> ■ Representation on Executive Board ■ Sets policy, reviews key issues, can overrule a rejection
<div style="display: flex; align-items: center;"> <div style="writing-mode: vertical-rl; transform: rotate(180deg); font-weight: bold; margin-right: 5px;">Veto</div> <div style="background-color: #4a7c9c; color: white; padding: 5px;">Regional CEO</div> </div>	<ul style="list-style-type: none"> ■ Can veto an approval but cannot overrule a rejection
<div style="display: flex; align-items: center;"> <div style="writing-mode: vertical-rl; transform: rotate(180deg); font-weight: bold; margin-right: 5px;">Approval</div> <div style="background-color: #4a7c9c; color: white; padding: 5px;">Regional reputational risk approver</div> </div> <div style="background-color: #4a7c9c; color: white; padding: 5px; margin-top: 5px;">Business area head or designee</div> <div style="background-color: #4a7c9c; color: white; padding: 5px; margin-top: 5px;">Originator (any employee)</div>	<ul style="list-style-type: none"> ■ Reviews, approves, rejects or modifies a submission ■ Endorses submission ■ Initiates approval process

Balance sheet, off-balance sheet and other contractual obligations

During 2008, we reduced our balance sheet by 14%, reflecting the accelerated implementation of our strategic plan. Most of our transactions are recorded on balance sheet, however we also enter into a number of transactions that may give rise to both on and off-balance sheet exposure.

Balance sheet

Total assets were CHF 1,170.4 billion as of the end of 2008, a decrease of 14% from the end of 2007. This was primarily driven by a 36% decrease in trading assets, reflecting the acceleration of the implementation of our strategic plan and risk reduction in Investment Banking. The decline in trading assets included a 27% decline in debt securities and 63% in equity securities, reflecting fair value reductions and risk reduction pursuant to our strategy. Total assets also decreased as a result of a 9% decline in central bank funds sold, securities purchased under resale agreements and securities borrowed transactions. Net loans decreased 2%, reflecting the decreases in leveraged finance exposures in Investment Bank-

ing and deleveraging in Wealth Management, offset in part by an increase in lending in Switzerland.

Total liabilities were CHF 1,138.0 billion as of the end of 2008, a decrease of 14% from the end of 2007. This was primarily driven by a 19% decrease in central bank funds purchased, securities sold under repurchase agreements and securities lending transactions and a 23% decrease in trading liabilities. Customer deposits decreased 11%, mainly in time deposits outside Switzerland. Long-term debt declined 6%, mainly driven by a decline in the issuance of structured notes and the decline due to widening credit spreads on own debt carried at fair value, offset in part by the issuance of subordinated debt capital securities. As we reduce and exit certain businesses, our related funding needs decrease.

Balance sheet summary

	end of		% change
	2008	2007	08 / 07
Assets (CHF million)			
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	269,028	296,709	(9)
Trading assets	342,778	532,083	(36)
Net loans	235,797	240,534	(2)
All other assets	322,747	291,354	11
Total assets	1,170,350	1,360,680	(14)
Liabilities and shareholders' equity (CHF million)			
Due to banks	58,183	90,864	(36)
Customer deposits	296,986	335,505	(11)
Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions	243,370	300,381	(19)
Trading liabilities	154,465	201,809	(23)
Long-term debt	150,714	160,157	(6)
All other liabilities	234,330	228,765	2
Total liabilities	1,138,048	1,317,481	(14)
Total shareholders' equity	32,302	43,199	(25)
Total liabilities and shareholders' equity	1,170,350	1,360,680	(14)

Off-balance sheet

We enter into off-balance sheet arrangements in the normal course of business. Off-balance sheet arrangements are transactions or other contractual arrangements with, or for the benefit of, an entity that is not consolidated. These transactions include guarantees and similar arrangements, retained or contingent interests in assets transferred to an unconsolidated entity, and obligations and liabilities (including contingent obligations and liabilities) under variable interests in unconsolidated entities that provide financing, liquidity, market risk or credit risk support.

Derivative instruments

We enter into derivative contracts in the normal course of business for market-making, positioning and arbitrage purposes, as well as for our own risk management needs, including mitigation of interest rate, foreign currency and credit risk. Derivatives give rise to on and off-balance sheet exposure.

Derivatives are either privately negotiated OTC contracts or standard contracts transacted through regulated exchanges. The most frequently used derivative products include interest rate, cross-currency and credit default swaps, interest rate and foreign currency options, foreign exchange forward contracts and foreign currency and interest rate futures. A description of the key features of derivative instruments and the key objectives of holding or issuing these instruments is set out below.

The replacement values of derivative instruments correspond to their fair values at the dates of the consolidated balance sheets and which arise from transactions for the account of customers and for our own account. Positive replacement values constitute a receivable, while negative replacement values constitute a payable. The fair value of a derivative is the amount for which that derivative could be exchanged between knowledgeable, willing parties in an arm's-length transaction. Fair value does not indicate future gains or losses, but rather the unrealized gains and losses from marking to market all derivatives at a particular point in time. The fair values of derivatives are determined using various methodologies, primarily quoted market prices where available and, in their absence, prevailing market rates for instruments with similar characteristics and maturities, net present value analysis or other pricing models as appropriate.

For further information on derivatives, refer to Risk management – Credit risk.

Swaps

Our swap agreements consist primarily of interest rate, equity and credit default swaps. We enter into swap agreements for

trading and risk management purposes. Interest rate swaps are contractual agreements to exchange interest rate payments based on agreed upon notional amounts and maturities. Equity swaps are contractual agreements to receive the appreciation or depreciation in value based on a specific strike price on an equity instrument in exchange for paying another rate, which is usually based on an index or interest rate movements. Credit default swaps are contractual agreements in which the buyer of the swap pays a periodic fee in return for a contingent payment by the seller of the swap following a credit event of a reference entity. A credit event is commonly defined as bankruptcy, insolvency, receivership, material adverse restructuring of debt or failure to meet payment obligations when due.

Options

We write option contracts specifically designed to meet the needs of customers and for trading purposes. These written options do not expose us to the credit risk of the customer because we, not our counterparty, are obligated to perform. At the beginning of the contract period, we receive a cash premium. During the contract period, we bear the risk of unfavorable changes in the value of the financial instruments underlying the options. To manage this market risk, we purchase or sell cash or derivative financial instruments on a proprietary basis. Such purchases and sales may include debt and equity securities, forward and futures contracts, swaps and options.

We also purchase options to meet customer needs, for trading purposes and for hedging purposes. For purchased options, we obtain the right to buy or sell the underlying instrument at a fixed price on or before a specified date. During the contract period, our risk is limited to the premium paid. The underlying instruments for these options typically include fixed income and equity securities, foreign currencies and interest rate instruments or indices. Counterparties to these option contracts are regularly reviewed in order to assess creditworthiness.

Forwards and futures

We enter into forward purchase and sale contracts for mortgage-backed securities, foreign currencies and commitments to buy or sell commercial and residential mortgages. In addition, we enter into futures contracts on equity-based indices and other financial instruments, as well as options on futures contracts. These contracts are typically entered into to meet the needs of customers, for trading purposes and for hedging purposes.

Forward contracts expose us to the credit risk of the counterparty. To mitigate this credit risk, we limit transactions with

specific counterparties, regularly review credit limits and adhere to internally established credit extension policies.

For futures contracts and options on futures contracts, the change in the market value is settled with a clearing broker in cash each day. As a result, the credit risk with the clearing broker is limited to the net positive change in the market value for a single day.

Guarantees

In the normal course of business, guarantees and indemnifications are provided that contingently obligate Credit Suisse to make payments to the guaranteed or indemnified party based on changes in an asset, liability or equity security of the guaranteed or indemnified party. We may be contingently obligated to make payments to a guaranteed party based on another entity's failure to perform, or we may have an indirect guarantee of the indebtedness of others. Guarantees provided include, but are not limited to, customary indemnifications to purchasers in connection with the sale of assets or businesses; to investors in private equity funds sponsored by the Group regarding potential obligations of its employees to return amounts previously paid as carried interest; to investors in Group securities and other arrangements to provide gross-up payments if there is a withholding or deduction because of a tax assessment or other governmental charge; and to counterparties in connection with securities lending arrangements.

In connection with the sale of assets or businesses, we sometimes provide the acquirer with certain indemnification provisions. These indemnification provisions vary by counterparty in scope and duration and depend upon the type of assets or businesses sold. They are designed to transfer the potential risk of certain unquantifiable and unknowable loss contingencies, such as litigation, tax or intellectual property matters, from the acquirer to the seller. We closely monitor all such contractual agreements to ensure that indemnification provisions are adequately provided for in our consolidated financial statements.

FIN No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others – an interpretation of FASB Statements No. 5, 57, and 107 and rescission of FASB Interpretation No. 34" (FIN 45) requires disclosure of our maximum potential payment obligations under certain guarantees to the extent that it is possible to estimate them and requires recognition of a liability for the fair value of obligations undertaken for guarantees issued or amended after December 31, 2002.

For disclosure of our estimable maximum payment obligations under certain guarantees and related information, refer to Note 31 – Guarantees and commitments in V – Consolidated financial statements – Credit Suisse Group.

Involvement with special purpose entities

In the normal course of business, we enter into transactions with, and make use of, SPEs. SPEs typically qualify either as QSPEs according to SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities – a replacement of FASB Statement No. 125" (SFAS 140) or VIEs according to FIN 46(R). At each balance sheet date, QSPEs and VIEs are reviewed for events that may trigger reassessment of the entities' classification.

The majority of our securitization activities involve mortgages and mortgage-related securities and are predominantly transacted using QSPEs. In order to qualify as a QSPE, the permitted activities of the SPE must be limited to passively holding financial assets and distributing cash flows to investors based on pre-set terms. In accordance with SFAS 140, entities that qualify as QSPEs are not consolidated at inception and the risk of subsequent consolidation is minimal.

Securitization transactions are assessed in accordance with SFAS 140 for appropriate treatment of the assets transferred by us. Our investing or financing needs, or those of our clients, determine the structure of each transaction, which in turn determines whether sales accounting and subsequent derecognition of the transferred assets under SFAS 140 applies. Certain transactions may be structured to include derivatives or other provisions that prevent sales accounting and related derecognition of the assets from consolidated balance sheets.

As a normal part of our business, we engage in various transactions that include entities which are considered VIEs and are broadly grouped into three primary categories: CDOs, CP conduits and financial intermediation. VIEs are entities which typically either lack sufficient equity to finance their activities without additional subordinated financial support or are structured such that the holders of the voting rights do not substantively participate in the gains and losses of the entity. Such entities are required to be assessed for consolidation under 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 for which we are the primary beneficiary. VIEs may be sponsored by us, unrelated third parties or clients. At each balance sheet date, VIEs are reviewed for events that may trigger reassessment of the entities' classification and/or consolidation. Application of the accounting requirements for consolidation of VIEs may require the exercise of significant management judgment.

Transactions with VIEs are generally executed to facilitate securitization activities or to meet specific client needs, such as providing liquidity or investing opportunities, and, as part of

Balance sheet, off-balance sheet and other contractual obligations

these activities, we may hold interests in the VIEs. Securitization-related transactions with VIEs involve selling or purchasing assets and entering into related derivatives with those VIEs, providing liquidity, credit or other support. Other transactions with VIEs include derivative transactions in our capacity as the prime broker for entities qualifying as VIEs. We also enter into lending arrangements with VIEs for the purpose of financing projects or the acquisition of assets. Further, we are involved with VIEs which were formed for the purpose of offering alternative investment solutions to clients. Such VIEs relate primarily to private equity investments, fund-linked vehicles or funds of funds, where we act as structurer, manager, distributor, broker, market maker or liquidity provider. The economic risks associated with VIE exposures held by us, together with all relevant risk mitigation initiatives, are included in our risk management framework.

In light of the financial and credit market dislocations and the acceleration of the implementation of our strategy, we expect to enter into fewer securitizations transactions.

For further information and disclosure of our maximum exposure to loss, including with respect to a CP conduit where we act as the administrator and provider of liquidity and credit enhancement facilities, refer to Note 32 – Transfers of finan-

cial assets and variable interest entities in V – Consolidated financial statements – Credit Suisse Group.

We have raised hybrid tier 1 capital through the issuance of trust preferred securities by SPEs that purchase subordinated debt securities issued by us. These SPEs have no assets or operations unrelated to the issuance, administration and repayment of the trust preferred securities and are not consolidated by us under FIN 46(R).

Contractual obligations and other commercial commitments

In connection with our operating activities, we enter into certain contractual obligations and commitments to fund certain assets. Total obligations decreased CHF 12.3 billion in 2008 to CHF 156.4 billion, primarily reflecting a decrease in long-term debt obligations of CHF 9.4 billion to CHF 150.7 billion. For further information on long-term debt and the related interest commitments, refer to Note 24 – Long-term debt in V – Consolidated financial statements – Credit Suisse Group. For further information on commitments, refer to Note 31 – Guarantees and commitments in V – Consolidated financial statements – Credit Suisse Group.

Contractual obligations and other commercial commitments – Group

	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years	Total
Payments due within					
Obligations (CHF million)					
Long-term debt obligations ¹	26,996	45,740	33,843	44,135	150,714
Capital lease obligations	4	11	15	118	148
Operating lease obligations	468	821	655	1,871	3,815
Purchase obligations	437	349	907	0	1,693
Total obligations ²	27,905	46,921	35,420	46,124	156,370

¹ For further information on long-term debt obligations, refer to Treasury management and Note 24 – Long-term debt in V – Consolidated financial statements – Credit Suisse Group. ² Excludes total accrued benefit liability for pension and other post-retirement benefit plans of CHF 1,421 million as of December 31, 2008, recorded in other liabilities in the consolidated balance sheets, as the accrued liability does not represent expected liquidity needs. For further information on pension and other post-retirement benefits, refer to Note 29 – Pension and other post-retirement benefits in V – Consolidated financial statements – Credit Suisse Group.

end of	2008	2007
Short-term obligations (CHF million)		
Deposits (due to banks and customer deposits)	355,169	426,369
Short-term borrowings	10,964	19,390
Brokerage payables	93,323	55,808
Trading account liabilities	154,465	201,809
Total short-term obligations	613,921	703,376

Contractual obligations and other commercial commitments – Bank

	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years	Total
Payments due within					
Obligations (CHF million)					
Long-term debt obligations ¹	26,015	44,112	32,356	46,067	148,550
Capital lease obligations	4	11	15	118	148
Operating lease obligations	451	793	633	1,728	3,605
Purchase obligations	430	344	907	0	1,681
Total obligations	26,900	45,260	33,911	47,913	153,984

¹ For further information on long-term debt obligations, refer to Treasury management and Note 23 – Long-term debt in VII – Consolidated financial statements – Credit Suisse (Bank).

end of	2008	2007
Short-term obligations (CHF million)		
Deposits (due to banks and customer deposits)	341,958	414,577
Short-term borrowings	10,182	14,398
Brokerage payables	93,426	55,823
Trading account liabilities	153,718	200,575
Total short-term obligations	599,284	685,373

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

Our results in 2008 and 2007 reflected the dislocation in the mortgage, financial and credit markets that emerged from the US subprime mortgage market and subsequently spread to other markets and asset classes. This primarily impacted Investment Banking's leveraged finance and structured products businesses and Asset Management's securities purchased from its money market funds, however the market dislocation intensified in 2008 and spread to other asset classes. In addition, Private Banking was also adversely affected due to a significant decline in assets under management and its obli-

gations relating to ARS and its commitments to buy back from certain clients structured notes issued by Lehman Brothers.

For further information relating to the impact on results, refer to II – Operating and financial review – Private Banking, – Investment Banking and – Asset Management.

Credit Suisse continues to have exposure to markets and instruments impacted by the dislocation in the mortgage, financial and credit markets and our future results are dependent upon how market conditions evolve and when liquidity re-enters the market. As a result, the fair value of these instruments may deteriorate further and be subject to further valuation reductions.