CREDIT SUISSE

Credit Suisse Securities (Europe) Limited
Annual Report 2008

Board of Directors

Eric Varvel (Chairman and CEO)

James Amine

Gael de Boissard

Renato Fassbind (Non Executive)

Tobias Guldimann (Non Executive)

Costas P Michaelides

Simon D Yates

Company Secretary

Paul E Hare

COMPANY REGISTRATION NUMBER: 891554

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

International Financial Reporting Standards

Credit Suisse Securities (Europe) Limited's 2008 financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted for use in the European Union ('EU'). The Financial Statements were authorised for issue by the Directors on 16 April 2009.

BUSINESS REVIEW

Profile

Credit Suisse Group ('CSG'), a company domiciled in Switzerland, is the ultimate parent of a worldwide group of companies (collectively referred to as the 'CS group') specialising in Investment Banking, Private Banking and Asset Management.

As a leading financial services provider, CS group is committed to delivering its combined financial experience and expertise to corporate, institutional and government clients and high-net-worth individuals worldwide, as well as to retail clients in Switzerland. CS group serves its diverse clients through three divisions, Investment Banking, Private Banking and Asset Management, which co-operate closely to provide holistic financial solutions based on innovative products and specially tailored advice. Founded in 1856, CS group has a truly global reach today, with operations in over 50 countries and a team of more than 47,800 employees from approximately 100 different nations.

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

Credit Suisse Securities (Europe) Limited (the 'Company') is a wholly owned subsidiary of Credit Suisse Investment Holdings (UK) (the 'Parent') and indirect wholly owned subsidiary of Credit Suisse Group. It is regulated in the United Kingdom by the Financial Services Authority ('FSA') and is a listed money market institution under the Financial Services and Markets Act, 2000. Its principal activities are the arranging of finance for clients in the international capital markets, the provision of financial advisory services and acting as dealer in securities, derivatives and foreign exchange on a principal and agency basis.

The Credit Suisse Securities (Europe) Limited Group (the 'Group') consists of the Company, its consolidated subsidiaries and special purpose entities ('SPEs'). The Company has branch operations in Frankfurt, Paris, Amsterdam, Milan and Seoul. The Frankfurt, Paris, Amsterdam and Milan branches provide equity broking and investment banking services. In addition to providing these activities, the Seoul branch has received approval from South Korea's Financial Supervisory Commission to engage in over-the-counter derivatives business and is a member of the Korean Securities Dealers Association. The Company also maintains representative offices in Turkey, Ukraine and South Africa.

Principal product areas

The Group acts primarily in the following three business lines which are components of the global Investment Banking division.

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

The Equity business engages in a broad range of equity activities for investors including sales, trading, brokerage and market making in international equity and equity related securities, futures and both over-the-counter ('OTC') and exchange traded options. Additionally the Prime Services business provides brokerage services to hedge funds.

The Investment Banking business activities include financial advisory services regarding mergers and acquisitions and other matters, origination and distribution of equity and fixed income securities, leveraged finance and private equity investments and, in conjunction with the Equity and Fixed Income businesses, Investment Banking provides capital raising services.

Economic environment

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

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

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

Sector environment

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

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

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

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

Both equity and fixed income trading volumes were supported by the high volatility levels. However, the emergence of new trading platforms caused major stock exchanges to lose market share. Fixed income volumes were higher in 2008 than in 2007, globally and in Europe. Equity underwriting activity slowed significantly in 2008, as investors stayed away from capital markets amid the economic and financial crisis.

Announced mergers and acquisitions volumes were down 29% for the year both globally and in Europe, and completed mergers and acquisitions volumes decreased 28% globally and 24% in Europe. Global debt underwriting was down 38%, reflecting the turmoil in credit markets and more conservative credit standards applied by banks and other financial institutions.

Performance

The net operating loss for the Group for 2008 was US$221M (2007: US$3,157M income). The loss after tax, attributable to shareholders, for the year was US$2,229M (2007: US$369M profit). The directors are disappointed with this performance which has resulted primarily from the extreme market dislocation that has occurred in the Company's primary trading markets. CS group and the Company continue to actively reduce risks as part of the repositioning of investment banking, as detailed below.

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

An analysis of the total operating (loss)/income by business is as follows:

	2008 US$M	2007 US$M
Fixed Income	(1,354)	464
Equity	785	2,287
Investment Banking	291	312
Other	57	94
Total net operating (loss)/income	**(221)**	**3,157**

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

Fixed Income's net operating income decrease was primarily due to the emerging market, structured product and proprietary trading business areas which were affected by market conditions in 2008. The emerging markets and proprietary trading area suffered from high volatility and the pessimistic outlook of the equity markets. Structured products incurred write-downs on a number of securitised investments which remained unsold as at the end of the year.

Equity's net operating income decreased by 66% on the prior year. As in prior years, a substantial portion of the revenue was generated by the cash equity business which benefited from significantly increased business volumes as a consequence of increased market volatility. Prime services business continued to generate increasing stream of income. However, the equity proprietary trading generated significant trading losses as a result of the economic and financial crisis.

Investment Banking's net operating income decreased by 7% on the prior year. The global decrease in merger and acquisition business and strategic advisory business impacted this business area.

'Other' reflects Private Banking, Private Funds Group and other operating income that is not specifically allocated to any business. Items in this category are particularly sensitive to trading volumes and available capital.

The Group's cost base for the year was US$2,443M (2007: US$2,610M). This reduction was mainly due to decreased deferred compensation accruals due to lower operating income.

The Company has made a lump sum contribution of GBP70M in January 2008 and GBP140M in March 2007 to the UK defined benefit pension scheme.

The Group total assets in the year was US$302,428M (2007: US$334,054M). The decrease was primarily due to the reduction in equity securities due to the Group's overall risk management exercise to reduce exposures.

The Group is part of CS group's global trading business and as a consequence, the Group's key performance indicators form an integral part of the global business management tools, with the exception of the Group's regulatory capital ratio, which is monitored daily.

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

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

CMBS business

CMBS are bonds backed by a pool of mortgage loans on commercial real estate properties. Cash flows generated by the underlying pool of commercial mortgages are the primary source of repayment for the principal and interest on the bonds. Various types of income-producing properties serve as collateral for the commercial mortgages. The collateral is typically sold to a special purpose entity which then issues CMBS.

A typical deal will include the issuance of multiple classes of bonds. Principal payments are generally made to the bond classes on a sequential basis, beginning with the class with the highest priority and ending with the class with the lowest priority. The credit ratings on the bond classes will vary based on payment priority and can range from AAA to unrated. Most CMBS are issued by private entities and, as a result, the credit quality of the underlying commercial mortgages will have a direct bearing on the performance of the bonds.

The Group has risk exposure to the underlying commercial loans from the time the loans are made until they are packaged as CMBS and distributed. The Group also has exposure that arises from any securities that are retained and also from the secondary market.

The Group's CMBS origination net balance sheet exposure was US$761M as at the end of 2008 (2007: US$1,520M).

RMBS business

RMBS are bonds backed by a pool of mortgage loans on residential real estate properties. Cash flows generated by the underlying pool of residential mortgages are the primary source of repayment for the principal and interest on the bonds. The collateral is typically sold to a special purpose entity which then issues RMBS. A typical deal will include the issuance of multiple classes of bonds. Principal payments are generally made to the bond classes on a sequential basis, beginning with the class with the highest priority and ending with the class with the lowest priority. The credit ratings on the bond classes will vary based on payment priority and can range from AAA to unrated. Most RMBS are issued by private entities and, as a result, the credit quality of the underlying residential mortgages will have a direct bearing on the performance of the bonds. The Group has risk exposure to the underlying commercial loans from the time the loans are made until they are packaged as RMBS and distributed.

The Group has risk exposures to RMBS through the secondary market and the Group's RMBS net balance sheet exposure was US$238M as of the end of 2008 (2007: US$569M).

Leveraged finance business

The leveraged finance business provides capital raising and advisory services and core leveraged credit products such as bank loans, bridge loans and mezzanine and high-yield debt to corporate and financial sponsor-backed companies. Leveraged finance underwriting activity results in exposures to borrowers that are typically non-investment grade. Financing is usually provided in the form of loans or high-yield bonds that are placed, or intended to be placed, in the capital markets. As a result of the concentration of business with non-investment grade borrowers, this business may be exposed to greater risk than the overall market for loans and bonds. Higher returns are required to compensate underwriters and investors for any increased risks. Leveraged finance is commonly employed to achieve a specific objective, for example to make an acquisition, to complete a buy-out or to repurchase shares. The total net balance sheet exposure for leveraged finance assets is US$51M as at the end of 2008 (2007: US$314M).

Repositioning Investment Banking

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

- reducing risk capital usage, including exiting certain proprietary and principal trading activities and aligning lending with customer franchises;

- reducing volatility and improving capital efficiency;

- increasing emphasis on client and flow-based businesses; and reducing risk limits for complex and structured products.

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

CS group expects challenging market conditions to persist in the near to medium term. Accordingly, the business will continue to be managed conservatively. CS group is, however, in a strong position financially and competitively, therefore a disciplined risk management approach will enable opportunities to be seized and realised as they emerge. CS group continues to benefit from a conservative funding structure and a position as one of the world's best capitalised banks with a Tier 1 ratio of 13.3% as at 31 December 2008.

One of the key consequences of these measures was to recognise $99M in redundancy costs in the year end 2008 income statement.

Involvement with Special Purpose Entities ('SPEs')

In the normal course of business, the Group enters into transactions with, and makes use of, SPEs. Securitisation transactions are assessed in accordance with IAS39 for appropriate treatment of the assets transferred by the Group. The Group's investing or financing needs, or those of the Group's clients, determine the structure of each transaction, which in turn determines whether sale accounting and subsequent derecognition of the transferred assets under IAS39 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 business, the Group engages in various transactions that include entities which are considered SPEs. SPEs are entities which typically either lack sufficient equity to finance their activities without additional subordinated financial support or are structured such that the holders of the voting rights do not substantively participate in the gains and losses of the entity. Such entities are required to be assessed for consolidation under IAS 27 and its associated interpretation, SIC-12 which require that the entity controlling the SPE must consolidate the SPE. The Group consolidates all SPEs for which it is deemed the controlling entity. SPEs may be sponsored by the Group, unrelated third parties or clients. At each balance sheet date, SPEs are reviewed for events that may trigger reassessment of the entities' classification and/or consolidation. Application of the accounting requirements for consolidation of SPEs may require the exercise of significant management judgment.

Transactions with SPEs are generally executed to facilitate securitisation activities or to meet specific client needs, such as providing liquidity or investing opportunities, and, as part of these activities, the Group may hold interests in the SPEs. Securitisation-related transactions with SPEs involve selling or purchasing assets and entering into related derivatives with those SPEs, providing liquidity, credit or other support. Other transactions with SPEs include derivative transactions in our capacity as the prime broker for entities qualifying as SPEs. The Group also enters into lending arrangements with SPEs for the purpose of financing client projects or the acquisition of assets.

Key information relating to SPE exposures as at the end of 2008 is as follows:

	31 December 2008 US$M
Consolidated SPEs	
CDO	-
Financial intermediation	4,696
Total assets of consolidated SPEs	**4,696**
Non-consolidated SPEs	
CDO	2,171
Financial intermediation	19,556
Total assets of non-consolidated SPEs	**21,727**
Total maximum exposure to loss of non-consolidated SPEs	
CDO	152
Financial intermediation	4,360

FAIR VALUE MEASUREMENT

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

Assets and liabilities measured at fair value on a recurring basis

As at 31 December 2008 Group	Quoted prices in active markets for identical assets or liabilities (level 1)	Significant other observable inputs (level 2)	Significant unobservable inputs (level 3)	Impact of netting	Total
	US$M	US$M	US$M	US$M	US$M
Assets					
Trading assets	32,380	43,596	1,611	-	77,587
Other financial assets designated at fair value through profit and loss	-	94,222	4,562	-	98,784
Total assets at fair value	**32,380**	**137,818**	**6,173**	**-**	**176,371**
Liabilities					
Trading liabilities	17,470	36,734	425	-	54,629
Other financial liabilities designated at fair	-	90,680	4,863	-	95,543
Total liabilities at fair value	**17,470**	**127,414**	**5,288**	**-**	**150,172**

As at 31 December 2008 Company	Quoted prices in active markets for identical assets or liabilities (level 1)	Significant other observable inputs (level 2)	Significant unobservable inputs (level 3)	Impact of netting	Total
	US$M	US$M	US$M	US$M	US$M
Assets					
Trading assets	32,379	43,596	2,154	-	78,129
Other financial assets designated at fair value through profit and loss	-	94,222	2,197	-	96,419
Total assets at fair value	**32,379**	**137,818**	**4,351**	**-**	**174,548**
Liabilities					
Trading liabilities	17,470	36,693	357	-	54,520
Other financial liabilities designated at fair value through profit and loss	-	90,680	2,956	-	93,636
Total liabilities at fair value	**17,470**	**127,373**	**3,313**	**-**	**148,156**

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

	Group and Company 2008 US$M
Gains and losses in net trading revenue	
Net realised/unrealised gains/(losses) included in net revenues	(84)
Whereof:	
Unrealised gains/(losses) relating to assets and liabilities still held as of reporting date	299

As the valuation models are based upon entity specific assumptions, changing the assumptions within a reasonable range amends the resultant estimate of fair value. The potential effect of using reasonably possible alternative assumptions in valuation models lies in a range of US$(73)M and US$73M as at the end of 2008.

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

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

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly. These inputs include:

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

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

The Group records net open positions at bid prices if long, or at ask prices if short, unless the Group is a market maker in such positions, in which case mid-pricing is utilised. A bid-offer adjustment is applied to the net position. Fair value measurements are not adjusted for transaction costs. Both observable and unobservable inputs may be used to determine the fair value of positions that have been classified within level 3. As a result, the unrealised gains and losses for assets and liabilities within level 3 presented in the table above may include changes in fair value that were attributable to both observable and unobservable inputs. The Group employs various economic hedging techniques in order to manage risks, including risks in level 3 positions. Such techniques may include the purchase or sale of financial instruments that are classified in levels 1 and/or 2. The realised and unrealised gains and losses for assets and liabilities in level 3 presented in the table above do not reflect the related realised or unrealised gains and losses arising on economic hedging instruments classified in levels 1 and/or 2.

Capital Resources

During the year, the Company issued US$1,400M of ordinary shares fully paid up (2007: US$2,100M) and received no additional capital contributions from Credit Suisse Investment Holdings (UK) (2007: US$894M) in order to support the capital resource and regulatory capital capacity when large losses were sustained during the highly volatile falling market environment in late 2008.

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

Dividends

No dividends were paid or are proposed for 2008 (2007: US$nil).

Risk Management

The Group's financial risk management objectives and policies and the exposure of the Group to price risk, credit risk, liquidity risk and cash flow risk are outlined in note 32.

Directors

The names of the directors as at the date of this report are set out on page 2. Changes in the directorate since 31 December 2007 and up to the date of this report are as follows:

Appointments

Eric Varvel (Chairman and CEO)	20 February 2008
James Amine	10 March 2008
Christopher Horne (Alternate to James Amine)	10 March 2008
Eraj Shirvani (Alternate to Gael Boissard)	10 March 2008

Resignations

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

None of the directors who held office at the end of the financial year was beneficially interested, at any time during the year, in the shares of the Group or had any disclosable interest in shares of CS group companies.

Directors of the Group benefited from qualifying third party indemnity provisions in place during the financial year and at the date of this report.

Disclosure of Information to Auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Group's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

Employee Involvement and Employment of Disabled Persons

The Group gives full and fair consideration to disabled persons in employment applications, training and career development including those who become disabled during their period of employment.

The Group has a Disability Interest Forum in place as a UK initiative. This forum:

• facilitates information sharing for those with a disability or those caring for a family member or friend with a disability;
• provides a support network; and
• invites all those who want to participate and who have an interest.

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

Donations

During the year the Group made US$1,278,415 (2007: US$886,567) of charitable donations. There were no political donations made by the Group during the year (2007: US$nil).

Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG Audit Plc will therefore continue in office.

By Order of the Board

Paul E Hare
Company Secretary

One Cabot Square
London E14 4QJ
16 April 2009

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

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

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

In preparing each of the Company and Group financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that its financial statements comply with the Companies Act 1985. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

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

We confirm that to the best of our knowledge:

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

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

Costas P Michaelides
Director

INDEPENDENT AUDITORS’ REPORT TO THE MEMBERS OF CREDIT SUISSE SECURITIES (EUROPE) LIMITED

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

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

Respective Responsibilities of Directors and Auditors

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

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

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

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

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

Basis of Audit Opinion

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

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

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRS as adopted by the EU, of the state of the Group's affairs as at 31 December 2008 and of its loss for the year then ended;
- the Company financial statements give a true and fair view, in accordance with IFRS as adopted by the EU as applied in accordance with the provisions of the Companies Act 1985, of the state of the Company's affairs as at 31 December 2008;
- the financial statements have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial statements; and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG Audit Plc
Chartered Accountants
Registered Auditor
London
16 April 2009

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2008

	Note	Group 2008 US$M	Group 2007 US$M (restated)[1]
Interest income	4	6,886	8,887
Interest expense	4	(8,640)	(11,423)
Net interest expense	4	**(1,754)**	**(2,536)**
Commission and fee income	5	2,141	2,368
Commission and fee expense	5	(108)	(152)
Net commission and fee income		**2,033**	**2,216**
Net trading (loss)/revenue	6	(607)	3,506
Net revenue sharing agreements income/(expense)	5	107	(29)
Net non-interest revenues		**1,533**	**5,693**
Net operating (loss)/income		**(221)**	**3,157**
Compensation and benefits	5	(1,481)	(1,917)
Other expenses	5	(962)	(693)
Total operating expenses		**(2,443)**	**(2,610)**
(Loss)/profit before tax		**(2,664)**	**547**
Income tax credit/(charge)	7	435	(178)
(Loss)/profit after tax		**(2,229)**	**369**
Net (loss)/income attributable to Credit Suisse Securities (Europe) Limited shareholders		**(2,229)**	**369**

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

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

The Company's loss after tax was US$2,229M for the year ended 31 December 2008 (2007: profit US$368M).

The notes on pages 25 to 101 form an integral part of these consolidated financial statements.

CREDIT SUISSE SECURITIES (EUROPE) LIMITED

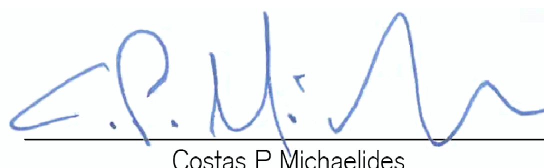
CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2008

	Note	Group 2008 US$M	Group 2007 US$M (restated)[1]
Assets			
Cash and cash equivalents		10,514	5,934
Interest-bearing deposits with banks		10,511	3,627
Securities purchased under resale agreements and securities borrowing transactions	8	51,175	71,808
Trading assets	6	77,587	101,313
Financial assets designated at fair value through profit and loss	6	98,784	100,421
Investment securities	9	25	-
Other investments	10	5	7
Current tax assets		32	185
Deferred tax assets	11	808	470
Other assets	12	52,895	50,173
Goodwill	15	7	8
Property, plant and equipment	16	85	108
Total assets		**302,428**	**334,054**
Liabilities			
Deposits	17	2,127	1,293
Securities sold under repurchase agreements and securities lending transactions	8	35,213	59,788
Trading liabilities	6	54,629	58,333
Financial liabilities designated at fair value through profit and loss	6	95,543	98,332
Short term borrowings	18	43,372	61,695
Current tax liabilities		60	373
Deferred tax liabilities	11	23	6
Other liabilities	19	63,386	44,785
Provisions	20	10	10
Long term debt	21	2,383	2,809
Total liabilities		**296,746**	**327,424**
Shareholders' equity			
Called-up share capital	22	8,917	7,517
Retained earnings		(3,578)	(1,349)
Other reserves		343	462
Total Credit Suisse Securities (Europe) Limited shareholders' equity		**5,682**	**6,630**
Total liabilities and shareholders' equity		**302,428**	**334,054**

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

The notes on pages 25 to 101 form an integral part of these consolidated financial statements.

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



Costas P Michaelides

CREDIT SUISSE SECURITIES (EUROPE) LIMITED

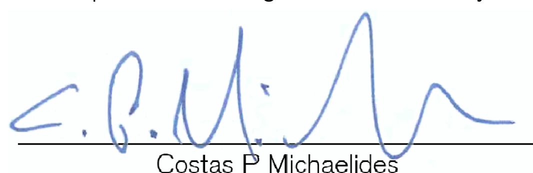
COMPANY BALANCE SHEET AS AT 31 DECEMBER 2008

	Note	Company 2008 US$M	Company 2007 US$M (restated)[1]
Assets			
Cash and cash equivalents		10,353	5,777
Interest-bearing deposits with banks		10,511	3,627
Securities purchased under resale agreements and securities borrowing transactions	8	51,175	71,808
Trading assets	6	78,129	102,409
Financial assets designated at fair value through profit and loss	6	96,419	96,791
Investment securities	9	25	-
Other investments	10	5	7
Current tax assets		32	185
Deferred tax assets	11	808	470
Other assets	12	52,851	50,171
Goodwill	15	7	8
Property, plant and equipment	16	85	108
Total assets		**300,400**	**331,361**
Liabilities			
Deposits	17	2,127	1,293
Securities sold under repurchase agreements and securities lending transactions	8	35,213	59,788
Trading liabilities	6	54,520	58,307
Financial liabilities designated at fair value through profit and loss	6	93,636	95,678
Short term borrowings	18	43,371	61,689
Current tax liabilities		60	373
Deferred tax liabilities	11	23	6
Other liabilities	19	63,379	44,782
Provisions	20	10	10
Long term debt	21	2,383	2,809
Total liabilities		**294,722**	**324,735**
Shareholders' equity			
Called-up share capital	22	8,917	7,517
Retained earnings		(3,582)	(1,353)
Other reserves		343	462
Total Credit Suisse Securities (Europe) Limited shareholders' equity		**5,678**	**6,626**
Total liabilities and shareholders' equity		**300,400**	**331,361**

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

The notes on pages 25 to 101 form an integral part of these consolidated financial statements.

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



Costas P Michaelides

CREDIT SUISSE SECURITIES (EUROPE) LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2008

	Group							
	Share Capital	Retained Earnings	Other Reserves					Total shareholders' equity
			Share based payment reserve	Cash flow hedging reserve	Translation reserve	Other reserve	Total other reserves	
	US$M	US$M	US$M	US$M	US$M	US$M	US$M	US$M
Balance at 1 January 2008	**7,517**	**(1,349)**	**501**	**-**	**(39)**	**-**	**462**	**6,630**
Foreign exchange translation differences	-	-	-	-	(155)	-	(155)	(155)
Share-based compensation, pre-tax	-	-	172	-	-	-	172	172
Share-based compensation, tax	-	-	(150)	-	-	-	(150)	(150)
Net gain on hedges of net investments in foreign entities taken to equity	-	-	-	-	4	-	4	4
Net gain on non-marketable securities taken to equity	-	-	-	-	-	25	25	25
Net loss on cash flow hedging instruments transferred to income statement	-	-	-	(15)	-	-	(15)	(15)
Net gain/(loss) recognised directly in equity	**-**	**-**	**22**	**(15)**	**(151)**	**25**	**(119)**	**(119)**
Net loss for the year	-	(2,229)	-	-	-		-	(2,229)
Total recognised expense for the year	**-**	**(2,229)**	**22**	**(15)**	**(151)**	**25**	**(119)**	**(2,348)**
Issuance of common shares	1,400	-	-	-	-		-	1,400
Capital contribution	-	-	-	-	-		-	-
Balance at 31 December 2008	**8,917**	**(3,578)**	**523**	**(15)**	**(190)**	**25**	**343**	**5,682**

The notes on pages 25 to 101 form an integral part of these consolidated financial statements.

CREDIT SUISSE SECURITIES (EUROPE) LIMITED

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

	Company							
	Share Capital	**Retained Earnings**	**Other Reserves**					**Total shareholders' equity**
			Share based payment reserve	Cash flow hedging reserve	Translation reserve	Other reserve	Total other reserves	
	US$M	US$M	US$M	US$M	US$M	US$M	US$M	US$M
Balance at 1 January 2008	**7,517**	**(1,353)**	**501**	**-**	**(39)**	**-**	**462**	**6,626**
Foreign exchange translation differences	-	-	-	-	(155)	-	(155)	(155)
Share-based compensation, pre-tax	-	-	172	-	-	-	172	172
Share-based compensation, tax	-	-	(150)	-	-	-	(150)	(150)
Net gain on hedges of net investments in foreign entities taken to equity	-	-	-	-	4	-	4	4
Net gain on non-marketable securities taken to equity	-	-	-	-	-	25	25	25
Net loss on cash flow hedging instruments transferred to income statement	-	-	-	(15)	-	-	(15)	(15)
Net gain/(loss) recognised directly in equity	**-**	**-**	**22**	**(15)**	**(151)**	**25**	**(119)**	**(119)**
Net loss for the year	-	(2,229)	-	-	-	-	-	(2,229)
Total recognised income and expense for the year	**-**	**(2,229)**	**22**	**(15)**	**(151)**	**25**	**(119)**	**(2,348)**
Issuance of common shares	1,400	-	-	-	-	-	-	1,400
Capital contribution	-	-	-	-	-	-	-	-
Balance at 31 December 2008	**8,917**	**(3,582)**	**523**	**(15)**	**(190)**	**25**	**343**	**5,678**

The notes on pages 25 to 101 form an integral part of these consolidated financial statements.

CREDIT SUISSE SECURITIES (EUROPE) LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2007

	Group						
	Share Capital	**Retained Earnings**	**Other Reserves**				**Total shareholders' equity**
			Share based payment reserve	Cash flow hedging reserve	Translation reserve	Total other reserves	
	US$M	US$M (restated)[1]	US$M (restated)[1]	US$M	US$M	US$M (restated)[1]	US$M (restated)[1]
Balance at 1 January 2007	**4,523**	**(2,560)**	**-**	**-**	**(34)**	**(34)**	**1,929**
Transition adjustment for IFRIC 11, pre-tax (Note 2u)	-	1,060	261	-	-	261	1,321
Transition adjustment for IFRIC 11, tax		(218)	185			185	(33)
Balance at 1 January 2007 - Restated	**4,523**	**(1,718)**	**446**	**-**	**(34)**	**412**	**3,217**
Foreign exchange translation differences	-	-	-	-	8	8	8
Share-based compensation, pre-tax	-	-	94	-	-	94	94
Share-based compensation, tax	-	-	(39)	-	-	(39)	(39)
Net loss on hedges of net investments in foreign entities taken to equity	-	-	-	-	(13)	(13)	(13)
Net gain/(loss) recognised directly in equity	**-**	**-**	**55**	**-**	**(5)**	**50**	**50**
Net profit for the year	-	369	-	-	-	-	369
Total recognised income and expense for the year	**-**	**369**	**55**	**-**	**(5)**	**50**	**419**
Issuance of common shares	2,100	-	-	-	-	-	2,100
Capital contribution	894	-	-	-	-	-	894
Balance at 31 December 2007	**7,517**	**(1,349)**	**501**	**-**	**(39)**	**462**	**6,630**

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

The notes on pages 25 to 101 form an integral part of these consolidated financial statements.

CREDIT SUISSE SECURITIES (EUROPE) LIMITED
COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2007

	Company						
	Share Capital	**Retained Earnings**	**Other Reserves**				**Total shareholders' equity**
			Share based payment reserve	Cash flow hedging reserve	Translation reserve	Total other reserves	
	US$M	US$M (restated)[1]	US$M (restated)[1]	US$M	US$M	US$M (restated)[1]	US$M (restated)[1]
Balance at 1 January 2007	**4,523**	**(2,563)**	**-**	**-**	**(34)**	**(34)**	**1,926**
Transition adjustment for IFRIC 11, pre-tax (Note 2u)	-	1,060	261	-	-	261	**1,321**
Transition adjustment for IFRIC 11, tax	-	(218)	185	-	-	185	**(33)**
Balance at 1 January 2007 - Restated	**4,523**	**(1,721)**	**446**	**-**	**(34)**	**412**	**3,214**
Foreign exchange translation differences	-	-	-	-	8	8	8
Share-based compensation, pre-tax	-	-	94	-	-	94	94
Share-based compensation, tax	-	-	(39)	-	-	(39)	(39)
Net loss on hedges of net investments in foreign entities taken to equity	-	-	-	-	(13)	(13)	(13)
Net gain/(loss) recognised directly in equity	**-**	**-**	**55**	**-**	**(5)**	**50**	**50**
Net profit for the year	-	368	-	-	-	-	368
Total recognised income and expense for the year	**-**	**368**	**55**	**-**	**(5)**	**50**	**418**
Issuance of common shares	2,100	-	-	-	-	-	2,100
Capital contribution	894	-	-	-	-	-	894
Balance at 31 December 2007	**7,517**	**(1,353)**	**501**	**-**	**(39)**	**462**	**6,626**

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

The notes on pages 25 to 101 form an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2008

	Note	Group 2008 US$M	Group 2007 US$M (restated)[1]
Cash flows from operating activities			
(Loss)/profit before tax for the period		(2,664)	547
Adjustments to reconcile net income to net cash provided by/(used in) operating activities			
Non-cash items included in loss before tax and other adjustments:			
Impairment, depreciation and disposals of property, plant and equipment	16	11	12
Interest accrued on subordinated debt	21	79	1
Foreign exchange gains	15	(67)	20
Share compensation through equity		22	55
Pension plan charge	24	(22)	(2)
Cash (used)/generated before changes in operating assets and liabilities		**23**	**86**
Net (increase)/decrease in operating assets:			
Interest bearing deposits with banks		(6,884)	(2,908)
Securities purchased under resale agreements and securities borrowing transactions	8	20,633	122,338
Trading assets	6	23,726	(29,979)
Financial assets designated at fair value through profit and loss	6	1,637	(98,364)
Accrued income, prepaid expenses, other investments and other assets	10,12	(2,415)	(9,142)
Total net (increase)/decrease in operating assets		**36,697**	**(18,055)**
Net increase/(decrease) in operating liabilities:			
Securities sold under resale agreements and securities lending transactions	8	(24,575)	(90,766)
Deposits	17	834	(646)
Short term borrowings	18	(18,323)	(5,173)
Trading liabilities	6	(3,704)	6,202
Financial liabilities designated at fair value through profit and loss	6	(2,789)	93,572
Accrued expenses and other liabilities	19	18,522	12,445
Provisions	20	-	(54)
Total net (decrease)/increase in operating liabilities		**(30,035)**	**15,580**
Cash flow from operations		**4,021**	**(1,842)**
Income tax paid	7,11	(199)	(23)
Pension plan contribution	24	(119)	(244)
Net cash flow used in operating activities		**3,703**	**(2,109)**
Investing activities			
Proceeds from sale of premises, equipment and intangible assets	16	11	1
Capital expenditure for property, plant and equipment	16	(1)	(36)
Net cash flow from investing activities		**10**	**(35)**
Financing activities			
(Redemption)/issuances of long term debt	21	(426)	517
Increase in capital	22	1,400	2,994
Interest paid	19	(107)	(170)
Net cash flow from investing activities		**867**	**3,341**
Net increase in cash and cash equivalents		**4,580**	**1,197**
Cash and cash equivalents at beginning of the year		**5,934**	**4,737**
Cash and cash equivalents at end of the year		**10,514**	**5,934**

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

The notes on pages 25 to 101 form an integral part of these consolidated financial statements.

COMPANY CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2008

	Note	Company 2008 US$M	Company 2007 US$M (restated)[1]
Cash flows from operating activities			
(Loss)/profit before tax for the period		(2,664)	546
Adjustments to reconcile net income to net cash provided by/(used in) operating activities			
Non-cash items included in loss before tax and other adjustments:			
Impairment, depreciation and disposals of property, plant and equipment	16	11	12
Interest accrued on subordinated debt	21	79	1
Foreign exchange gains	15	(67)	20
Share compensation through equity		22	55
Pension plan charge		(22)	(2)
Cash (used)/generated before changes in operating assets and liabilities		**23**	**86**
Net (increase)/decrease in operating assets:			
Interest bearing deposits with banks		(6,884)	(2,908)
Securities purchased under resale agreements and securities borrowing transactions	8	20,633	122,338
Trading assets	6	24,280	(31,075)
Financial assets designated at fair value through profit and loss	6	372	(94,738)
Accrued income, prepaid expenses, other investments and other assets	10,12	(2,373)	(9,135)
Total net (increase)/decrease in operating assets		**36,028**	**(15,518)**
Net increase/(decrease) in operating liabilities:			
Securities sold under resale agreements and securities lending transactions	8	(24,575)	(90,766)
Deposits	17	834	(646)
Short term borrowings	18	(18,318)	(5,179)
Trading liabilities	6	(3,787)	6,176
Financial liabilities designated at fair value through profit and loss	6	(2,042)	90,924
Accrued expenses and other liabilities	19	18,518	12,442
Provisions	20	-	(54)
Total net increase/(decrease) in operating liabilities		**(29,370)**	**12,897**
Cash flow from operations		**4,017**	**(1,989)**
Income tax paid	7,11	(199)	(23)
Pension plan contribution		(119)	(244)
Net cash flow from operating activities		**3,699**	**(2,256)**
Investing activities			
Proceeds from sale of premises, equipment and intangible assets	16	11	1
Capital expenditure for property, plant and equipment	16	(1)	(36)
Net cash flow used in investing activities		**10**	**(35)**
Financing activities			
(Redemption)/issuances of long term debt	21	(426)	517
Increase in capital	22	1,400	2,994
Interest paid	19	(107)	(170)
Net cash flow from investing activities		**867**	**3,341**
Net increase in cash and cash equivalents		**4,576**	**1,050**
Cash and cash equivalents at beginning of the year		**5,777**	**4,727**
Cash and cash equivalents at end of the year		**10,353**	**5,777**

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

The notes on pages 25 to 101 form an integral part of these consolidated financial statements.

1. General

Credit Suisse Securities (Europe) Limited is a company domiciled in the United Kingdom. The address of the Group's registered office is One Cabot Square, London, E14 4QJ. The Consolidated Financial Statements for the year ended 31 December 2008 comprise Credit Suisse Securities (Europe) Limited and its subsidiaries (including special purpose entities).

2. Significant Accounting Policies

a) Statement of compliance

Both the Company financial statements and the Group financial statements have been prepared on a going concern basis and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU ('Adopted IFRS') and the International Financial Reporting Interpretations Committee. On publishing the Company financial statements here together with the Group financial statements, the Company is taking advantage of the exemption in s230 of the Companies Act 1985 not to present its individual income statement and related notes.

b) Basis of preparation

The Consolidated Financial Statements are presented in United States dollars (US$) rounded to the nearest million. They are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, financial instruments held for trading, financial instruments that are hedged as part of a designated hedging relationship and financial instruments designated by the Group as at fair value through profit or loss.

The preparation of financial statements in conformity with adopted IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. Critical accounting estimates and judgements applied to these Financial Statements are set out in Note 3.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision has a significant effect on both current and future periods.

During the year the Group and Company have incurred significant losses largely as a result of the significant market volatility in the final quarter of 2008. During 2008 the Company received additional capital from CS group as required to ensure it maintained sufficient capital to meet UK regulatory requirements. In addition, in respect of liquidity risk, as explained in note 32(ii), the Group and Company have unrestricted and direct access to funding sourced by CS group. After making enquiries of the CS group, the directors of the Company have received confirmation that CS group will ensure that the Company maintains a sound financial position and is able to meet its debt obligations for at least for the foreseeable future. Accordingly, the directors have prepared these accounts on a going concern basis.

2. Significant Accounting Policies (continued)

Standards and Interpretations effective in the current period

The Group adopted the following amendments and interpretations in the current year.

- IFRIC 11 'IFRS 2 - Group and Treasury Share Transactions'.

- IFRIC 14 'The Limits on a Defined Benefit Asset Minimum Funding Requirements and their Interaction';

- Amendments to IAS 39 'Financial Instruments: Recognition and Measurement' and IFRS 7 'Financial Instruments: Disclosures' regarding reclassification of financial assets.

As a result of the adoption of the above mentioned revised accounting standards and interpretations, certain reclassifications have been made to the prior year Consolidated Financial Statements of the Group to conform to the current year's presentation.

Standards and Interpretations in issue but not yet effective

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

- Improvements to IFRS (effective for annual periods beginning on or after 1 January 2009 except for amendments to IFRS 5, effective for annual periods on or after 1 July 2009).

- Amendments (revised presentation) to IAS 1 'Presentation of Financial Statements', - (effective for annual periods beginning on or after 1 January 2009 - expected adoption date 1 January 2009).

- Amendments to IAS 23 relating to borrowing costs (effective for annual periods on are after 1 January 2009 - expected adoption date 1 January 2009).

- Amendment to IAS 32 'Financial Instruments: Presentation' and IAS 1 'Presentation of Financial Statement' regarding Puttable Financial Instruments and Obligations Arising on Liquidation (effective for annual periods beginning on or after 1 January 2009 - expected adoption date 1 January 2009).

- Amendment to IFRS 2 'Share-based Payment' relating to vesting conditions (effective for annual periods on are after 1 January 2009 - expected adoption date 1 January 2009).

- IFRS 8 'Operating Segments', which replaces IAS 14 'Segment Reporting', (effective for annual periods beginning on or after 1 January 2009 - expected adoption date 1 January 2009).

- IFRIC 13 'Customer Loyalty Programmes' (effective for annual periods beginning on or after 1 July 2008 - expected adoption date 1 January 2009).

The expected impact of the standards and interpretations issued but not yet effective is still being assessed, however, the Group does not anticipate that the above interpretations will have a material impact on the reported numbers in the Consolidated Financial Statements in the period of initial application.

The accounting policies have been applied consistently by Group entities.

2. Significant Accounting Policies (continued)

c) Basis of consolidation

The Consolidated Financial Statements include the results and positions of the Company and its subsidiaries (including special purpose entities). The Consolidated Financial Statements include the Income Statement, Balance Sheets, Cash Flow Statements, Statements of Changes in Equity and the related notes of the Group and Company.

A subsidiary is an entity in which the Company holds, directly or indirectly, more than 50% of the outstanding voting rights, or which it otherwise has the power to control. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. The Company also consolidates entities when the substance of the relationship between the Company and the entity indicates that it is controlled by the Company in accordance with SIC 12 'Consolidation – Special Purpose Entities'. The results of subsidiaries acquired are included in the Consolidated Financial Statements from the date that control commences until the date that control ceases. Investments in subsidiary undertakings are accounted for at cost, in accordance with IAS27 'Consolidated and Separate Financial Statements', in the Company's stand alone accounts.

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

d) Foreign currency

The Company's functional currency is United States Dollars ('US$'). Transactions denominated in currencies other than the functional currency of the reporting entity are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to US$ at the foreign exchange rate ruling at that date. Foreign exchange differences arising from translation are recognised in the income statement. Non-monetary assets and liabilities denominated in foreign currencies at the balance sheet date are not revalued for movements in foreign exchange rates.

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

e) Cash and cash equivalents

For the purpose of preparation and presentation of the cash flow statement, cash and cash equivalents are defined as short term, highly liquid instruments with original maturities of three months or less and that are held or utilised for the purpose of cash management. These relate to balances included as part of 'Cash and cash equivalents' and 'Deposits'.

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

f) Securities purchased or sold under resale or repurchase agreements

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

2. Significant Accounting Policies (continued)

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

Interest earned on reverse repurchase agreements and interest incurred on repurchase agreements is recognised on an effective yield basis and recorded as interest income or interest expense.

g) Securities borrowing and lending

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

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

h) Trading assets and liabilities

Trading assets and liabilities include mainly debt and equity securities and derivative instruments. These assets and liabilities are included as part of the trading portfolio based on management's intention to sell the assets or repurchase the liabilities in the near term, and are carried at fair value. Transactions with a normal settlement period are recorded on a trade date basis.

Fair value is defined as the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction other than an involuntary liquidation or distressed sale. Quoted market prices are used when available to measure fair value. In cases where quoted market prices are not available, fair value is estimated using valuation models consistent with those used in the financial markets. Where the input parameters cannot be validated using observable market data, reserves are established for unrealised gains or losses evident at the inception of the contracts so that no gain or loss is recorded at inception. Such reserves are amortised to income over the life of the instrument or released into income when observable market data becomes available.

Unrealised and realised gains and losses on trading positions, including amortisation of the premium/discount arising at acquisition of debt securities, are recorded in 'Net trading (loss)/revenue'.

i) Derivative financial instruments and hedging

All freestanding derivative contracts are carried at fair value in the balance sheet regardless of whether these instruments are held for trading or risk management purposes. When derivative features embedded in certain contracts that meet the definition of a derivative are not considered clearly and closely related to the host instrument, the embedded feature will be accounted for separately at fair value, with changes in fair value recorded in the income statement unless, consistent with the provisions of IAS 39, the fair value option is elected (as described in note j below), in which case the entire instrument is recorded at fair value with changes in fair value recorded in the income statement. Once separated, the derivative is recorded in the same line in the consolidated balance sheet as the host instrument.

2. Significant Accounting Policies (continued)

Derivatives classified as trading assets and liabilities include those held for trading purposes and those used for risk management purposes that do not qualify for hedge accounting. Derivatives held for trading purposes arise from proprietary trading activity and from customer-based activity, with changes in fair value included in 'Net trading revenues'. Derivative contracts, which are both designated and qualify for hedge accounting, are reported in the balance sheet as 'Other Assets' or 'Other Liabilities' and hedge accounting is applied.

The fair value recorded for derivative instruments does not indicate future gains or losses, but rather the unrealised gains and losses from valuing all derivatives at a particular point in time. The fair value of exchange-traded derivatives is typically derived from observable market prices and/or observable market parameters. Fair values for OTC derivatives are determined on the basis of internally developed proprietary models using various input parameters. Where the input parameters cannot be validated using observable market data, reserves are established for unrealised gains or losses evident at the inception of the contracts so that no gain or loss is recorded at inception. Such reserves are amortised to income over the life of the instrument or released into income when observable market data becomes available.

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

- it is determined that the derivative is no longer effective in offsetting changes in the fair value or cash flows of a hedged item (including forecasted transactions);

- the derivative expires or is sold, terminated, or exercised;

- the derivative is no longer designated as a hedging instrument because it is unlikely that the forecasted transaction will occur; or

- the Group otherwise determines that designation of the derivative as a hedging instrument is no longer appropriate.

Cash flow hedge accounting

For hedges of the variability of cash flows from forecasted transactions and floating rate assets or liabilities, the effective portion of the change in the fair value of a designated derivative is recorded in the statement of changes in equity. These amounts are reclassified into the income statement when the variable cash flow from the hedged item impacts earnings (e.g. when periodic settlements on a variable rate asset or liability are recorded in the income statement or when the hedged item is disposed of). Hedge ineffectiveness is recorded in 'Net trading (loss)/revenues'.

When hedge accounting is discontinued on a cash flow hedge, the net gain or loss will remain in equity and be reclassified into the income statement in the same period or periods during which the formerly hedged transaction is reported in the income statement.

2. Significant Accounting Policies (continued)

When the Group discontinues hedge accounting because it is no longer probable that a forecasted transaction will occur within the required time period, the derivative will continue to be carried on the balance sheet at its fair value, and gains and losses that were previously recorded in equity will be recognised immediately in the income statement. When the Group discontinues hedge accounting due to any other reason but it is still probable that the forecasted transaction will occur within the original required time period, the derivative will continue to be recorded at its fair value with all subsequent changes in value recorded directly in the income statement. Any gains or losses recorded in equity prior to the date hedge accounting is no longer applied will be reclassified to net income when the forecasted transaction takes place.

Hedge of a net investment

For hedges of a net investment in a foreign operation, the change in the fair value of the hedging derivative is recorded in the statement of changes in equity as 'Translation reserve' to the extent that the hedge is effective. The change in fair value representing hedge ineffectiveness is transferred to the income statement through 'Net trading revenues'. The Group uses the forward method of determining effectiveness for net investment hedges, which results in the time value portion of a foreign currency forward being reported in equity, to the extent that the hedge is effective.

j) Financial instruments designated at fair value through profit and loss

IAS 39 allows an entity to designate financial assets and liabilities held at fair value through profit and loss at the inception of the trade and from that date forward. Financial assets and liabilities are only designated as held at fair value through profit and loss if the instruments contain a substantive embedded derivative, or when doing so results in more relevant information, because either:

(i) it eliminates or significantly reduces an inconsistency in measurement or recognition (sometimes referred to as an 'accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. This election is used for instruments that would otherwise be accounted for under an accrual method of accounting where their economic risks are hedged with derivative instruments that require fair value accounting. This election eliminates or significantly reduces the measurement mismatch between accrual accounting and fair value accounting;

(ii) a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the entity's key management personnel. This election is used for instruments purchased or issued by business units that manage their performance on a fair value basis. For all instruments elected under this criterion, the business maintains a documented strategy that states that these instruments are risk managed on a fair value basis.

The Fair Value Option has been applied to life insurance transactions, structured notes, mortgaged back loans and securities purchased or sold under resale or repurchase agreements. The related assets and liabilities are presented as 'financial assets designated at fair value through profit and loss' or 'financial liabilities designated at fair value through profit and loss' in the balance sheet. Once designated this election is irrevocable. All fair value changes related to these financial instruments held at fair value through profit and loss are recognised in 'Net trading (loss)/revenues'.

2. Significant Accounting Policies (continued)

k) Derecognition

The Group enters into transactions where it transfers assets recognised on its balance sheet, but retains either all risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, the transferred assets are not derecognised from the balance sheet. In transactions where the Group neither retains nor transfers substantially all risks and rewards of ownership of a financial asset, it derecognises the asset if control over the asset is lost. The rights and obligations retained in the transfer are recognised separately as assets and liabilities as appropriate. In transfers where control over the asset is retained, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

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

l) Netting

The Group only offsets financial assets and liabilities and presents the net amount in the balance sheet where it:

- currently has a legally enforceable right to set off the recognised amounts; and

- intends either to settle on a net basis, or to realise the asset and liability simultaneously.

In many instances the Group's net position on multiple transactions with the same counterparty is legally protected by Master Netting Agreements. Such agreements ensure that the net position is settled in the event of default of either counterparty and effectively limits credit risk on gross exposures. However, if the transactions themselves are not intended to be settled net, nor will they settle simultaneously, it is not permissible under IAS 32 ‘Financial Instruments: Presentation’ to offset transactions falling under Master Netting Agreements.

m) Dividend policy

Dividends are recognised when declared as a reduction of equity along with the corresponding liability equalling the amount payable.

n) Income tax

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

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

2. Significant Accounting Policies (continued)

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax-base. The principal temporary differences arise from the following: depreciation of property, plant and equipment; revaluation of certain financial assets and liabilities including derivative contracts, and other employee compensation and benefits. The amount of deferred tax provided is based on the amount at which it is expected to recover or settle the carrying amount of assets and liabilities in the balance sheet, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Information as to the calculation of income tax on the profit or loss for the periods presented is included in Note 7.

o) Goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of the net assets acquired at the date of acquisition. Goodwill is stated at cost less impairment losses.

p) Property, plant and equipment

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

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

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the income statement.

q) Retirement benefit costs

The Group has both defined contribution and defined benefit pension plans. The defined benefit plans are Credit Suisse group schemes, in which the Company is the sponsoring entity. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred.

2. Significant Accounting Policies (continued)

The Group's expense relating to the defined benefit pension plans is accrued over the employees' service periods based upon the actuarially determined cost for the period. Actuarial gains and losses are recognised as income or expense when the net cumulative unrecognised actuarial gains and losses for each individual plan at the end of the previous reporting year exceed 10% of the higher of the defined benefit obligation and the fair value of plan assets at that date. These gains or losses are recognised over the expected average remaining working lives of the employees participating in the plans.

The Company has no contractual agreement or stated policy for charging the net defined benefit cost to the participating entity.

r) Long term debt

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

s) Contingent liabilities

Contingent liabilities are possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity or are present obligations where it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability. A contingent liability is not recognised as a liability but is disclosed, unless the possibility is remote. A contingent liability acquired under a business combination is recognised at fair value.

t) Provisions

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

u) Share-based payments

IFRIC 11 'IFRS 2 - Group and Treasury Share Transactions' was adopted by the Company from 1 January 2008. IFRIC 11 requires that when a parent entity grants rights to equity instruments of itself directly to the employees of its subsidiary, such subsidiary should classify the share-based arrangement as equity-settled. As CSG is the grantor of the awards, all share-based arrangements will be classified as equity-settled from 1 January 2008.

Historically these arrangements have been classified as cash-settled and as IFRIC 11 requires retrospective application, the prior year comparative financial statements have been restated to reflect the revised classification. Equity-settled arrangements are fair valued on grant date and recognised as an expense through the income statements on a straight line basis over the vesting period. The expense for share-based payments is determined by treating each tranche as a separate grant of share awards unless the employee is eligible for early retirement or retirement before the end of the vesting period, in which case recognition of the expense would be accelerated over the shorter period.

The revised accounting policy differs from the previous method as it does not require the awards to be fair valued through the income statement at every balance sheet date. A transition adjustment has been recognised in retained earnings on 1 January 2007 for the amount of US$1,060M and the profit before tax for the year-end 31 December 2007 has been decreased by US$34M.

2. Significant Accounting Policies (continued)

v) Interest income and expense

Interest income and expense includes interest income and expense on the Group's financial instruments owned and financial instruments sold not yet purchased, short-term and long-term borrowings, reverse repurchase and repurchase agreements and securities borrowed and securities lending transactions. Interest income and expense does not include interest flows on the Group's trading derivatives (except for hedging relationships), trading instruments and financial instruments classified as at fair value through profit and loss (except for securities purchased under resale agreements and securities sold under repurchase agreements). These are recorded in 'Net trading (loss)/revenues'.

w) Commissions and fees

In accordance with IAS 18 Para 20 on revenue recognition, when the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction shall be recognised by reference to the stage of completion of the transaction at the balance sheet date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

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

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

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

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

Performance linked fees or fee components are recognised when the recognition criteria are fulfilled. Fee revenue is recognised from a diverse range of services provided to customers. Fee income is accounted for as follows:

- income earned on the execution of a significant act (for example, fees arising from negotiating, or participating in the negotiation of, a transaction for a third party, such as fees from mergers and acquisitions and other corporate finance advisory services) is recognised as revenue when the act is completed;

- income earned from the provision of services (for example, portfolio management, customer trading and custody services) is recognised as revenue as the services are provided; and

- income which forms an integral part of the effective interest rate of a financial instrument (for example, certain loan commitment fees) is recognised as an adjustment to the effective interest rate and recorded in 'Interest income'.

Incremental costs that are directly attributable to securing investment management contracts are recognised as an asset if they can be identified separately and measured reliably and if it is probable that they will be recovered. These assets are amortised as the Group recognises the related revenue.

x) Operating leases

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

2. Significant Accounting Policies (continued)

y) Sub leases

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

3. Critical Accounting Estimates and Judgements in Applying Accounting Policies

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

Fair value

As is the normal practice in the financial services industry, the carrying values the Group reports in the consolidated financial statements with respect to financial instruments are in most cases based on fair value, with the related unrealised gains or losses included in the income statement.

Fair value may be objective, as is the case for exchange-traded instruments, for which quoted prices in active and liquid markets generally exist, or as is the case where a financial instrument's fair value is derived from actively quoted prices or pricing parameters or alternative pricing sources with a reasonable level of price transparency. For financial instruments that trade infrequently and have little price transparency, fair value may be subjective and require varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument. These instruments include certain high-yield debt securities, distressed debt securities, certain CDOs, certain OTC derivatives, certain asset-backed and mortgage-backed securities and non-traded equity securities.

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

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

Control processes are applied to ensure that the fair value of the financial instruments reported in the consolidated financial statements, including those derived from pricing models, are appropriate and determined on a reasonable basis. These control processes include the review and approval of new instruments, review of profit and loss at regular intervals, risk monitoring and review, price verification procedures and reviews of models used to estimate the fair value of financial instruments by senior management and personnel with relevant expertise who are independent of the trading and investment functions.

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

Litigation contingencies

From time to time, the Group is involved in a variety of legal, regulatory and arbitration matters in connection with the conduct of its businesses. It is inherently difficult to predict the outcome of many of these matters, particularly those cases in which the matters are brought on behalf of various classes of claimants, seek damages of unspecified or indeterminate amounts or involve novel legal claims.

In presenting the Group's financial statements, management makes estimates regarding the outcome of legal, regulatory and arbitration matters and takes a charge to income when losses with respect to such matters are probable and can be reasonably estimated. Charges, other than those taken periodically for costs of defence, are not established for matters when losses cannot be reasonably estimated. Estimates, by their nature, are based on judgement and currently available information and involve a variety of factors, including but not limited to the type and nature of the litigation, claim or proceeding, the progress of the matter, the advice of legal counsel and other advisers, the Group's defences and its experience in similar cases or proceedings.

According to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets', a provision shall be recognised when:

(a) an entity has a present obligation (legal or constructive) as a result of a past event;

(b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and

(c) a reliable estimate can be made of the amount of the obligation.

Special Purpose Entities

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

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

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

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

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

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

All four indicators are equally considered in the SIC-12 consolidation analysis.

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

Retirement benefit costs

The following relates to the assumptions the Company, as sponsor of the defined benefit plans, has made in arriving at the valuations of the various components of the defined benefit plans.

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

Management also consults with an independent actuarial firm to assist in selecting appropriate assumptions and valuing its related liabilities. The actuarial assumptions used by the Company may differ materially from actual results due to changing market and economic conditions, higher or lower withdrawal rates or longer or shorter life spans of the participants. Any such differences could have a significant impact on the amount of pension expense recorded in future years.

The Company is required to estimate the expected return on plan assets, which is then used to compute the pension cost recorded in the consolidated statements of income. Estimating future returns on plan assets is particularly subjective since the estimate requires an assessment of possible future market returns based on the plan asset mix and observed historical returns. These estimates are determined together with the plan's investment and actuarial advisors. The Company uses the calculated value of assets in calculating pension expense and in determining the expected rate of return.

The discount rate used in determining the benefit obligation is based upon either high-quality corporate bond rates or government bond rates plus a premium in order to approximate high-quality corporate bond rates. In estimating the discount rate, the Company takes into consideration the relationship between the corporate bonds and the timing and amount of the future cash outflows of its benefit payments.

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

Income taxes

Deferred tax valuation

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

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

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

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

Share-based payments

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

Tax contingencies

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

Transfer Pricing

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

4. Interest Income and Interest Expense

	Group 2008 US$M	Group 2007 US$M
Interest income on cash, cash equivalents and loans	646	924
Securities purchased under resale agreements and securities borrowing transactions	6,014	7,861
Interest income on cash collateral	226	102
Total interest income	**6,886**	**8,887**
Interest expense on deposits	(77)	(78)
Securities sold under repurchase agreements and securities lending transactions	(5,380)	(6,584)
Interest expense on short-term borrowings	(2,710)	(4,098)
Interest expense on long-term debt	(311)	(396)
Interest expense on cash collateral	(162)	(267)
Total interest expense	**(8,640)**	**(11,423)**
Net interest expense	**(1,754)**	**(2,536)**

Interest income includes US$4,329M (2007: US$3,995M) and interest expense includes US$3,451M (2007: US$3,888M) relating to instruments designated at fair value through profit and loss.

5. Non-Interest Revenues and Total Operating Expenses

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

	Group 2008 US$M	Group 2007 US$M
Commissions and fees income from fiduciary activities:		
Underwriting fees	349	398
Brokerage fees	1,423	1,552
Merger and acquisition fees	338	379
Fees for other customer services	31	39
Commission and fee income	**2,141**	**2,368**
Commissions and fees expense from fiduciary activities:		
Brokerage fees	(92)	(144)
Fees for other customer services	(16)	(8)
Commission and fee expense	**(108)**	**(152)**
Net Commissions and fees	**2,033**	**2,216**

Net other charges of US$107M (2007: US$(29)M) principally relate to amounts charged to the Group from other CS group companies under transfer pricing policies.

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

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

	Group 2008 US$M	Group 2007 US$M (restated)
Salaries and bonuses	1,391	1,689
Social security	36	204
Pension cost	13	(2)
Other	41	26
Compensation and benefits	**1,481**	**1,917**

Staff cost and staff numbers do not differ between Group and Company. Included in the above table are amounts relating to directors' remuneration. Further details are disclosed in note 25(d).

Included within salaries and bonuses is $99M in relation to redundancy costs in the year ended 2008.

The following table sets forth the details of other expenses:

	Group 2008 US$M	Group 2007 US$M
Occupancy expenses	166	185
IT and machinery expenses	118	133
Depreciation expenses	13	12
Provisions and losses	3	(3)
Commission expenses	571	502
Travel and entertainment	90	93
Audit fees of the Group	2	2
Professional services	254	299
Other	189	151
Expenses receivable from other Credit Suisse group companies	(444)	(681)
Other expenses	**962**	**693**

The Group incurs expenses on behalf of other Credit Suisse group companies under common control. These are subsequently recharged to the relevant companies through 'Expenses receivable from other Credit Suisse group companies', see note 25.

6. Trading Activities

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

	Group 2008 US$M	Group 2007 US$M
Interest rate products	(2,312)	(76)
Equity/index-related products	827	1,096
Foreign exchange products	368	(44)
Other	(262)	149
Trading (losses)/revenues	**(1,379)**	**1,125**
Dividend income on trading assets	4,881	5,203
Dividend expense on trading liabilities	(4,109)	(2,822)
Net trading dividend income	**772**	**2,381**
Net trading (losses)/revenues	**(607)**	**3,506**

Net trading revenue includes revenues from trading assets and liabilities and financial assets and liabilities designated at fair value through profit and loss as detailed in accounting policy note 2(j). For the year ended 31 December 2008, the impact to the profit and loss relating to financial instruments designated at fair value through profit and loss was a loss of US$34M (2007: US$326M gain). Included in this total is US$nil (2007: US$nil) of fair value changes of financial liabilities due to changes in the Group's own creditworthiness.

Financial instruments at fair value through profit and loss (including trading)

	Group 2008 US$M	Group 2007 US$M
Trading assets		
Debt instruments		
Treasury bills	7,366	427
Government debt instruments	17,076	25,054
Corporate debt instruments	7,887	14,924
Equity instruments	10,201	41,010
Positive replacement values of derivative trading positions	35,057	19,898
Total trading assets	**77,587**	**101,313**

	Company 2008 US$M	Company 2007 US$M
Trading assets		
Debt instruments		
Treasury bills	7,366	427
Government debt instruments	17,076	25,054
Corporate debt instruments	8,429	16,020
Equity instruments	10,201	41,010
Positive replacement values of derivative trading positions	35,057	19,898
Total trading assets	**78,129**	**102,409**

Trading assets include US$19,006M (2007: US$46,594M) which are encumbered, see note 31. These transactions in relation to the encumbered assets are conducted under terms that are usual and customary for these instruments.

6. Trading Activities (continued)

	Group 2008 US$M	Group 2007 US$M
Financial assets designated at fair value through profit and loss		
Securities purchased under resale agreements	94,222	95,745
Other loans and receivables	2,311	3,630
Life insurance contracts	493	276
Life annuity contracts	1,758	770
Total financial assets designated at fair value through profit and loss	**98,784**	**100,421**

	Company 2008 US$M	Company 2007 US$M
Financial assets designated at fair value through profit and loss		
Securities purchased under resale agreements	94,222	95,745
Life insurance contracts	66	180
Life annuity contracts	-	432
Investments in life insurance trusts	2,131	434
Total financial assets designated at fair value through profit and loss	**96,419**	**96,791**

For financial assets designated at fair value through profit and loss the maximum fair value exposure to credit risk as at 31 December 2008 for the Group is US$98,784M and for the Company is US$96,419 (2007: US$100,421M (Group) and US$96,791M (Company)). US$94,222M (Group and Company) of this value is fully collateralised (2007: US$95,745M (Group and Company)).

The movement in fair values that is attributable to changes in the credit risk of the financial assets designated at fair value through profit and loss during the period ended 31 December 2008 was a loss of US$823M for Group and US$nil for Company in the income statement (2007: US$125M for Group and US$nil for Company)). The remaining changes in fair value are mainly due to movements in market risk.

	Group 2008	Group 2007
Trading liabilities	US$M	US$M
Debt instruments	11,594	23,097
Equity instruments	9,094	15,143
Negative replacement values of derivative trading positions	33,941	20,093
Total trading liabilities	**54,629**	**58,333**

	Company 2008	Company 2007
Trading liabilities	US$M	US$M
Debt instruments	11,594	23,071
Equity instruments	9,094	15,143
Negative replacement values of derivative trading positions	33,832	20,093
Total trading liabilities	**54,520**	**58,307**

6. Trading Activities (continued)

	Group 2008 US$M	Group 2007 US$M
Financial liabilities designated at fair value through profit and loss		
Securities sold under repurchase agreements	90,680	95,678
Structured notes	4,642	2,632
Other	221	22
Total financial liabilities designated at fair value through profit and loss	**95,543**	**98,332**

	Company 2008 US$M	Company 2007 US$M
Financial liabilities designated at fair value through profit and loss		
Securities sold under repurchase agreements	90,680	95,678
Structured notes	2,891	-
Other	65	-
Total financial liabilities designated at fair value through profit and loss	**93,636**	**95,678**

The financial instruments designated at fair value through the profit and loss were elected because the adoption of fair value aligns profit and loss recognition with the basis on which positions are risk managed. Positions are marked to market daily and are risk managed on this basis using market-recognised valuation methodologies.

The carrying amount is US$120M higher than the amount Group and Company would be contractually required to pay at maturity to the holder of these financial liabilities (2007: US$142M lower (Group) and US$120M lower (Company)).

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

	Group and Company 2008 US$M	Group and Company 2007 US$M
Balance at 1 January	(82)	-
Increase due to new trades	(424)	(84)
Reduction due to passage of time	18	2
Reduction due to redemption, sales, transfers or improved observability	20	-
Total	**(468)**	**(82)**

7. Income Tax

	Group and Company 2008 US$M	Group and Company 2007 US$M (restated)
Current tax		
Current tax on profits of the period	(33)	(194)
Adjustments in respect of previous periods	(2)	(23)
Total current tax	**(35)**	**(217)**
Deferred tax		
Origination and reversal of temporary differences	(19)	3
Adjustments in respect of previous periods	(18)	17
Current year tax losses	691	-
FX movement on losses carried forward	(105)	-
Share based payments	(79)	53
Effect of changes in tax rate or the imposition of new taxes	-	(34)
Total deferred tax credit/(charge)	**470**	**39**
Income tax credit/(charge)	**435**	**(178)**

Current tax of US$nil (2007: US$nil) and deferred tax of US$150M (2007: US$39M) were debited directly to equity.

The income tax (charge)/credit for the year can be reconciled to the profit per the income statement as follows:

	Group 2008 US$M	Group 2007 US$M (restated)
(Loss)/profit before tax	(2,664)	547
Loss/(profit) before tax multiplied by the UK statutory rate of corporation tax of 28.5% (2007: 30%)	759	(164)
Increase/(decrease) in income tax credit resulting from:		
Other permanent differences	(60)	(4)
Unrelievable foreign tax	(29)	(13)
Effect of different tax rates of operations / subsidiaries operating in other jurisdiction	(19)	-
Adjustments to current tax in respect of previous periods	(2)	(23)
Adjustments to deferred tax in respect of previous periods	(18)	17
Effect on deferred tax resulting from change in tax rates	(12)	(34)
FX movement on losses carried forward	(105)	4
Other	(79)	39
Income tax credit/(charge)	**435**	**(178)**

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

8. Securities Purchased and Sold Under Resale or Repurchase Agreements and Securities Borrowing and Lending Transactions

	Group and Company 2008 US$M	Group and Company 2007 US$M
Securities purchased under resale agreements and securities borrowing transactions	2,517	14,162
Deposits paid for securities borrowed	48,658	57,646
Total	**51,175**	**71,808**
Of which due in more than 1 year	**-**	**-**

The maximum month-end amount of securities purchased under agreements to resell was US$91,899M and US$110,210M in 2008 and 2007 respectively. The average amount of securities purchased under agreements to resell during the year was US$78,464M and US$94,186M in 2008 and 2007 respectively.

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

	Group and Company 2008 US$M	Group and Company 2007 US$M
Securities sold under repurchase agreements and securities lending transactions	1,734	15,453
Deposits received for securities lent	33,479	44,335
Total	**35,213**	**59,788**
Of which due in more than 1 year	**-**	**-**

Resale and repurchase agreements represent collateralised financing transactions used to earn net interest income, increase liquidity or facilitate trading activity. These instruments are collateralised principally by government securities and money market instruments and have terms ranging from overnight to open with no stated maturity, which is payable on demand. The Group monitors the fair value of securities received or delivered. For securities purchased under resale agreements, the Group requests additional securities, or the return of a portion of the cash disbursed when appropriate, in response to a decline in the market value of the securities received. Similarly, the return of excess securities or additional cash is requested, when appropriate, in response to an increase in the market value of securities sold under repurchase agreements.

Deposits paid for securities borrowed and deposits received for securities lent are recorded at the amount of cash paid or received. These transactions are typically collateralised by cash or marketable securities. For securities lending transactions, the Group receives cash or securities as collateral in an amount generally in excess of the market value of securities lent. The Group monitors the market value of securities borrowed and securities lent on a daily basis and additional collateral is obtained as necessary.

8. Securities Purchased and Sold Under Resale or Repurchase Agreements and Securities Borrowing Transactions (continued)

Transferred Assets

The following financial assets have been sold or transferred but continue to be recognised in full or to the extent of the Group and Company's continuing involvement:

	Group and Company 2008		Group and Company 2007	
Nature of Asset	Carrying amount of asset US$M	Associated liability US$M	Carrying amount of asset US$M	Associated liability US$M
Securities lending agreements and repurchase agreements	**11,904**	**(11,904)**	**21,763**	**(21,763)**

The assets in the table above continue to be recognised to the extent shown due to transactions which do not qualify for derecognition of the assets from the balance sheet. The Group and Company remain exposed to all the risks and rewards associated with the relevant portions of the retained assets including market risk, settlement risk, credit risk and country risk.

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

9. Investments Securities

The following table summarises details of investment securities:

Available-for-sale investment securities	Group and Company 2008 US$M	Group and Company 2007 US$M
Equity securities with readily determinable fair values	25	-
Total investment securities	**25**	**-**

This item includes investments in non-marketable exchanges and financial clearing houses whereby the Group is not required to hold shares as part of its membership, for which the Group has neither significant influence nor control over the investee. These securities are held at fair value with any unrealised gain or loss taken through equity.

10. Other Investments

The following table summarises details of other investments:

	Group and Company 2008 US$M	Group and Company 2007 US$M
Non-marketable equity securities	5	7
Total other investments	**5**	**7**

This item includes investments in non-marketable exchanges and financial clearing houses whereby the Group is required to hold shares as part of its membership, for which the Group has neither significant influence nor control over the investee. These securities are held at cost.

11. Deferred Taxes

Deferred taxes are calculated on temporary differences under the liability method using an effective tax rate of 28% (2007 : 28%).

The UK corporation tax rate reduced from 30% to 28% with effect from 1 April 2008. The deferred tax asset as at 31 December 2007 was adjusted to reflect this.

	Group and Company 2008 US$M	Group and Company 2007 US$M (restated)
Deferred tax liabilities	(23)	(6)
Deferred tax assets	808	470
Net position	**785**	**464**

Movements in deferred income tax assets and liabilities are attributable to the following items:

	Group and Company 2008 US$M	Group and Company 2007 US$M (restated)
Balance at 1 January	464	463
Credit to income for the year	575	73
Effect of change in tax rate expensed to income statement	-	(34)
Exchange differences	(104)	1
Movement through shareholders' equity	(150)	(39)
At end of the year	**785**	**464**

11. Deferred Taxes (continued)

Deferred tax assets	Group and Company 2008 US$M	Group and Company 2007 US$M (restated)
Share-based compensation	170	388
Decelerated tax depreciation	11	-
Other provisions	-	1
Other short term temporary differences	8	20
Unpaid interest	28	-
Pensions and other post retirement benefits	-	61
Deferred tax impact on losses carried forward	591	-
At end of the year	**808**	**470**

Deferred tax liabilities	Group and Company 2008 US$M	Group and Company 2007 US$M
Accelerated tax depreciation	-	(6)
Pensions and other post-retirement benefits	(23)	-
At end of the year	**(23)**	**(6)**

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

	Group and Company 2008 US$M	Group and Company 2007 US$M (restated)
Share-based compensation	68	47
Decelerated tax depreciation	(17)	3
Other provisions	1	(12)
Other short term temporary differences	12	(11)
Unpaid interest	(28)	-
Pensions and other post-retirement benefits	85	12
Deferred tax impact on losses carried forward	(591)	-
Total deferred tax charge / (credit) in the income statement	**(470)**	**39**

11. Deferred Taxes (continued)

With effect from 1 April 2008, the rate of UK corporation tax will be 28%, see note 7.

Deferred tax assets are recognised on deductible temporary differences, tax losses carried forward and tax credits only to the extent that realisation of the related tax benefit is probable. The Group has deferred tax impact on losses of US$591M (2007: US$nil) to carry forward against future taxable income.

The extent to which deferred tax assets can be recognised is dependent upon the availability of future taxable profits at the time the existing deductible temporary differences reverse. The analysis of the deferred tax assets is shown above. The total amount of deferred tax assets is considered recoverable as the Group is expected to receive the benefit of any reversal of the deductible temporary differences, either against future taxable profits or by surrendering tax losses as group relief. The Group will receive full consideration for any group relief surrendered.

12. Other Assets

	Group 2008 US$M	Group 2007 US$M
Positive replacement values of derivative instruments (held for hedging purposes)	-	2
Brokerage receivables (Note 13)	45,527	45,460
Interest and fees receivable	1,901	3,312
OTC cash collateral	4,857	884
Prepaid expenses	55	46
Other	555	469
Total other assets	**52,895**	**50,173**

	Company 2008 US$M	Company 2007 US$M
Positive replacement values of derivative instruments (held for hedging purposes)	-	2
Brokerage receivables (Note 13)	45,527	45,462
Interest and fees receivable	1,901	3,312
OTC cash collateral	4,857	884
Prepaid expenses	55	46
Other	511	465
Total other assets	**52,851**	**50,171**

All other assets are due within 1 year.

13. Brokerage Receivables and Brokerage Payables

	Group 2008 US$M	Group 2007 US$M
Due from customers	31,440	26,542
Due from banks, brokers and dealers	14,087	18,918
Total brokerage receivables	**45,527**	**45,460**

	Company 2008 US$M	Company 2007 US$M
Due from customers	31,440	26,544
Due from banks, brokers and dealers	14,087	18,918
Total brokerage receivables	**45,527**	**45,462**

	Group and Company 2008 US$M	Group and Company 2007 US$M
Due to customers	34,460	21,624
Due to banks, brokers and dealers	15,410	13,167
Total brokerage payables	**49,870**	**34,791**

Brokerage receivables and payables include transactions in financial instruments purchased from and sold to customers, banks, brokers and dealers which have not settled as at the balance sheet date, receivables and payables from the Prime Brokerage business and cash collateral from futures trading.

14. Investment in Subsidiary Undertakings

	Company 2008 US$M	Company 2007 US$M
Beginning of the year	-	-
End of the year	**-**	**-**

Subsidiaries

31 December % of equity held	Company name	Country of incorporation	Currency
100	Credit Suisse Client Nominees (UK) Limited	UK	US$
100	Credit Suisse First Boston Trustees Limited	UK	US$
100	Credit Suisse First Boston PF (Europe) Limited	UK	US$

15. Goodwill

	Group and Company 2008 US$M	Group and Company 2007 US$M
Opening net carrying amount	8	6
Exchange differences	(1)	2
Closing net carrying amount	**7**	**8**

All goodwill is held by branches of the Company and denominated in Euros. This is translated to US$ at the balance sheet date.

16. Property, Plant and Equipment

	Group and Company 2008					
	Long Leasehold Land and Buildings US$M	Leasehold Improve-ments US$M	Internally Developed Software US$M	Computer Equipment US$M	Office Equipment US$M	Total US$M
Cost:						
Cost as at 1 January 2008	52	80	9	15	17	173
Additions	-	-	-	-	1	1
Disposals	-	-	(9)	(2)	-	(11)
Other movements	-	-	-	-	(2)	(2)
Cost as at 31 December 2008	52	80	-	13	16	161
Accumulated Depreciation:						
Depreciation as at 1 January 2008	9	38	-	12	6	65
Charge for the period	1	10	-	-	2	13
Disposals	-	-	-	(2)	-	(2)
Other movements	-	-	-	-	-	-
Depreciation as at 31 December 2008	10	48	-	10	8	76
Net book value as at 31 December 2008	42	32	-	3	8	85
Net book value as at 31 December 2007	43	42	9	3	11	108

Leasehold improvements relate to improvements to land and buildings occupied by the Group and other CS group companies.

No interest has been capitalised within Property, Plant and Equipment (2007:US$nil).

16. Property, Plant and Equipment (continued)

	Group and Company					
	2007					
	Long Leasehold Land and Buildings US$M	Leasehold Improve-ments US$M	Internally Developed Software US$M	Computer Equipment US$M	Office Equipment US$M	Total US$M
Cost:						
Cost as at 1 January 2007	52	66	-	12	11	141
Additions	-	18	9	4	5	36
Disposals	-	(1)	-	-	-	(1)
Other movements	-	(3)	-	(1)	1	(3)
Cost as at 31 December 2007	52	80	9	15	17	173
Depreciation:						
Depreciation as at 1 January 2007	8	29	-	10	4	51
Charge for the period	1	9	-	1	1	12
Disposals	-	-	-	-	-	-
Other movements	-	-	-	1	1	2
Depreciation as at 31 December 2007	9	38	-	12	6	65
Net book value as at 31 December 2007	43	42	9	3	11	108
Net book value as at 31 December 2006	44	37	-	2	7	90

17. Deposits

	Group and Company 2008 US$M	Group and Company 2007 US$M
Non-interest bearing demand deposits		
from banks	2,089	1,124
Interest-bearing demand deposits		
from banks	25	122
from customers	7	44
Demand deposits	**2,121**	**1,290**
Time deposits		
from banks	6	3
Total deposits	**2,127**	**1,293**
Of which due in more than 1 year	**-**	**-**

18. Short Term Borrowings

	Group 2008 US$M	Group 2007 US$M
Interest-bearing brokerage borrowings	43,372	61,695
Total short term borrowings	**43,372**	**61,695**

	Company 2008 US$M	Company 2007 US$M
Interest-bearing brokerage borrowings	43,371	61,689
Total short term borrowings	**43,371**	**61,689**

19. Other Liabilities

	Group 2008 US$M	Group 2007 US$M
Negative replacement values of derivative instruments (held for hedging purposes)	19	3
Brokerage payables (Note 13)	49,870	34,791
Interest and fees payable	1,523	1,715
OTC cash collateral	9,813	6,527
Compensation accruals	212	577
Other	1,949	1,172
Total other liabilities	**63,386**	**44,785**

	Company 2008 US$M	Company 2007 US$M (restated)
Negative replacement values of derivative instruments (held for hedging purposes)	19	3
Brokerage payables (Note 13)	49,870	34,791
Interest and fees payable	1,523	1,715
OTC cash collateral	9,813	6,527
Compensation accruals	212	577
Other	1,942	1,169
Total other liabilities	**63,379**	**44,782**

All other liabilities are due within one year.

20. Provisions

	Group and Company			
	Property US$M	Litigation US$M	Total 2008 US$M	Total 2007 US$M
Balance at beginning of year	6	4	**10**	**64**
Increase in provisions	2	2	**4**	**3**
Released during the year	-	-	**-**	**(19)**
Utilised during the year	(2)	-	**(2)**	**(37)**
Currency translation difference	(1)	(1)	**(2)**	**(1)**
Balance at the end of the year	**5**	**5**	**10**	**10**
Of which due in more than 1 year	**5**	**-**	**5**	**6**

Included in the property provision are reinstatement costs of the Frankfurt building at 16 Junghofplatz (US$2.3M), the Milan office (US$2.2M), the Seoul Hanwha building (US$0.5M) and the Amsterdam office (US$0.5M).

The litigation provision relates to the estimated liability exposure and legal fees for cases that the Company is defending.

21. Long Term Debt

	Group and Company 2008 US$M	Group and Company 2007 US$M
Subordinated debt	2,383	2,809
Total long term debt	**2,383**	**2,809**

At 31 December 2008 subordinated debt comprises an amount of US$2,383M (2007: US$2,809M). This comprised US$1,483M advanced by Credit Suisse First Boston Finance BV and US$900M advanced by Credit Suisse (International) Holdings AG.

US$1,187M was borrowed under an agreement dated 27 June 2008 from Credit Suisse First Boston Finance BV, a fellow company under common control. Under the terms of the loan, the Company may repay, in whole or in part, any amounts outstanding upon giving prior written notice to the lender and FSA. The earliest date at which the Company may make a repayment is December 2013. Interest on subordinated debt is payable at a fixed rate of 9.49% per annum. Under the facility, the loan and any interest outstanding thereon is subordinated in right of repayment to all other indebtedness and liabilities of the Company. The maturity of the loan is 27 June 2038.

On 2 September 2008, the Company borrowed a further US$296M from Credit Suisse First Boston Finance BV, with interest on subordinated debt payable at a fixed rate of 9.83% per annum. Under the terms of the loan, the Company may repay, in whole or in part, any amounts outstanding upon giving prior written notice to the lender and FSA. The earliest date at which the Company may make a repayment is December 2013. The maturity of the loan is 27 June 2038.

21. Long Term Debt (continued)

On 23 September 2008, US$200M was advanced by Credit Suisse (International) Holdings AG, under a subordinated loan facility agreement for US$1,500M dated 14 December 2007. Interest on this subordinated debt is payable at a rate of 3 months LIBOR plus 900 basis points per annum. The Company borrowed a further US$700M under this facility on 9 October 2008. Interest on this additional subordinated debt is payable at a rate of 3 months LIBOR plus 1,050 basis points per annum.

On 3 September 2008, the agreement dated 22 March 1996 with Credit Suisse First Boston Finance BV was terminated and the subordinated debt balance of US$2,809M at 31 December 2007 was repaid.

22. Called-up Share Capital

Authorised

	Group and Company 2008 US$M	Group and Company 2007 US$M
Equity		
3,550,000,000 ordinary voting shares of US$1 each	3,550	2,150
Total authorised share capital	**3,550**	**2,150**

Allotted, called up and fully paid

	Group and Company 2008 US$M	Group and Company 2007 US$M
3,527,300,000 ordinary voting shares of US$1 each	3,527	2,127
Capital contribution	5,390	5,390
Total called-up share capital	**8,917**	**7,517**

On 17 October 2008, the total authorised share capital of the Company was increased from US$2,150M to US$2,850M with 700,000,000 ordinary shares were issued to Credit Suisse Investment Holdings (UK). These shares were allotted, called up and fully paid.

On 29 October 2008, the total authorised share capital of the Company increased from US$2,850M to US$3,550M with 700,000,000 ordinary shares issued to Credit Suisse Investment Holdings (UK). These shares were allotted, called up and fully paid.

The holders of ordinary shares carry voting rights and the right to receive dividends. The increase in ordinary voting shares in 2008 was required to support the capital resources and regulatory capital capacity when large losses were sustained during the highly volatile falling market environment in late 2008.

During the year, no additional capital contribution (2007: US$894M) was made by Credit Suisse Investment Holdings (UK).

23. Employee share-based compensation and other compensation benefits

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

Compensation and benefits for a given year include fixed components, such as salaries, benefits and the expense from share-based and other deferred compensation from prior-year awards, and a variable component. The variable component reflects the performance-based and retention compensation for the current year. The portion of the variable compensation for the current year deferred through share-based and other awards is expensed in future periods and subject to vesting and other conditions.

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

Total compensation expense for equity-settled share based plans recognised during 2008 and 2007 was US$428M and US$383M (as restated for the impact of IFRIC 11, see note 2(u)) respectively. The average weighted fair value of awards granted in 2008 was CHF 65.59 (2007: CHF103.76).

Incentive Share Unit ('ISU')

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

Movements in the number of ISUs outstanding were as follows:

	Group and Company 2008 millions		Group and Company 2007 millions	
ISU awards	Base	Leverage	Base	Leverage
As at 1 January	4.20	4.20	-	-
Granted	7.15	7.15	4.50	4.50
Share transferred in	0.50	0.49	-	-
Delivered	(1.62)	-	(0.02)	-
Forfeited	(0.39)	(1.23)	(0.28)	(0.30)
As at 31 December	**9.84**	**10.61**	**4.20**	**4.20**

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

Performance Incentive Plan units ('PIP')

As part of its annual incentive performance bonus process for 2004 and 2005, CSG granted PIP share units during 2005 and 2006, respectively. PIP units are long-term retention incentive awards requiring continued employment with CSG, subject to restrictive covenants and cancellation provisions, and vesting evenly over a five-year period. Each PIP unit will settle for a specified number of registered CSG shares subsequent to the fifth anniversary of the grant date based on the achievement of: (i) earnings performance as compared to predefined targets (performance conditions); and (ii) CSG share price performance compared to predefined targets and CSG share price performance relative to peers (market conditions). The performance conditions will determine the multiplier, ranging between zero and three, for the final number of PIP units. The market conditions will determine the number of CSG shares that each PIP unit will convert into at settlement.

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

	Group and Company 2008 millions	Group and Company 2007 millions
PIP units		
As at 1 January	2.82	2.89
Granted	-	-
Shares transferred out	(0.23)	-
Delivered	-	-
Forfeited	(0.01)	(0.07)
As at 31 December	**2.58**	**2.82**

Share awards

CSG's share-based compensation as part of the yearly discretionary performance bonus in prior years included three different types of share awards: phantom shares, LPA and special awards. These share awards entitle the holder to receive one registered CSG share subject to continued employment with CSG, restrictive covenants and cancellation provisions, and generally vest between zero and three years. In 2007, CSG introduced the ISU share-based plan described above to replace the PIP, phantom share and LPA awards granted in prior years. Phantom shares vest in three equal instalments on each of the first, second and third anniversaries of the grant date and convert to registered CSG shares. LPAs vest in full on the third anniversary of the grant. Special awards are generally CSG shares, which may be granted to new employees. These special awards may contain vesting conditions, depending on the terms of employment.

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

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

	Group and Company 2008	Group and Company 2007
	millions	millions
Share awards		
As at 1 January	6.07	9.39
Granted	1.02	0.93
Shares transferred out	(0.77)	-
Delivered	(2.84)	(3.76)
Forfeited	(0.23)	(0.49)
As at 31 December	**3.25**	**6.07**

Partner Asset Facility ('PAF')

As part of the 2008 annual compensation process, the Company awarded certain employees with a corporate title of managing director or director the majority of the deferred portion of their variable compensation in the form of PAF awards, denominated in US dollars. The PAF awards are indexed to, and represent a first-loss interest in, a specified pool of illiquid assets ('Asset Pool') that originated in CSG Investment Banking division.

The notional value of the Asset Pool was based on the fair market value of the assets within the Asset Pool on 31 December 2008, and those assets will remain static throughout the contractual term of the award or until liquidated. The PAF holders will participate in the potential gains on the Asset Pool if the assets within the pool are liquidated at prices above the initial fair market value. If the assets within the Asset Pool are liquidated at prices below the initial fair market value, the PAF holders will bear the first loss on the Asset Pool. As a result, a significant portion of risk positions associated with the Asset Pool has been transferred to the employees and removed from the CSG's risk-weighted assets, resulting in a reduction in capital usage.

The contractual term of the PAF award is eight years. 66.7% of the PAF awards were fully vested upon grant and attributed to services performed in 2008 and 33.3% of the PAF awards will vest over the first three months of 2009. All PAF awards remain subject to non-compete/non-solicit provisions that expire in respect of one-third of the awards on each of the three anniversaries of the grant date.

Each PAF holder will receive a semi-annual cash interest payment of LIBOR plus 250 basis points applied to the notional value of the PAF award granted throughout the contractual term of the award. Beginning in the fifth year after the date of grant, the PAF holders will receive an annual cash payment equal to 20% of the notional value of the PAF awards if the fair market value of the Asset Pool in that year has not declined below the initial fair market value of the Asset Pool. In the final year of the contractual term, the PAF holders will receive a final settlement in cash equal to the notional value, less all previous cash payments made to the PAF holder, plus any related gains or less any related losses on the liquidation of the Asset Pool. Total compensation expense for PAF recognised during 2008 was US$89M. The estimated unrecognised compensation expense as of 31 December 2008 of US$30M will be recognised during 2009.

23. Stock Awards (continued)

Cash Retention Awards ('CRA')

In connection with the 2008 compensation awards, a portion of the variable compensation was granted in the form of Cash Retention Awards. These CRA payments, which were made in the first quarter of 2009, are subject to vesting ratably over a two-year period and to other conditions and any unvested CRA will have to be repaid if a claw-back event, such as voluntary termination of employment, occurs. The recognition of compensation expense for the CRA granted in January 2009 began in 2009 and thus had no impact on the 2008 consolidated financial statements.

Share options

Stock option awards granted in or before January 2003 for service provided in prior years were fully expensed during the year of service. These stock option awards have a contractual term of one to five years and expire between seven and ten years from the grant date.

Under the Credit Suisse Group Master Share Plan, as of January 2004, options over Credit Suisse Group Registered Shares are only granted to employees located in Italy. The exercise price is the higher of the market value of Credit Suisse Group Registered Shares on the date of grant or the average share price of Credit Suisse Group Registered Shares for one month prior to and including the date of grant. Options vest in three equal instalments commencing from the first anniversary of the grant date and are exercisable as they vest, the options have a contractual option term of ten years. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

Movements in the number of share options outstanding are as follows:

	Group and Company 2008		Group and Company 2007	
	In units	Weighted average exercise price	In units	Weighted average exercise price
At 1 January	97,639	CHF 52.18	97,639	CHF 52.18
Granted	-	CHF 00.00	-	CHF 00.00
Exercised	(5,196)	CHF 47.86	-	CHF 00.00
Forfeited	-	CHF 00.00	-	CHF 00.00
At 31 December	**92,443**	**CHF 52.43**	**97,639**	**CHF 52.18**

The number of options exercisable as at the year end was 86,988 (2007: 66,615). The average weighted exercise price of options exercisable at the year end was CHF 51.13 (2007: CHF 50.01). The intrinsic value of vested options outstanding as at the year end was US$nil (2007: US$1.1M).

Share options outstanding at the end of the year were as follows:

	Exercise Price	Group and Company 2008	Group and Company 2007
January 2004 Options	CHF 47.75	15,731	18,998
January 2005 Options	CHF 48.05	60,345	62,274
January 2006 Options	CHF 73.06	16,367	16,367
Share options outstanding at the end of the year		**92,443**	**97,639**

24. Retirement Benefit Obligations

The Company has established a number of pension schemes covering substantially all employees. The most material pension arrangement is operated in the UK, where a funded, final salary defined benefit plan is operated. The assets of this plan are held independently of the Company's assets in separate trustee administered funds. Smaller defined benefit plans are operated elsewhere, consisting of an unfunded plan in Germany and a funded plan in Korea. A full actuarial valuation is completed by independent actuaries, for these schemes, every three years using the projected unit credit method and updated for each balance sheet date. The Company does not contribute to any other post-retirement defined benefit plans.

The following disclosures contain the balances for the entire defined benefit plan sponsored by the Company, of which the Company is one of many participants, all of whom are related parties under common control. The Company accounts for the entire plan using defined benefit accounting. All expenses arising from retirement benefit obligations are recorded in the income statement under 'Compensation and benefits'.

Defined benefit pension and other post-retirement defined benefit plans

Defined benefit pension plans	Group and Company 2008 US$M	Group and Company 2007 US$M
Current service costs on benefit obligation	10	8
Interest costs on benefit obligation	78	76
Expected return on plan assets	(112)	(95)
Prior service costs	1	-
Amortisation of:		
prior service cost	-	-
unrecognised losses	3	9
Net periodic pension costs	**(20)**	**(2)**
Settlement gains	-	-
Curtailment (gains)/losses	(2)	-
Total periodic pension costs	**(22)**	**(2)**

The following table shows the changes in the defined benefit obligation and the fair value of plan assets during 2008 and 2007, and the amounts included in the balance sheet for the Company’s defined benefit pension and other post-retirement defined benefit plans as at 31 December 2008 and 2007 respectively:

Defined benefit pension plans	Group and Company 2008 US$M	Group and Company 2007 US$M
Defined benefit obligation at 1 January	1,403	1,395
Current service cost	10	8
Interest cost	78	76
Plan amendments	1	-
Curtailments	(2)	-
Actuarial gains	(219)	(91)
Benefit payments	(19)	(10)
Exchange rate (gains)/losses	(347)	25
Defined benefit obligation at 31 December	**905**	**1,403**

24. Retirement Benefit Obligations (continued)

Defined benefit pension plans	Group and Company 2008 US$M	Group and Company 2007 US$M
Fair value of plan assets at 1 January	1,376	1,003
Assets of countries added in current year	-	-
Expected return on plan assets	112	95
Actuarial losses on plan assets	(209)	(16)
Actual return on plan assets	(97)	79
Contributions	151	308
Plan participant contributions	-	-
Benefit payments	(19)	(10)
Exchange rate losses	(392)	(4)
Fair value of plan assets at 31 December	**1,019**	**1,376**

Total amount recognised at 31 December		
Funded status of the plan	114	(27)
Unrecognised		
Net actuarial losses	169	201
Exchange rate (losses)/gains	(42)	(10)
Net amount recognised at 31 December	**241**	**164**

The Company has agreed the valuation and funding of the UK defined benefit pension plan with the Pension Fund Trustees as at 31 December 2005. Lump sum contributions were paid by the Company of GBP140M in March 2007 and GBP70M in January 2008. Additional annual tail contributions of GBP2M are expected in April of each year from 2009 until 2015, subject to the results of the next formal valuation, due as at 31 December 2008.

In 2009 the Company expects to contribute a further GBP7.4M to the UK defined benefit pension plans.

During 2008, the Company recognised US$32M through the income statement for monies received from the participating entities for their portion of the lump sum contribution of GBP70M paid by the Company in 2008.

At 31 December 2008 and 2007, the pension fund plan assets held no material amounts of CSG debt and equity

Movement in the asset/(liability) recognised in the balance sheet:

	Group and Company 2008 US$M	Group and Company 2007 US$M
At 1 January	164	(125)
Exchange difference	(96)	(21)
Total expenses	22	2
Contributions paid	151	308
At 31 December	**241**	**164**

24. Retirement Benefit Obligations (continued)

Assumptions

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

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

* Pensions earned before 6 April 1997 are subject to pension increases on a discretionary basis.

Mortality Assumptions

The assumptions for life expectancy in the 2008 benefit obligation calculations pursuant to IAS 19 are based on 00 series year of birth mortality tables with a scaling factor of 85% projected to date with allowance for the medium cohort and then projected forwards with allowance for the medium cohort but subject to an underpin to longevity improvement rates of 0.5% p.a. for females and 1% p.a. for males.

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

	2008	2007
Life expectancy at age 60 for current pensioners aged 60 (years)		
Males	28	28
Females	30	30
Life expectancy at age 60 for future pensioners currently aged 40 (years)		
Males	31	30
Females	32	31

24. Retirement Benefit Obligations (continued)

Sensitivity Analysis

Changes in the principal assumptions used to measure the benefit obligation and total periodic pension cost would have had the following effects:

	Increase US$M	Increase %	Decrease US$M	Decrease %
Benefit obligation				
One-percentage point change				
Discount rate	259	29	(197)	(22)
Inflation	216	24	(170)	(19)
Salary increases	15	2	(14)	(2)
1 year to life expectancy at 60	17	2	(16)	(2)
Net periodic pension cost				
One-percentage point change				
Expected return on assets	15	65	(15)	(65)

Plan assets and investment strategy

The Company's defined pension plan employs a total return investment approach, whereby a diversified mix of equities, fixed income investments and alternative investments is used to maximise the long term return of plan assets while incurring a prudent level of risk. The intention of this strategy is to outperform plan liabilities over the long run in order to minimise plan expenses. Risk tolerance is established through careful consideration of plan liabilities, plan funded status and corporate financial condition.

Furthermore, equity investments are diversified across UK and non-UK stocks as well as between growth, value and small and large capitalisation stocks. Other assets such as hedge funds are used to enhance long term returns while improving portfolio diversification. Derivatives may be used to take market exposure, but are not used to leverage the portfolio beyond the market value of the underlying investments. Investment risk is measured and monitored on an ongoing basis through annual liability measurements, periodic asset/liability studies and quarterly investment portfolio reviews. To limit investment risk, the Company's pension plans follow defined strategic asset allocation guidelines. Depending on the market conditions, these guidelines are even more limited on a short term basis.

The Company employs a building block approach in determining the long term rate of return on pension plan assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the Fund at 31 December 2008.

	2008		2007	
	Fair value US$M	% of total fair value of scheme assets	Fair value US$M	% of total fair value of scheme assets
Equity securities	488	47.9	879	63.9
Debt securities	258	25.3	275	20.0
Alternative investments (primarily hedge funds)	271	26.6	220	16.0
Cash	2	0.2	2	0.1
Fair value of plan assets	**1,019**	**100.0**	**1,376**	**100.0**

24. Retirement Benefit Obligations (continued)

Balances and amounts for the current and previous periods for which the Group prepared IFRS accounts are as follows:

31 December	Group and Company 2008 US$M	Group and Company 2007 US$M	Group and Company 2006 US$M	Group and Company 2005 US$M
Defined benefit obligation	905	1,403	1,395	1,072
Fair value of plan assets	1,019	1,376	1,003	804
Funded status, surplus/(deficit)	114	(27)	(392)	(268)
Experience (gains)/losses on plan liabilities [1)]	44	(23)	48	(49)
Experience gains/(losses) on plan assets	(209)	(16)	30	80

1) This item consists of (gains)/losses in respect of liability experience only and excludes any changes in liabilities in respect of changes to the actuarial assumptions used.

Defined Contribution Pension Plans

The Company also contributes to various defined contribution pensions primarily in the United Kingdom. The contributions in these plans during 2008 and 2007 were US$67M and US$69M respectively.

25. Related Party Transactions

The Company is wholly owned by Credit Suisse Investment Holdings (UK), incorporated in the UK. The ultimate parent of the Company is CSG, which is incorporated in Switzerland.

The Company acts primarily in the Investment Banking sector as a financial intermediary for fellow CS group companies in providing investment banking and securities products and services for the Americas, European and Asian regions. The Company acts as one of the main booking entities in the European region for transacting in securities, derivatives and foreign exchange. The Company generally enters into these transactions in the ordinary course of business and these transactions are on market terms that could be obtained from unrelated parties. The Company has extensive transfer pricing policies (revenue sharing and cost plus agreements) to govern the cross-border booking process.

The Company employs the majority of the London based employees and is the sponsoring company for the UK pension plan. The Company also holds the main UK leases and service contracts in the UK. The costs associated with these are allocated to fellow Credit Suisse group companies based on detailed cost allocation statistics (see 'Expenses receivable from other Credit Suisse group companies' in note 5). The Company generally enters into these transactions in the ordinary course of business and these transactions are on market terms that could be obtained from unrelated parties.

25. Related Party Transactions (continued)

a) Related party assets and liabilities

	Group 2008 US$M Fellow Credit Suisse Group Companies	Group 2007 US$M Fellow Credit Suisse Group Companies
Assets		
Cash and cash equivalents	7,780	1,105
Interest-bearing deposits with banks	10,511	3,627
Securities purchased under resale agreements and securities borrowing transactions	35,432	54,412
Trading assets	17,924	10,416
Other assets	8,026	9,660
Total assets	**79,673**	**79,220**
Liabilities		
Deposits	2,086	1,143
Securities sold under repurchase agreements and securities lending	14,477	17,006
Trading liabilities	16,922	9,821
Short term borrowings	43,372	61,669
Other liabilities	10,941	4,996
Long term debt	2,383	2,809
Total liabilities	**90,181**	**97,444**

25. Related Party Transactions (continued)

	Company 2008 US$M Special Purpose Entities	Company 2008 US$M Fellow Credit Suisse Group Companies	Company 2008 US$M Total	Company 2007 US$M Total
Assets				
Cash and cash equivalents	-	7,780	7,780	1,105
Interest-bearing deposits with banks	-	10,511	10,511	3,627
Securities purchased under resale agreements and securities borrowing transactions	-	35,432	35,432	54,412
Trading assets	542	17,170	17,712	11,524
Other assets	-	8,026	8,026	9,660
Total assets	**542**	**78,919**	**79,461**	**80,328**
Liabilities				
Deposits	-	2,086	2,086	1,143
Securities sold under repurchase agreements and securities lending transactions	-	14,477	14,477	17,006
Trading liabilities	-	16,379	16,379	9,821
Short term borrowings	-	43,372	43,372	61,669
Other liabilities	-	10,941	10,941	4,996
Long term debt	-	2,383	2,383	2,809
Total liabilities	**-**	**89,638**	**89,638**	**97,444**

b) Related party off balance sheet transactions

	Group and Company 2008 US$M Fellow Credit Suisse Group Companies	Group and Company 2007 US$M Fellow Credit Suisse Group Companies
Off balance sheet items		
Guarantees	27,713	6,825
Derivatives notional amounts	360,248	493,643
Obligation to return securities under 'Securities purchased under resale agreements and securities borrowing transactions'	(79,934)	(62,578)
Securities to be received under 'Securities sold under repurchase agreements and securities lending transactions'	91,753	99,436

25. Related Party Transactions (continued)

c) Related party revenues and expenses

	Group and Company 2008 US$M Fellow Credit Suisse Group Companies	Group and Company 2007 US$M Fellow Credit Suisse Group Companies
Interest income	1,756	3,066
Interest expense	(4,351)	(6,044)
Net interest income	**(2,595)**	**(2,978)**
Net commissions and fees	262	99
Net revenue sharing agreements income/(expense)	107	(29)
Total non-interest revenues	**369**	**70**
Total operating expenses	**(282)**	**(561)**

d) Remuneration

The Credit Suisse Group International Share Plan provides for the grant of equity-based awards to employees based on CSG shares pursuant to which employees of the Company may be granted share or other equity-based awards as compensation for services performed. See Note 23 for further information on the Company's share-based compensation.

Remuneration of Directors

	Group and Company 2008 US$M	Group and Company 2007 US$M
Emoluments	1	3
Share based payment compensation	9	8
Total	**10**	**11**

Under IFRS the aggregate value of compensation provided in the accounts for 2008 for Directors was US$30,991,127 (2007: US$8,724,454 as restated). The values for compensation include cash payments, benefits and the CSG share awards that vest over future years. The increase in 2008 results from: (i) There were more directors during the course of 2008. (ii) The total includes the impact of granting a significantly higher proportion of compensation in the form of CSG share awards in 2008 and, as a consequence, the expense recognition is accelerated in 2008 based on any Director qualifying for the terms of early or normal retirement rather than expensing over the future vesting period.

Where directors and key management personnel perform services for a number of companies within the CS group, the total emoluments payable to each director have been apportioned to the respective entities.

Included in the share-based payment compensation for directors is US$2,011,896 (2007: US$284,034) relating to cash schemes.

25. Related Party Transactions (continued)

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was US$2,347,424 (2007: US$3,691,812). He was a member of a money purchase pension scheme and the contribution paid during the year for the money purchase pension scheme was US$16,937 (2007: US$14,795).

During the year the highest paid director received an entitlement to shares under a long term incentive scheme.

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

Remuneration of Key Management Personnel

	Group and Company 2008 US$M	Group and Company 2007 US$M
Emoluments	5	22
Amounts receivable under long term incentive schemes	65	29
Compensation for loss of office	-	-
Total	**70**	**51**
Group contributions to money purchase pension schemes	-	1
Total	**70**	**52**

Key Management Personnel include all Directors, the Europe, Middle East and Africa ('EMEA') Investment Banking Committee of CS group and significant management responsible for Designated Investment Business.

e) Loans and advances to Directors and Key Management Personnel

There were no loans or advances made to directors or key management personnel during the period (2007: US$nil).

25. Related Party Transactions (continued)

f) Liabilities due to pension funds

Liabilities due to own pension funds as at 31 December 2008 and 2007 of US$nil and US$nil respectively are reflected in various liability accounts in the Group's balance sheet.

26. Employees

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

	Group and Company 2008 Number	Group and Company 2007 Number
Front office	1,919	1,978
Back office	2,977	3,002
Total	**4,896**	**4,980**

The Group receives a range of administrative services from related companies. The headcount related to these services cannot be accurately ascertained and is not therefore included in the above numbers.

27. Derivatives and Hedging Activities

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

The Group enters into derivative contracts that fall into one of the following categories:
- trading activities;
- a risk management transaction that does not qualify as a hedge under accounting standards (referred to as an economic hedge);
- a hedge of the variability of cash flows to be received or paid related to a recognised asset or liability or a forecasted transaction; or
- a hedge of a net investment in a foreign operation.

Trading Activities

The Group is active in most of the principal trading markets and transacts in trading and hedging products. As noted above, this includes the use of swaps, futures, options and structured products (custom transactions using combinations of derivatives) in connection with its sales and trading activities. Trading activities include market-making, positioning and arbitrage activities. The majority of the Group's derivatives held as at 31 December 2008 were used for trading activities.

27. Derivatives and Hedging Activities (continued)

Cash Flow Hedges

The Group uses derivatives to hedge the cash flows associated with forecasted transactions. The following table sets forth details of cash flow hedges:

	Group and Company 2008 US$M	Group and Company 2007 US$M
Fair value of open derivative transactions used as cash flow hedges	(19)	2
Cash inflows from assets		
within 3 months	-	-
between 3 months and 1 year	-	-
between 1 and 5 years	-	-
greater than 5 years	-	-
Total cash inflows from assets	**-**	**-**
Cash outflows from liabilities		
within 3 months	81	158
between 3 months and 1 year	237	-
between 1 and 5 years	-	-
greater than 5 years	-	-
Total cash outflows from liabilities	**318**	**158**

Amounts relating to cash flow hedges transferred to profit and loss during the period are reflected as a component of expenses. Net ineffectiveness recognised on cash flow hedges during 2008 was US$nil (2007: US$ nil). Cash flow hedges affect the profit and loss account in the same period when the expenses are recorded such that the hedged expense is recorded using the locked-in foreign exchange rate.

Net Investment Hedges

The Group typically uses forward foreign exchange contracts to hedge selected net investments in foreign operations. The objective of these hedging transactions is to protect against adverse movements in foreign exchange rates.

The fair value of open derivative transactions used as net investment hedges for the Group and Company as at 31 December 2008 was a liability of US$nil (2007: US$3M liability).

27. Derivatives and Hedging Activities (continued)

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

	Group			Group		
31 December 2008	**Trading**			**Hedging**		
	Notional amount	Positive replacement value	Negative replacement value	Notional amount	Positive replacement value	Negative replacement value
	US$M	US$M	US$M	US$M	US$M	US$M
Forwards and forward rate agreements	4,276	61	22	-	-	-
Swaps	337,646	7,364	8,724	-	-	-
Options bought and sold (OTC)	10,592	102	82	-	-	-
Futures	41,824	-	-	-	-	-
Options bought and sold (traded)	91,256	-	-	-	-	-
Interest rate products	**485,594**	**7,527**	**8,828**	**-**	**-**	**-**
Forwards	171,973	7,329	9,616	196	-	19
Swaps	59,645	7,405	4,477	-	-	-
Options bought and sold (OTC)	117,537	5,055	4,669	-	-	-
Futures	5,383	-	-			
Options bought and sold (traded)	580	-	-	-	-	-
Foreign Exchange Products	**355,118**	**19,789**	**18,762**	**196**	**-**	**19**
Forwards	2,079	14	13	-	-	-
Swaps	65,467	6,009	4,513	-	-	-
Options bought and sold (OTC)	2,400	169	172	-	-	-
Futures	6,207	-	-			
Options bought and sold (traded)	1,378	-	-	-	-	-
Equity/indexed-related products	**77,531**	**6,192**	**4,698**	**-**	**-**	**-**
Credit swaps	19,944	1,442	1,423	-	-	-
Life finance swaps	8,149	107	230			
Commodity futures	73,543	-	-	-	-	-
Other products	14	-	-	-	-	-
Other products	**101,650**	**1,549**	**1,653**	**-**	**-**	**-**
Total derivative instruments	**1,019,893**	**35,057**	**33,941**	**196**	**-**	**19**

27. Derivatives and Hedging Activities (continued)

	Company			Company		
31 December 2008	**Trading**			**Hedging**		
	Notional amount	Positive replacement value	Negative replacement value	Notional amount	Positive replacement value	Negative replacement value
	US$M	US$M	US$M	US$M	US$M	US$M
Forwards and forward rate agreements	4,276	61	22	-	-	-
Swaps	337,646	7,364	8,615	-	-	-
Options bought and sold (OTC)	10,592	102	82	-	-	-
Futures	41,824	-	-	-	-	-
Options bought and sold (traded)	91,256	-	-	-	-	-
Interest rate products	**485,594**	**7,527**	**8,719**	**-**	**-**	**-**
Forwards	171,973	7,329	9,616	196	-	19
Swaps	59,645	7,405	4,477	-	-	-
Options bought and sold (OTC)	117,537	5,055	4,669	-	-	-
Futures	5,383	-	-			
Options bought and sold (traded)	580	-	-	-	-	-
Foreign Exchange Products	**355,118**	**19,789**	**18,762**	**196**	**-**	**19**
Forwards	2,079	14	13	-	-	-
Swaps	65,467	6,009	4,513	-	-	-
Options bought and sold (OTC)	2,400	169	172	-	-	-
Futures	6,207	-	-			
Options bought and sold (traded)	1,378	-	-	-	-	-
Equity/indexed-related products	**77,531**	**6,192**	**4,698**	**-**	**-**	**-**
Credit swaps	19,944	1,442	1,423	-	-	-
Life finance swaps	8,149	107	230			
Commodity futures	73,543	-	-	-	-	-
Other products	14	-	-	-	-	-
Other products	**101,650**	**1,549**	**1,653**	**-**	**-**	**-**
Total derivative instruments	**1,019,893**	**35,057**	**33,832**	**196**	**-**	**19**

27. Derivatives and Hedging Activities (continued)

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

	Group and Company			Group and Company		
31 December 2007	**Trading**			**Hedging**		
	Notional amount	Positive replacement value	Negative replacement value	Notional amount	Positive replacement value	Negative replacement value
	US$M	US$M	US$M	US$M	US$M	US$M
Forwards and forward rate agreements	5,174	98	22	-	-	-
Swaps	459,281	5,712	5,486	-	-	-
Options bought and sold (OTC)	37,921	181	170	-	-	-
Futures	116,388	-	-	-	-	-
Options bought and sold (traded)	435,791	85	-	-	-	-
Interest rate products	**1,054,555**	**6,076**	**5,678**	**-**	**-**	**-**
Forwards	270,231	5,629	5,617	294	2	3
Swaps	46,269	1,397	2,123	-	-	-
Options bought and sold (OTC)	109,405	2,981	2,805	-	-	-
Futures	4,026	-	-			
Options bought and sold (traded)	7,563	-	-	-	-	-
Foreign Exchange Products	**437,494**	**10,007**	**10,545**	**294**	**2**	**3**
Forward rate agreements	5,707	143	-	-	-	-
Swaps	111,653	3,423	3,527	-	-	-
Options bought and sold (OTC)	8,130	40	136	-	-	-
Futures	10,014	-	-			
Options bought and sold (traded)	487	-	-	-	-	-
Equity/indexed-related products	**135,991**	**3,606**	**3,663**	**-**	**-**	**-**
Credit swaps	23,855	209	207	-	-	-
Commodity futures	131,613	-	-			
Other products	**155,468**	**209**	**207**	**-**	**-**	**-**
Total derivative instruments	**1,783,508**	**19,898**	**20,093**	**294**	**2**	**3**

27. Derivatives and Hedging Activities (continued)

	Group		Group	
	2008		2007	
	Positive replacement value	Negative replacement value	Positive replacement value	Negative replacement value
	US$M	US$M	US$M	US$M
Replacement values (trading) before netting	35,057	33,941	19,898	20,093
Replacement values (trading) after netting	35,057	33,941	19,898	20,093

	Company		Company	
	2008		2007	
	Positive replacement value	Negative replacement value	Positive replacement value	Negative replacement value
	US$M	US$M	US$M	US$M
Replacement values (trading) before netting	35,057	33,832	19,898	20,093
Replacement values (trading) after netting	35,057	33,832	19,898	20,093

28. Guarantees and Commitments

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

	Group and Company						
31 December 2008	Maturity <1 year	Maturity 1-3 years	Maturity 3-5 years	Maturity >5 years	Total gross amount	Collateral received	Net of collateral
	US$M	US$M	US$M	US$M	US$M	US$M	US$M
Total guarantees	**15,767**	**17,221**	**-**	**2,599**	**35,587**	**-**	**35,587**

	Group and Company						
31 December 2007	Maturity <1 year	Maturity 1-3 years	Maturity 3-5 years	Maturity >5 years	Total gross amount	Collateral received	Net of collateral
	US$M	US$M	US$M	US$M	US$M	US$M	US$M
Total guarantees	**7,168**	**835**	**1,439**	**38**	**9,480**	**-**	**9,480**

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

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

Commitments

In the ordinary course of business, the Group and Company enter into contractual commitments involving financial instruments with off balance sheet risk. These financial instruments include financial guarantees, interest rate swaps, interest rate caps and floors written, forwards and futures contracts, options contracts written, currency swaps and currency options.

The Company has granted to Morgan Guaranty Trust Company of New York a fixed charge over all American Depository Receipts ('ADR's) held by that company on behalf of the Company, and over all rights, claims and interests in the relevant underlying securities. At 31 December 2008, the Company held ADRs to the value of US$359M (2007: US$1,460M).

The Company has granted to Morgan Guaranty Trust Company of New York, as operator of the Euroclear System, a charge over cash and securities held in the account of the Company at Euroclear. At 31 December 2008, the Company had open trades of US$212M with Euroclear (2007: US$146M).

The Company has granted to Morgan Guaranty Trust Company of New York a first fixed charge over all sums standing to the credit of the collateral accounts in the name of the Company together with all rights actual or contingent in respect thereof. At 31 December 2008, the Company held no uncollateralised positions with Euroclear (2007: US$nil).

28. Guarantees and Commitments (continued)

The Company has granted to HSBC Bank Plc a first fixed charge over all sums receivable by the Company in respect of any transfer or debit of stock or other securities and a first floating charge over the title and interest in the stock and securities in connection with the provision of CGO Settlement Bank facilities. At 31 December 2008, the Company had open trades of US$48M with HSBC Bank Plc (2007: US$58M).

The Company has granted a pledge of securities and claims to a syndicate of banks whose lead bank is Citibank. This pledge is for all present and future securities, bonds, notes, certificates of deposits, instruments or rights representing property rights or claims as well as all other debentures which may be pledged in the same form as securities, according to Luxembourg Law. At 31 December 2008, the Company had open trades of US$903M with Citibank (2007: US$883M).

The Company has granted a first fixed charge to HSBC Bank Plc as Settlement Bank over certain receivables in respect of the Company's membership of CREST, and a first floating charge over all eligible stock and other sums due to the Company against failure of the Company to meet its obligations under the Settlement Bank Facility agreement with HSBC Bank Plc. At 31 December 2008, the Company had open trades of US$106M with CREST (2007: US$178M).

The Company has granted to The Bank of New York a charge over all securities held in the Company's account with Bank of New York as security for payment and discharge of secured obligations. At 31 December 2008, the Company had no liabilities payable to Bank of New York (2007: US$nil).

The Company has granted to Glaxosmithkline Export Ltd a charge over Euroclear securities. At 31 December 2008, the Company held no uncollateralised positions with Euroclear (2007: US$nil).

The Company has granted to Emerging Markets Clearing Corporation ('EMCC') a charge over all assets and property including all securities and cash on deposit with EMCC as security over any and all obligations and liabilities of the Company to the chargee and a charge over eligible treasury securities forming part of the collateral.

The Company has granted to Abbey National Plc a charge over the second to fifth floors of 164 / 182 Oxford St, London, to Banco Santander Central Hispano S.A a charge over all securities, to Deutsche Bank AG (London Branch) a charge over all rights, title and interest to and in all deposited instruments.

The Company has granted to Credit Suisse (London Branch) a charge over all proceeds, products, accessions, rents, profits, as well as rights, title and interest in equity interests in trust or any warrants, and a charge over security interests, covering the right title and interest of the pledger as holder of equity interests in trust or any warrants.

The Company had underwriting commitments of US$nil at 31 December 2008 (2007: US$nil).

During the year, the Company granted to China Sunergy Co Ltd a charge over the deposits held in the charged account and to Trina Solar Limited a first fixed charge over the deposits held in the charged account.

During the year, the Company has granted to European Central Counterparty Limited, as operator of the Euroclear System, a charge over securities held in the account of the Company at Euroclear, over all cash margin amounts, all cash contributions, all certified securities, all uncertified securities, floating charge all securities and other property deliverable.

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

28. Guarantees and Commitments (continued)

Lease Commitments

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

	Group and Company Total	Group and Company Of which rental	Group and Company Total	Group and Company Of which rental
	2008	2008	2007	2007
	US$M	US$M	US$M	US$M
Up to 1 year	21	17	35	28
From 1 year to 2 years	13	10	22	17
From 2 years to 3 years	12	9	20	16
From 3 years to 4 years	8	5	20	14
From 5 years and over	1,495	20	2,101	57
Future operating lease commitments	**1,549**	**61**	**2,198**	**132**
Less minimum non-cancellable sublease rentals	(21)	(16)	(32)	(24)
Total net future minimum lease commitments	**1,528**	**45**	**2,166**	**108**

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

	Group and Company Total	Group and Company Of which rental	Group and Company Total	Group and Company Of which rental
	2008	2008	2007	2007
	US$M	US$M	US$M	US$M
Minimum rentals	25	18	47	38
Sublease rental income	(5)	(3)	(13)	(10)
Total net rental expenses	**20**	**15**	**34**	**28**

Other Commitments

The following table sets forth details of other commitments:

	Group and Company	Group and Company
	2008	2007
	US$M	US$M
Forward reverse repurchase agreements with maturity <1 year	20,118	16,625
Other commitments with maturity <1 year	38	473
Total other commitments	**20,156**	**17,098**
Collateral received	**-**	**-**

Forward reverse repurchase agreements represent transactions in which the initial cash exchange of the reverse repurchase transaction takes place on a specified future date.

29. Securitisations, Special Purpose Entities and Other Structured Transactions

The Group is involved in the formation of special purpose entities primarily for the purpose of providing clients with structured investment opportunities, asset securitisation transactions, life insurance transactions and for buying or selling credit protection. The Group only consolidates SPEs when the substance of the relationship between the Group and the SPE indicates that the SPE is controlled by the Group. Consideration is given to the Group's ability to control the activities of the SPE and the Group's exposure to the risks and benefits of the SPE.

The aggregate balance sheet value (including amounts held with the Company) in relation to consolidated SPEs is shown below.

	2008 US$M	2007 US$M
Assets		
Cash and cash equivalents	160	158
Trading assets	-	2
Financial assets designated at fair value through profit and loss	4,496	4,064
Other assets	40	2
Total assets	**4,696**	**4,226**
Liabilities		
Trading liabilities	109	26
Financial liabilities designated at fair value through profit and loss	2,449	3,751
Short term borrowings	2	7
Other liabilities	6	3
Total liabilities	**2,566**	**3,787**
Shareholders' equity		
Capital	1,741	400
Retained earnings	389	39
Total shareholders' equity	**2,130**	**439**
Total liabilities and shareholders' equity	**4,696**	**4,226**

The Company continues to consolidate a number of the SPEs which are involved in commercial mortgaged backed securities transactions. The Company acted as underwriter for the SPEs in the issuance of their debt, due to market conditions at the end of 2008, the Company still held a retained interest in the SPEs through the debt issuance.

The Company continues to consolidate life insurance trusts. These trusts hold life insurance contracts and life annuity contracts.

30. Fair Value of Financial Instruments

Qualitative disclosures of valuation techniques

Quoted market prices, when available, are used as the measure of fair value. In cases where quoted market prices are not available, fair values are determined using present value estimates or other valuation techniques, for example, the present value of estimated expected future cash flows using discount rates commensurate with the risks involved, option-pricing models, matrix pricing, option-adjusted spread models, and fundamental analysis. Fair value estimation techniques normally incorporate assumptions that market participants would use in their estimates of values, future revenues, and future expenses, including assumptions about interest rates, default, prepayment and volatility. As assumptions are inherently subjective in nature, the estimated fair values cannot always be substantiated by comparison to independent market quotes and, in many cases, the estimated fair values would not necessarily be realised in an immediate sale or settlement of the instrument.

For cash and other liquid assets and money market instruments maturing within three months, the fair value is assumed to approximate to book value, given the short term nature of these instruments. For those items with a stated maturity exceeding three months, fair value is calculated using a discounted cash flow analysis.

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

The fair values of trading debt securities (including RMBS, CMBS and other ABS and CDOs) and equity securities (including common equity shares, convertible bonds and separately managed funds), financial investments from the banking business, investments from the insurance business, and non-consolidated participations where available are based on quoted market prices. Values of RMBS, CMBS and other ABS are generally available through quoted prices, which are often based on the prices at which similarly structured and collateralised securities trade between dealers and to and from customers.

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

Values of RMBS, CMBS and other ABS for which there are no significant observable inputs are valued using benchmarks to similar transactions or indices and other valuation models. CDO, collateralized bond and loan obligations are split into various structured tranches and each tranche is valued based upon its individual rating and the underlying collateral supporting the structure. Valuation models are used to value both cash and synthetic CDOs.

Equity securities for which there are no significant observable values are determined by their yield and the subordination relative to the issuer's other credit obligations. For a small number of convertible bonds, no observable prices are available, and valuation is determined using internal and external models, for which the key inputs include stock price, dividend rates, credit spreads, foreign exchange rates, prepayment rates and equity market volatility.

Positions in derivatives held for trading purposes include both OTC and exchange-traded derivatives. The fair values of exchange-traded derivatives are typically derived from observable exchange prices and/or observable inputs. The fair values of OTC derivatives are determined on the basis of internally developed proprietary models using various inputs. The inputs include those characteristics of the derivatives that have a bearing on the economics of the instruments. Certain more complex derivatives use unobservable inputs. Specific unobservable inputs include long-dated volatility assumptions, recovery rate assumptions for credit derivative transactions. Uncertainty of pricing inputs and liquidity are also considered as part of the valuation process.

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

30. Fair Value of Financial Instruments (continued)

Short-term borrowings and long-term debt include structured notes (hybrid financial instruments that are both bifurcatable and non-bifurcatable) and vanilla debt. The fair value of these debt instruments is based on quoted prices, where available. Where quoted prices are not available, fair values are calculated using yield curves for similar maturities, taking into consideration the impact of the CS group's own credit spread on these instruments.

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

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

	Fair value	**Book Value**				
Group 2008	Total fair value	Held for trading	Designated at fair value	Loan and receivables	Available for sale	Total book value
	US$M	US$M	US$M	US$M	US$M	US$M
Cash and cash equivalents	10,514	-	-	10,514	-	10,514
Interest-bearing deposits with banks	10,511	-	-	10,511	-	10,511
Securities purchased under resale agreements and securities borrowing	51,175	-	-	51,175	-	51,175
Trading assets	77,587	77,587	-	-	-	77,587
Financial assets designated at fair value through profit and loss	98,784	-	98,784	-	-	98,784
Other loans and receivables	-	-	-	-	-	-
Investment securities	25	-	-	-	25	25
Other investments	5	-	-	5	-	5
Other assets	52,285	-	-	52,285	-	52,285
Financial assets	**300,886**	**77,587**	**98,784**	**124,490**	**25**	**300,886**

	Fair Value	**Book Value**			
Group 2008	Total fair value	Held for trading	Designated at fair value	Other amortised cost	Total book value
	US$M	US$M	US$M	US$M	US$M
Deposits	2,127	-	-	2,127	2,127
Securities sold under repurchase agreements and securities lending	35,213	-	-	35,213	35,213
Trading liabilities	54,629	54,629	-	-	54,629
Financial liabilities designated at fair value through profit and loss	95,543	-	95,543	-	95,543
Short term borrowings	43,777	-	-	43,372	43,372
Other liabilities	61,225	-	-	61,225	61,225
Long term debt	2,573	-	-	2,383	2,383
Financial liabilities	**295,087**	**54,629**	**95,543**	**144,320**	**294,492**

30. Fair Value of Financial Instruments (continued)

	Fair Value	Book Value				
Group 2007	Total fair value	Held for trading	Designated at fair value	Loan and receivables		Total book value
	US$M	US$M	US$M	US$M		US$M
Cash and cash equivalents	5,934	-	-	5,934	-	5,934
Interest-bearing deposits with banks	3,627	-	-	3,627		3,627
Securities purchased under resale agreements and securities borrowing	71,808	-	-	71,808		71,808
Trading assets	101,313	101,313	-	-		101,313
Financial assets designated at fair value through profit and loss	100,421	-	100,421	-		100,421
Other investments	7	-	-	7		7
Other assets	49,658	-	-	49,658		49,658
Financial assets	**332,768**	**101,313**	**100,421**	**131,034**		**332,768**

	Fair Value	Book Value			
Group 2007	Total fair value	Held for trading	Designated at fair value	Other amortised cost	Total book value
	US$M	US$M	US$M	US$M	US$M
Deposits	1,293	-	-	1,293	1,293
Securities sold under repurchase agreements and securities lending	59,788	-	-	59,788	59,788
Trading liabilities	58,333	58,333	-	-	58,333
Financial liabilities designated at fair value through profit and loss	98,332	-	98,332	-	98,332
Short term borrowings	61,708	-	-	61,695	61,695
Other liabilities	43,036	-	-	43,036	43,036
Long term debt	3,008	-	-	2,809	2,809
Financial liabilities	**325,498**	**58,333**	**98,332**	**168,621**	**325,286**

	Fair Value	Book Value				
Company 2008	Total fair value	Held for trading	Designated at fair value	Loan and receivables	Available for sale	Total book value
	US$M	US$M	US$M	US$M	US$M	US$M
Cash and cash equivalents	10,353	-	-	10,353	-	10,353
Interest-bearing deposits with banks	10,511	-	-	10,511	-	10,511
Securities purchased under resale agreements and securities borrowing	51,175	-	-	51,175	-	51,175
Trading assets	78,129	78,129	-	-	-	78,129
Financial assets designated at fair value through profit and loss	96,419	-	96,419	-	-	96,419
Investment securities	25	-	-	-	25	25
Other investments	5	-	-	5	-	5
Other assets	52,285	-	-	52,285	-	52,285
Financial assets	**298,902**	**78,129**	**96,419**	**124,329**	**25**	**298,902**

30. Fair Value of Financial Instruments (continued)

	Fair Value	Book Value			
Company 2008	Total fair value	Held for trading	Designated at fair value	Other amortised cost	Total book value
	US$M	US$M	US$M	US$M	US$M
Deposits	2,127	-	-	2,127	2,127
Securities sold under repurchase agreements and securities lending	35,213	-	-	35,213	35,213
Trading liabilities	54,520	54,520	-	-	54,520
Financial liabilities designated at fair value through profit and loss	93,636	-	93,636	-	93,636
Short term borrowings	43,777	-	-	43,371	43,371
Other liabilities	61,225	-	-	61,225	61,225
Long term debt	2,573	-	-	2,383	2,383
Financial liabilities	**293,071**	**54,520**	**93,636**	**144,319**	**292,475**

	Fair Value	Book Value			
Company 2007	Total fair value	Held for trading	Designated at fair value	Loan and receivables	Total book value
	US$M	US$M	US$M	US$M	US$M
Cash and cash equivalents	5,777	-	-	5,777	5,777
Interest-bearing deposits with banks	3,627	-	-	3,627	3,627
Securities purchased under resale agreements and securities borrowing	71,808	-	-	71,808	71,808
Trading assets	102,409	102,409	-	-	102,409
Financial assets designated at fair value through profit and loss	96,791	-	96,791	-	96,791
Other investments	7	-	-	7	7
Other assets	49,660	-	-	49,660	49,660
Financial assets	**330,079**	**102,409**	**96,791**	**130,879**	**330,079**

	Fair Value	Book Value			
Company 2007	Total fair value	Held for trading	Designated at fair value	Other amortised cost	Total book value
	US$M	US$M	US$M	US$M	US$M
Deposits	1,293	-	-	1,293	1,293
Securities sold under repurchase agreements and securities lending	59,788	-	-	59,788	59,788
Trading liabilities	58,307	58,307	-	-	58,307
Financial liabilities designated at fair value through profit and loss	95,678	-	95,678	-	95,678
Short term borrowings	61,702	-	-	61,689	61,689
Other liabilities	43,036	-	-	43,036	43,036
Long term debt	3,008	-	-	2,809	2,809
Financial liabilities	**322,812**	**58,307**	**95,678**	**168,615**	**322,600**

30. Fair Value of Financial Instruments (continued)

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

For the year ended 31 December 2008, the amount recognised in the profit and loss for financial instruments estimated using a valuation technique and entity specific inputs was a US$84M loss for the Group and Company (2007: US$112M gain (Group and Company)).

As the valuation models are based upon entity-specific assumptions, changing the assumptions within a reasonable range amends the resultant estimate of fair value. The potential effect of using reasonably possible alternative assumptions in valuation models lies between a range of (US$73M) and US$73M (2007: (US$45M) and US$45M).

31. Assets Pledged or Assigned

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

	Group and Company 2008	Group and Company 2007
	US$M	US$M
Book value of assets pledged and assigned as collateral	25,428	57,002
of which assets provided with the right to sell or repledge	19,006	46,594
Fair value of collateral received with the right to sell or repledge	249,977	277,023
of which sold or repledged	229,905	254,679

As at 31 December 2008 and 2007, collateral was received in connection with resale agreements, securities borrowings and loans, derivative transactions and margined broker loans. As at these dates, a substantial portion of the collateral received by the Group had been sold or repledged in connection with repurchase agreements, securities sold not yet purchased, securities borrowed and lent, pledges to clearing organisations, segregation requirements under securities laws and regulations, derivative transactions and bank loans.

UK banking cash reserves, consisting of client money, held by the Group and Company were US$8,939M as at 31 December 2008 (2007: US$6,713M).

32. Financial Instruments Risk Position

a) Risk Management Oversight

Overview

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

Risk governance

The prudent taking of risk in line with CS group's strategic priorities is fundamental to its business as a leading global bank. To meet the challenges in a fast-changing industry with new market players and innovative and complex products, CS group established and continuously strengthens an independent risk function that closely interacts with the sales and trading functions to ensure the appropriate flow of information. CS group's risk management framework is based on transparency, management accountability and independent oversight.

As a consequence of the increased complexity of risks, CS group has defined its risk perspective broadly. Risk management plays an important role in CS group's business planning process and is strongly supported by senior management and the Board of Directors. The primary objectives of risk management are to protect CS group's financial strength and reputation, while ensuring that capital is well deployed to support business activities and grow shareholder value.

Although CS group has implemented comprehensive risk management processes and sophisticated control systems, it works to limit the impact of negative developments by carefully managing concentrations of risks. Further, the business mix of Private Banking, Investment Banking and Asset Management provides a certain amount of risk diversification.

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

Risk organisation

Risks arise in all of CS group's business activities and cannot be completely eliminated, but they are managed through a comprehensive internal control environment. CS group's risk management organisation reflects the specific nature of the various risks in order to ensure that risks are managed within limits set in a transparent and timely manner.

32. Financial Instruments Risk Position (continued)

At the level of the Boards of Directors, this includes the following responsibilities:

- CSG Board of Directors: Responsible to shareholders for the strategic direction, supervision and control of Credit Suisse group and for defining its overall tolerance for risk.

- Boards of Directors of other Credit Suisse group legal entities: Responsible for the strategic direction, supervision and control of the respective legal entity and for defining the legal entity's tolerance for risk.
- Risk Committees: Responsible for assisting the Boards of Directors of CSG and other Credit Suisse group legal entities in fulfilling their oversight responsibilities by providing guidance regarding risk governance and the development of the risk profile and capital adequacy, including the regular review of major risk exposures and the approval of overall risk limits.

- Audit Committees: Responsible for assisting the Boards of Directors of CSG and other Credit Suisse group legal entities in fulfilling their oversight responsibilities by monitoring management's approach with respect to financial reporting, internal controls, accounting, and legal and regulatory compliance. Additionally, the Audit Committees are responsible for monitoring the independence and the performance of the internal and external auditors.

Overall risk limits are set by the CSG Board of Directors and its Risk Committee. On a monthly basis, the Capital Allocation and Risk Management Committee ('CARMC') of CSG's Executive Board reviews risk exposures, concentration risks and risk-related activities. CARMC is responsible for supervising and directing CS group's risk profile on a consolidated basis, recommending risk limits to the CSG Board of Directors and its Risk Committee and for establishing and allocating risk limits within the various businesses. CARMC meetings focus on the following three areas on a rotating basis: Asset and Liability Management/Liquidity; Market and Credit Risk; and Operational Risk/Legal and Compliance.

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

The risk committees are further supported by Global Treasury, which is responsible for the management of CS group's balance sheet, capital management, liquidity and related hedging policies, within parameters agreed by the CARMC; business divisions are authorised to take risks as part of their business strategies within limits set by CARMC.

The risk management function, which is independent of the business, includes:

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

32. Financial Instruments Risk Position (continued)

The Credit Risk Officer ('CRO') area is responsible for providing risk management oversight and establishing an organisational basis to manage all risk management matters through four primary risk functions: SRM asesses the overall risk profile on a CSG-wide portfolio level and for individual businesses, and recommends corrective action, where necessary; RMM is responsible for the measurement and reporting of credit risk, market risk and economic capital, managing risk limits, and establishing policies on market risk and economic capital; CRM has a Chief Credit Officer ('CCO') for Private Banking and a CCO for Investment Banking and Asset Management, with responsibilities for approving credit limits, monitoring and managing individual exposures and assessing and managing the quality of credit portfolios and allowances; and BORO acts as the central hub for the divisional Operational Risk functions. The CRO area also addresses critical risk areas such as Business Continuity and Reputational Risk Management.

Risk limits

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

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

Economic capital and position risk

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

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

CS group regularly reviews the EC methodology to ensure the model remains relevant as markets and business strategies evolve.

32. Financial Instruments Risk Position (continued)

b) Risk Details

(i) Market risk

Overview

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

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

Value at Risk

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

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

CS group uses a historical simulation model for the majority of risk types and businesses within its trading portfolios. Where insufficient data is available for such an approach, an 'extreme-move' methodology is used. The model is based on the profit and loss distribution resulting from historical changes in market rates, prices and volatility applied to evaluate the portfolio. This methodology also avoids any explicit assumptions on correlation between risk factors.

CS group uses a three-year historical dataset to compute VaR. To ensure that VaR responds appropriately in times of market stress, CS group introduced a new scaling technique in the fourth quarter of 2008 that adjusts the level of VaR to reflect current market conditions more rapidly. This new technique, scaled VaR, adjusts VaR in cases where the short-term market volatility is higher than the long-term volatility from the full three year dataset. This results in a more responsive VaR model, as the impact of changes in overall market volatility is reflected almost immediately in the scaled VaR model. CS group monitors VaR on both an unscaled and scaled basis for risk management purposes.

32. Financial Instruments Risk Position (continued)

The Company has approval from the FSA to use its scaled VaR model in the calculation of trading book market risk capital requirements. The Company continues to receive regulatory approval for ongoing enhancements to the methodology, and the model is subject to regular reviews by regulators.

The VaR model uses assumptions and estimates that CS group believes are reasonable, but changes to assumptions or estimates could result in a different VaR measure.

As a risk measure, VaR only quantifies the potential loss on a portfolio under normal market conditions. Other risk measures, such as scenario analysis, are used to estimate losses associated with unusually severe market movements. VaR also assumes that price data from the recent past can be used to predict future events. If future market conditions differ substantially from past market conditions, the risk predicted by VaR may be overestimated or underestimated.

Scenario analysis

CS group regularly performs scenario analysis for all of its businesses exposed to market risk to estimate the potential economic loss that could arise from extreme, but plausible, stress events. The scenario analysis calculations performed are specifically tailored towards their respective risk profile. In addition, to identify areas of risk concentration and potential vulnerability to stress events across CS group, it has developed a set of scenarios which are consistently applied across all businesses. Key scenarios include significant movements in credit markets, interest rates, equity prices and exchange rates, as well as adverse changes in counterparty default and recovery rates.

CS group also uses combination scenarios, which consider the impact of significant, simultaneous movements across a broad range of markets and asset classes, to analyze the impact of wider market turbulence. The scenario analysis framework also considers the impact of various scenarios on key capital adequacy measures such as regulatory capital and economic capital ratios. The CSG Board of Directors and senior management are regularly provided with scenario analysis estimates, scenario analysis trend information and supporting explanations to create transparency on key risk exposures and support their risk management.

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

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

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

32. Financial Instruments Risk Position (continued)

Trading portfolios

Risk measurement and management

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

Development of trading portfolio risks

Trading portfolio risk mainly resides in the Company, consequently the table below shows the trading-related market risk exposure for the Company, as measured by scaled one-day, 99% VaR. The VaR in the table has been calculated using a three-year historical dataset. VaR estimates are computed separately for each risk type and for the whole portfolio using the historical simulation methodology. The diversification benefit reflects the net difference between the sum of the 99th percentile loss for each individual risk type and for the total portfolio.

The Company's one-day, 99% scaled VaR as of 31 December, 2008 was US$39M, compared to US$101M as of 31 December, 2007.

Value at Risk

in / end of period	Interest rate and credit spread	Foreign exchange	Commodity	Equity	Diversification benefit 1)	Total (Non-Scaled)	Total (Scaled)
2008							
In US$M							
Average	**40**	**11**	**1**	**27**	**(21)**	**58**	**81**
Minimum	15	3	-	5	3)	19	28
Maximum	56	35	3	50	3)	83	114
End of period	25	5	-	9	(13)	26	39
2007							
In US$M							
Average	**22**	**8**	**1**	**39**	**(23)**	**47**	**59**
Minimum	13	3	-	28	3)	27	32
Maximum	39	16	2	68	3)	75	108
End of period	39	8	-	50	(22)	75	101

Note:

1) VaR estimates are calculated separately for each risk type and for the whole portfolio using the historical simulation methodology. Diversification benefit reflects the net difference between the sum of the 99% percentile loss.

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

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

32. Financial Instruments Risk Position (continued)

VaR results

Various techniques are used to assess the accuracy of the VaR model used for trading portfolios, including backtesting. In line with industry practice, the Company presents backtesting using actual daily trading revenues. Actual daily trading revenues are compared with VaR calculated using a one-day holding period. A backtesting exception occurs when the daily loss exceeds the daily VaR estimate.

The Company had 21 backtesting exceptions in 2008, compared with two backtesting exceptions in 2007. These exceptions were calculated using the scaled VaR model following its introduction in the fourth quarter.

Non-trading portfolios

Risk measurement and management

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

Development of non-trading portfolio risks

Interest rate risk on non-trading positions is shown below using sensitivity analysis that estimates the potential change in value resulting from defined changes in interest rate yield curves. The impact of a one-basis-point parallel increase in yield curves on the fair value of interest rate-sensitive non-trading book positions would have amounted to less than US$1M as of 31 December 2008 and 31 December 2007. Non-trading interest rate risk is assessed using other measures including the potential value change resulting from a significant change in yield curves. As of 31 December, 2008 the fair value impacts of an adverse 200-basis-point move in yield curves and of a statistical one-year, 99% adverse change in yield curves were a decrease of US$198M and a decrease of US$88M, respectively.

Foreign exchange risk related to accrued net income and net assets is centrally and systematically managed with a focus on risk reduction and diversification. Risk is monitored and managed at an entity level through the levelling of accrued profits and losses which are incurred in a currency other than the entity's functional currency. On CSG level, risk management activities are designed to reduce foreign exchange volatility on reported Swiss Franc denominated results and capital. These activities include hedging of foreign currency net assets and cash flow hedging of certain revenues and expenses to protect the CSG's Swiss Franc denominated shareholders' equity.

Additional overlay activities at the CS group level are aimed at diversifying our returns on invested capital into foreign currencies. These need explicit approval of the Asset and Liability Management CARMC and are made with various considerations in mind, such as management of changes in the Tier One ratio arising from foreign exchange.

32. Financial Instruments Risk Position (continued)

Any non-functional currency denominated profit and loss of an entity (calculated on a US GAAP basis) is systematically levelled against the entity functional currency during or immediately after the month so that foreign exchange risks on accrued profit and loss are fully eliminated at month-end. The functional currency equivalent profit and loss of a legal entity not having United States dollar as its functional currency is then translated monthly into the Group's functional currency, the United States dollar, using global month-end exchange rates. The process ensures that month–end profit and loss is effectively locked into United States dollar from an accounting perspective. The structural net asset positions in functional currency equivalents resulting from these activities (including net profits of earlier periods) are centrally hedged by Global Treasury against the CSG's functional currency on a monthly basis.

The Group and Company do not have material equity or commodity risk in its non-trading portfolio.

(ii) Liquidity Risk

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

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

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

Liquidity is managed centrally to ensure that sufficient funds are either on hand or readily available at short notice in the event that the firm experiences any impairment of its ability to borrow in the unsecured debt markets. This ensures that in the event of a liquidity dislocation CS group has sufficient funds to repay maturing liabilities, as they fall due, without requiring any balance sheet reduction. The group manages liquidity by raising funds directly by CS group and channelling these funds to business and subsidiaries, as required. The Company has unrestricted and direct access to funding sourced by CS group.

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

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

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

CS group additionally maintains a portfolio of trading and liquid assets readily available for additional funding needs. These positions are eligible for repo transactions with various central banks including the Swiss National Bank, the Federal Reserve, the European Central Bank and the Bank of England.

32. Financial Instruments Risk Position (continued)

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

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

Group 2008	On Demand	Due within 3 months	Due between 3 and 12 months	Due between 1 and 5 years	Due after 5 years	Total
Deposits	2,127	-	-	-	-	2,127
Securities sold under repurchase agreements and securities lending transactions	35,213	-	-	-	-	35,213
Trading liabilities	54,629	-	-	-	-	54,629
Financial liabilities designated at fair value through profit and loss	12,286	71,335	4,535	2,633	6,647	97,436
Short term borrowings	-	36,801	6,915	-	-	43,716
Long term debt	-	-	-	-	2,383	2,383
Total financial liabilities	**104,255**	**108,136**	**11,450**	**2,633**	**9,030**	**235,504**

Group 2007	On Demand	Due within 3 months	Due between 3 and 12 months	Due between 1 and 5 years	Due after 5 years	Total
Deposits	1,293	-	-	-	-	1,293
Securities sold under repurchase agreements and securities lending transactions	59,788	-	-	-	-	59,788
Trading liabilities	58,333	-	-	-	-	58,333
Financial liabilities designated at fair value through profit and loss	11,248	72,548	6,680	2,704	7,526	100,706
Short term borrowings	-	52,727	9,258	-	-	61,985
Long term debt	-	-	-	-	2,809	2,809
Total financial liabilities	**130,662**	**125,275**	**15,938**	**2,704**	**10,335**	**284,914**

The balances in the above table will not agree directly to the balances in the Group balance sheet as the table generally incorporates all cash flows, on an undiscounted basis, related to principal as well as those associated with all future coupon payments. Liabilities in trading portfolios have not been analysed by contractual maturity because these liabilities are used to risk manage positions held across Credit Suisse entities and can be closed out at very short notice. Trading liabilities have been classified as being 'on demand' at fair value.

Projected coupon outflows on structured products designated at fair value through profit and loss have been excluded from the table above. The variability of the coupons leverages up or down based on the functionality of the embedded derivative and prevailing market conditions. Including the coupons would be misleading to the users of the accounts due to the variability in the payouts of these structured products. For instruments with perpetual features (such as long term debt), the projected coupons have also been excluded.

Callable deposits, open ended positions and overnight funding will be recorded at their present value in an 'on demand' categorisation. This classification will be based on the underlying legal and contractual ability of the counterparty or the Group to put or call the positions at short notice.

32. Financial Instruments Risk Position (continued)

(iii) Currency Risk

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

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

(iv) Credit Risk

CRM is an independent function headed by the Chief Credit Officer with responsibility for approving credit limits, monitoring and managing individual exposures and assessing and managing the quality of the segment and business areas' credit portfolios and allowances. CRM reports to the Chief Risk Officer of CS group.

Definition of Credit Risk

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

Credit risk exists within lending products, commitments and letters of credit, and results from counterparty exposure arising from derivative, foreign exchange and other transactions.

Credit Risk Management Approach

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

This 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 all of the credit exposures in the banking business and comprises seven core components:

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

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

32. Financial Instruments Risk Position (continued)

Counterparty and transaction rating

CS group has developed a set of credit rating models tailored for different client segments (e.g. international corporates, financial institutions, asset finance, Small and Medium Enterprises ('SME'), commodity traders, residential mortgages, etc.) for the purpose of internally rating counterparties to whom CS group 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 (e.g. financial statements, financial projections, etc.) as well as qualitative factors relating to the counterparty are used in the models and result in the assignment of a credit rating or probability of default ('PD'), which measures the counterparty's risk of default over a one-year period.

To ensure that ratings are consistent and comparable across all businesses, CS group has used an internal rating scale which is benchmarked to the external rating agencies, using the historical PD associated with external ratings. The relationship between the PD and external agency ratings is reviewed annually and adjustments are made to calibrate the internal rating classification to the assumed PD in the external ratings.

Additionally, an estimate of expected loss in the event of a counterparty default is assigned based on the structure of each transaction. The counterparty credit rating is used in combination with credit (or credit equivalent) exposure and the loss given default ('LGD') assumption to estimate the potential credit loss. LGD represents the expected loss on a transaction should default occur and takes into account structure, collateral, seniority of the claim and, in certain areas, the type of counterparty.

These credit risk estimations are used consistently for the purposes of business and credit portfolio steering, credit policy, approval and monitoring, management reporting, risk-adjusted performance measurement, economic risk capital measurement and allocation and certain financial accounting purposes. The overall internal credit rating system has been approved by the FINMA for application under the Basel II A-IRB approach. This approach also allows 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 issues in the portfolio, including a comprehensive set of country and regional limits and limits for certain products. Credit exposures to individual counterparties, industry segments or product groupings and adherence to the related limits are monitored by credit officers, industry analysts and other relevant specialists. In addition, credit risk is regularly supervised by credit and risk management committees taking current market conditions and trend analysis into consideration. CS group regularly analyses 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, earnings weakness and lawsuits.

32. Financial Instruments Risk Position (continued)

The review process culminates in a quarterly determination of the appropriateness of allowances for credit losses. A systematic provisioning methodology is used to identify potential credit risk-related losses. Impaired transactions are classified as potential problem exposure, non-performing exposure, or non-interest earning exposure and the exposures are generally managed within credit recovery units. The credit provisions review committee ('CPRC') regularly determines the adequacy of allowances, taking into consideration whether the levels are sufficient for credit losses and whether allowances can be released or if they should be increased.

Credit Risk Overview

All transactions that are exposed to potential losses due to failure of meeting an obligation by a counterparty are subject to credit risk exposure measurement and management. The following table presents the credit risk of on balance sheet and off balance sheet financial instruments, before taking account of any collateral held or other credit enhancements unless such credit enhancements meet offsetting requirements as set out in IAS 32. For financial assets recognised on the balance sheet, the exposure to credit risk equals their carrying amount. For financial guarantees granted, the exposure to credit risk is the amount the Group would have to pay if the guarantees are called upon. For loan commitments and other credit related commitments that are irrevocable over the life of the respective facilities, the exposure to credit risk is the full amount of the committed facilities.

Maximum exposure to credit risk before collateral held or other credit enhancement:

	Group 2008 US$M	Group 2007 US$M
Cash and cash equivalents	10,514	5,934
Interest-bearing deposits with banks	10,511	3,627
Securities purchased under resale agreements and securities borrowing	51,175	71,808
Trading assets		
Debt instruments	32,329	40,405
Derivative trading positions	35,057	19,898
Financial assets designated at fair value through profit and loss		
Resale agreements	94,222	95,745
Other loans and receivables	2,311	3,630
Life insurance contracts	2,251	1,046
Investment securities	25	-
Other investments	5	7
Other assets	47,428	48,774
Off-balance sheet items		
Financial guarantees	35,587	9,480
Total	**321,415**	**300,354**

32. Financial Instruments Risk Position (continued)

	Company 2008 US$M	Company 2007 US$M
Cash and cash equivalents	10,353	5,777
Interest-bearing deposits with banks	10,511	3,627
Securities purchased under resale agreements and securities borrowing	51,175	71,808
Trading assets		
Debt instruments	32,871	41,501
Derivative trading positions	35,057	19,898
Financial assets designated at fair value through profit and loss		
Resale agreements	94,222	95,745
Life insurance contracts	66	612
Life insurance trusts	2,131	434
Investment securities	25	-
Other investments	5	7
Other assets	47,428	48,776
Off-balance sheet items		
Financial guarantees	35,587	9,480
Total	**319,431**	**297,665**

Risk Mitigation

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

Unsecured Exposure by Counterparty Rating

	Company 2008		Company 2007	
	US$M	%	US$M	%
AAA	2,993	27.9	2,995	28.7
AA+ to AA-	3,091	28.8	4,371	41.9
A+ to A-	4,054	37.7	2,581	24.7
BBB+ to BBB-	141	1.3	301	2.9
BB+ to BB-	223	2.1	62	0.5
B+ and below	238	2.2	132	1.3
	10,740	**100.0**	**10,442**	**100.0**

The above table includes all unsecured commitments, derivatives, securities purchased and sold under resale and repurchase agreements, and short term cash trades for the Company as most of the trading portfolio resides in the Company.

32. Financial Instruments Risk Position (continued)

(v) Country Risk

Country risk is the risk of a substantial, systemic loss of value in the financial assets of a country or group of countries, which may be caused by dislocations in the credit, equity, and/or currency markets. CS group's major operating divisions all assume country risk in a variety of ways. The setting of limits for this risk is the responsibility of CARMC, based on the recommendations of CRM, SRM and CS group's economists.

Country limits for emerging markets are approved annually by the Board of Directors of CSG, following recommendations from CARMC. The measurement of exposures against country limits is undertaken by RMM with bi-monthly reports to senior management and monthly reports to CARMC. For trading positions, country risk is a function of the mark-to-market exposure and currency of the position, while for loans and related facilities country risk is a function of the amount and currency that CS group has lent or committed to lend. The day-to-day management of country exposure is assigned to each of the core businesses in accordance with its business authorisations and limit allocations. RMM and CRM provide independent oversight to ensure that the core businesses operate within their limits. CRM is responsible for periodically adjusting these limits to reflect changing credit fundamentals and business volumes.

(vi) Settlement Risk

Settlement risk arises whenever the settlement of a transaction results in timing differences between the disbursement of cash or securities and the receipt of countervalue from the counterparty. This risk arises whenever transactions settle on a 'free of payment' basis and is especially relevant when operating across time zones.

In those instances where market convention and/or products preclude a value-for-value exchange, the Group manages its risk through confirmation and affirmation of transaction details with counterparties. In addition, it also proactively seeks to manage the timing of settlement instructions to its agents and the reconciliation of incoming payments in order to reduce the window of exposure. CRM establishes and monitors limits to control the amount of settlement risk incurred to each counterparty.

(vii) Legal Risk

The CS group faces significant legal risks in its businesses. Legal risks include, among other things, disputes over the terms of trades and other transactions in which the CS group acts as principal; the unenforceability or inadequacy of the documentation used to give effect to transactions in which the CS group participates; investment suitability concerns; compliance with the laws and regulations (including change in laws or regulations) of the many countries in which the CS group does business; and disputes with its employees. Some of these transactions or disputes result in potential or actual litigation that the CS group must incur legal expenses to defend.

The CS group is subject to extensive regulation in the conduct of its investment business. A failure to comply with applicable regulations could result in regulatory investigations, fines and restrictions on some of the CS group's business activities or other sanctions. The CS group seeks to minimise legal risk through the adoption of compliance and other policies and procedures, continuing to refine controls over business practices and behaviour, employee training sessions, the use of appropriate legal documentation, and the involvement of the Legal and Compliance department and outside legal counsel. In addition, the CS group is an active participant in ISDA and other professional derivative market forums, with specific focus on improving levels of derivative market and product standardisation, legal definition and protocol.

32. Financial Instruments Risk Position (continued)

(viii) Operational Risk

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

Operational risk is inherent in most aspects of CS group's activities and comprises a large number of disparate risks. While market and credit risk are often chosen for the prospect of gain, operational risk is normally accepted as a necessary consequence of doing business. In comparison to market or credit risk, the sources of operational risk are difficult to identify comprehensively and the amount of risk is also intrinsically difficult to measure. CS group, therefore, manages operational risk differently from market and credit risk. CS group believes that effective management of operational risks requires a common group-wide framework with ownership residing with the management responsible for the relevant business process.

Additionally, CS group has established a central Bank Operational Risk Oversight team within the Chief Risk Officer function that focuses on the coordination of consistent policy, tools and practices throughout CS group for the management, measurement, monitoring and reporting of relevant operational risks. This team is also responsible for the overall operational risk framework, measurement methodology and capital calculations. Knowledge and experience are shared throughout CS group to maintain a coordinated approach.

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

CS group has employed the same methodology to calculate EC for operational risk since 2000, and has approval from the Swiss Financial Market Supervisory Authority to use a similar methodology for the Advanced Measurement Approach ('AMA') under the Basel II Accord. The economic capital/AMA methodology is based upon the identification of a number of key risk scenarios that describe all of the major operational risks that CS group faces.

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

32. Financial Instruments Risk Position (continued)

(ix) Reputational Risk

CS group's policy is to avoid any action or transaction that brings with it a potentially unacceptable level of risk to its reputation. Reputational risk may arise from a variety of sources, including the nature or purpose of a proposed transaction, the identity or nature of a potential client, the regulatory or political climate in which the business will be transacted or significant public attention surrounding the transaction itself. Where the presence of these or other factors gives rise to potential reputational risk for CS group, the relevant business proposal is required to be submitted to CS group's Reputational Risk Review Process. This involves a vetting of the proposal by senior business management, and its subsequent referral to one of CS group's Reputational Risk Approvers, each of whom is independent of the business divisions and has authority to approve, reject, or impose conditions on CS group's participation.

33. Capital Adequacy

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

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

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

- Pillar 1: minimum capital requirements for credit, market and operational risks. The Company has received approval from the FSA for the use of a number of models for calculating its market, counterparty and credit risk capital requirements.
- Pillar 2: supervisory review. This comprises an assessment of whether additional capital is needed over and above that determined under Pillar 1, based on a constructive dialogue between a firm and its regulator on the risks, risk management and capital requirements of the firm;
- Pillar 3: market discipline. This comprises requirements relating to public disclosure, intended to give the market a stronger role in ensuring that firms hold an appropriate level of capital.

Capital Resources

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

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

33. Capital Adequacy (Continued)

The Company made a number of changes to its capital base during the year as follows:

	Company 2008 US$M	Company 2007 US$M
Total regulatory capital less deductions at 1 January	**6,365**	**3,005**
Capital injections during the year		
Tier 1	1,400	2,994
Tier 2	(426)	517
	974	**3,511**
Other movements	(1,382)	(151)
Total regulatory capital less deductions at 31 December	**5,957**	**6,365**

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

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

Capital Requirements

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

	Company 2008 US$M	Company 2007 US$M
Total shareholders' equity	5,678	5,264
Reconciliation to tier 1 capital		
Pension risk adjustment	(347)	(447)
Deductions	(305)	(8)
Tier 1 capital less deductions	**5,026**	**4,809**
Tier 2 capital:		
Upper Tier 2	900	2,809
Lower Tier 2	1,483	-
Tier 2 capital	**2,383**	**2,809**
Tier 1 plus Tier 2 capital	7,409	7,618
Deductions	(45)	-
Tier 1 plus Tier 2 capital, less deductions	**7,364**	**7,618**
Tier 3 capital	**-**	**-**
Deductions from total capital	(1,407)	(1,253)
Total regulatory capital less deductions	**5,957**	**6,365**

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

Capital Adequacy: Basel 2 Pillar 3

Overview

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

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

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

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

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

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

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

Capital Resources

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

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

Capital Adequacy: Basel 2 Pillar 3 (Continued)

The Company made a number of changes to its capital base during the year as follows:

	Company 2008 US$M	Company 2007 US$M
Total regulatory capital less deductions at 1 January	**6,365**	**3,005**
Capital injections during the year		
Tier 1	1,400	2,994
Tier 2	(426)	517
	974	**3,511**
Other movements	(1,382)	(151)
Total regulatory capital less deductions at 31 December	**5,957**	**6,365**

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

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

The following table sets out details of the Company's regulatory capital resources at 31 December 2008 and 2007.

	Company 2008 US$M	Company 2007 US$M
Total shareholders' equity	5,678	5,264
Reconciliation to tier 1 capital		
Pension risk adjustment	(347)	(447)
Deductions	(305)	(8)
Tier 1 capital less deductions	**5,026**	**4,809**
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Upper Tier 2	900	2,809
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Tier 2 capital	**2,383**	**2,809**
Tier 1 plus Tier 2 capital	7,409	7,618
Deductions	(45)	-
Tier 1 plus Tier 2 capital, less deductions	**7,364**	**7,618**
Tier 3 capital	**-**	**-**
Deductions from total capital	(1,407)	(1,253)
Total regulatory capital less deductions	**5,957**	**6,365**

Capital Adequacy: Basel 2 Pillar 3 (Continued)

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

	Company Basel 2 2008 US$M	Company Basel 1 2007 US$M
Trading book market risk under VaR	1,169	1,020
Foreign currency risk	17	14
Counterparty risk - trading book	609	1,391
Counterparty risk - banking book	229	-
Concentration risk	303	772
Operational risk (Basic Indicator Approach)	382	-
Total minimum capital requirements under Pillar 1	**2,709**	**3,197**

Analysis of historical credit outcomes versus estimates

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

	Company Actuals	Company Estimated
Losses as at 31 December 2008		
Sovereigns (US$M)	-	0.1
PD (in %)	0.0%	0.0%
LGD (in %)	-	-
CCF (in %)	-	-
Banks (US$M)	-	11.5
PD (in %)	0.0%	0.5%
LGD (in %)	-	-
CCF (in %)	-	-
Corporate and other institutions (US$M)	-	21.0
PD (in %)	0.1%	1.6%
LGD (in %)	-	-
CCF (in %)	-	-

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

As they represent long run averages, the estimated loss, PD, LGD and CCF shown are not intended to predict the outcome in any particular year, and cannot be regarded as predictions of the actual loss, PD, LGD and CCF figures shown in the table.

No separate figures for the Specialised Lending portfolio are provided as there was no exposure in this portfolio as at 31 December 2008.

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