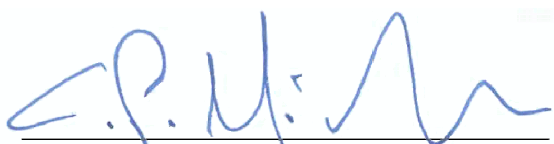
Paul E Hare
Company Secretary

Costas P Michaelides
Director

KPMG Audit Plc.

Costas P Michaelides



Costas P Michaelides

Costas P Michaelides

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:

Life expectancy at age 60 for current pensioners aged 60 (years)	2008	2007
Males	28	28
Females	30	30

Life expectancy at age 60 for future pensioners currently aged 40 (years)	2008	2007
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:

31 December 2008	Group **Trading**			Group **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)

31 December 2008	Company			Company		
	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 2008		Group 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 2008		Company 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 2008 US$M	Group and Company Of which rental 2008 US$M	Group and Company Total 2007 US$M	Group and Company Of which rental 2007 US$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 2008 US$M	Group and Company Of which rental 2008 US$M	Group and Company Total 2007 US$M	Group and Company Of which rental 2007 US$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 2008 US$M	Group and Company 2007 US$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.

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**
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**

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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