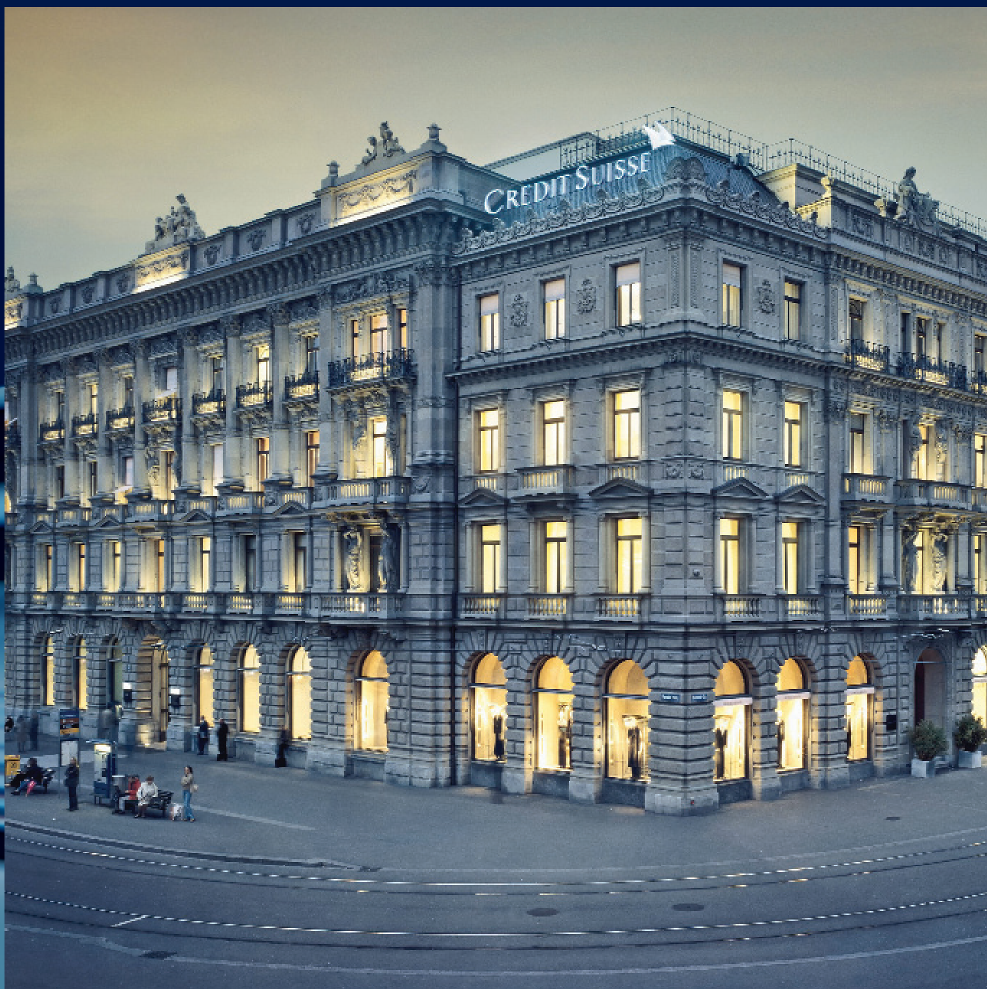
CREDIT SUISSE

Credit Suisse International
Annual Report 2007



COMPANY REGISTRATION NUMBER: 2500199

CREDIT SUISSE INTERNATIONAL

BOARD OF DIRECTORS

Eric Varvel (Chairman and CEO)

James Amine

Gael de Boissard

Stephen B Dainton (Alternate to Simon Yates)

Renato Fassbind (Non Executive)

Tobias Guldimann (Non Executive)

Christopher Horne (Alternate to James Amine)

Fawzi S Kyriakos-Saad

Costas P Michaelides

Eraj Shirvani (Alternate Gael de Boissard)

Simon D Yates

COMPANY SECRETARY

Paul E Hare

CREDIT SUISSE INTERNATIONAL
DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2007

The directors present their Report and the Financial Statements for the year ended 31 December 2007.

International Financial Reporting Standards

Credit Suisse International's 2007 financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted for use in the European Union ('EU').

Business Review

Profile

Credit Suisse Group ('CSG'), a company domiciled in Switzerland, is the ultimate parent of a worldwide group of companies (collectively referred to as the 'CS group') specialising in Investment Banking, Private Banking and Asset Management. Credit Suisse International ('CSi' or the 'Bank') is an unlimited liability company and an indirect wholly owned subsidiary of CSG. CSi is authorised under the Financial Services and Markets Act 2000 by the Financial Services Authority.

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 44,000 employees from approximately 100 different nations.

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

CSi, being the global derivatives trading entity of CS group, is a global market leader in over-the-counter ('OTC') derivative products from the standpoints of counterparty service, innovation, product range and geographic scope of operation. Its principal business is to provide comprehensive treasury and risk management services which include the trading of derivative products in both developed and emerging markets linked to credit, interest rate, currency, equity and commodities. CSi's business is primarily client-driven, focusing on transactions that address the broad financing, risk management and investment concerns of its worldwide client base. CSi has three business departments: Fixed Income, Equities and Investment Banking. These are managed as a part of the Investment Banking Division of CS group in the Europe, Middle East and Africa region.

Principal Product Areas

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

The Equity Division engages in a broad range of equity activities for investors including sales, trading, brokerage and market making in international equity and equity related securities, options and futures and OTC derivatives.

The Investment Banking business includes 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 as well as the provision of capital raising services, in conjunction with the Equity and Fixed Income Divisions.

Economic environment

On a global basis, the economic fundamentals were strong, especially in the first half of 2007, providing an overall favorable business environment. After a temporary deceleration in the first quarter, the US economy gained momentum in the second quarter on the back of strong employment numbers and an improved business sentiment. However, the turmoil in credit markets adversely impacted the growth prospects in the US in the second half of the year. Contrary to the US, the economies in Europe and particularly those in Asia and other emerging markets held up well and continued their robust growth. Concerns about increased inflationary pressure that had emerged, particularly during the strong second quarter, eased with the lower global economic growth prospects.

Global equity market performance was mixed during 2007. Stocks in emerging markets generally outperformed mature markets, where most financial services stocks declined significantly. Equity yields remained attractive relative to bond yields throughout the year, largely reflecting attractive valuation levels during 2007. However, equity market volatility significantly increased during the second half of the year due to the deterioration of the US subprime mortgage markets and the spillover effects to other market segments and asset classes. The increased uncertainty about the valuation and risk exposures of structured products significantly increased the risk aversion of financial market participants. Spreads in structured credits widened substantially, and liquidity in some credit market segments dried up. The financial services sector was challenged by severe write-downs on certain financial assets and a liquidity squeeze in some funding markets. Against the backdrop of eased inflationary pressure, the US Federal Reserve started to cut interest rates in August, and in light of the widening turmoil in credit markets, it undertook further rate cuts later in the year. To support banks in managing their liquidity over the year end and to further improve liquidity in money markets, central banks provided additional liquidity in December through a concerted auctioning process. However, funding conditions for banks remained difficult.

On the back of decelerated economic growth and investors' flight to quality, US dollar yields declined. In contrast, yields in Euro or Swiss francs were rising on economic strength, threatening inflation. Towards the end of the year, the US dollar traded at historic lows against European currencies, reflecting the reduced interest rate differential and the unwinding of carry trades. The reduced risk appetite of market participants due to the turmoil in credit markets and the higher market volatility put pressure on those trades and led to an appreciation of funding currencies such as the Japanese yen and the Swiss franc.

Sector environment

After a favorable first half of 2007, the financial services sector was impacted in the third and fourth quarters by the turmoil in the credit markets, including valuation reductions, further provisions, ratings downgrades, profit warnings, cancelled share buybacks, fears about possible dividend cuts and the need for recapitalization and balance sheet reconstruction. Banks issued a record amount of equity-related securities in the second half of the year as they rebuilt their balance sheets and sought funding. Sovereign wealth funds based in Asia and the Middle East invested heavily in leading international banks. Towards the end of the year, the US government initiated a program to freeze subprime mortgage rates under certain conditions with the goal of limiting the increase of foreclosures due to payment defaults. The overall Asset-Backed Securities ('ABS') market remained difficult, and there were continued valuation reductions on Residential Mortgage-Backed Securities ('RMBS') and Commercial Mortgage-Backed Securities ('CMBS'). Valuations of RMBS reflected the deterioration in the US housing sector, increased payment defaults and the related actions of the ratings agencies. Valuations of CMBS primarily reflected widening credit spreads and concerns of decelerating economic growth. Within more volatile markets, equity and fixed income trading volumes were higher in 2007 than in 2006. Also, global equity underwriting, Initial Public Offering ('IPO') and mergers and acquisitions activity was robust and generally higher than the year before but slowed down in the second half. Global debt underwriting was on the level of 2006, but the strong decline in the second half of 2007 reflected the turmoil in credit markets and more conservative credit standards applied by banks and other financial institutions.

Performance

Notwithstanding the challenging economic environment, CSi and its subsidiaries (together referred to as the 'Group') has seen improved performance for the year ended 31 December 2007. The Group's current year consolidated net operating income increased to US$2,819m (2006: US$1,670m). The profit attributable to shareholders for the year was US$520m (2006 loss: US$101m). As at 31 December 2007, the Group had total assets of US$491,839m (2006: US$282,165m) and total shareholders' equity of US$11,015m (2006: US$4,902m).

An analysis of net operating income/(expense) by business segment is given below:

	2007 US$M	2006 US$M
Fixed Income Division	2,248	1,783
Equity Division	629	(89)
Other	(58)	(24)
	2,819	1,670

FID has shown a favourable movement during 2007, with strong growth particularly in European High Grade and Emerging Market trading, together with gains in Global Treasury offset by decreases in CMBS origination and US High Grade business lines.

The Equity Division has also seen an increase in operating income due to a recovery in the Equity Derivatives and Equity Proprietary trading business lines as compared to the losses suffered from the 2006 unfavourable trading conditions in the Asian markets.

Other net operating income has seen a decline in comparison to last year mainly due to amounts allocated to CSi from other companies in the CS group relating to transfer pricing charges.

The Group's total operating expenses for the year were US$2,036m (2006: US$1,826m).

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.

Balance sheet, off balance sheet and other contractual obligations

Most of the Group's transactions are recorded on balance sheet, however the Group also enters into a number of transactions that may give rise to both on- and off-balance sheet exposures. These transactions include derivative transactions, off-balance sheet arrangements and certain contractual obligations. The Group enters into derivative contracts in the normal course of business for market making, positioning and arbitrage purposes, as well as for the Group's risk management needs, including mitigation of interest rate, foreign currency and credit risk. The Group enters into off-balance sheet arrangements in the ordinary course of business. Off-balance sheet arrangements are transactions or other contractual arrangements with, or for the benefit of, an entity that is not consolidated. These transactions include guarantees and similar arrangements, retained or contingent interests in assets transferred to an unconsolidated entity, and obligations and liabilities (including contingent obligations and liabilities) under variable interests in unconsolidated entities that provide financing, liquidity, market risk or credit risk support.

Derivatives

The Group enters into derivative contracts in the normal course of business for market-making, positioning and arbitrage purposes, as well as for the Group's risk management needs, including mitigation of interest rate, foreign currency and credit risk.

Derivatives are generally either privately negotiated OTC contracts or standard contracts transacted through regulated exchanges. The most frequently used freestanding derivative products include interest rate, cross-currency and credit default swaps, interest rate and foreign currency options, foreign exchange forward contracts and foreign currency and interest rate futures.

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

The credit risk on derivative receivables is reduced by the use of legally enforceable netting agreements and collateral agreements. 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. Collateral agreements are entered into with certain counterparties based upon the nature of the counterparty and/or the transaction and require the placement of cash or securities with us. Collateral received is only recognized in the consolidated balance sheets to the extent that the counterparty has defaulted in its obligation to us and is no longer entitled to have the collateral returned.

Leveraged finance business

The Group's leveraged finance business provides capital raising and advisory services and core leveraged credit products such as bank loans, bridge loans and mezzanine and high-yield debt to corporate and financial sponsor-backed companies. Leveraged finance 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.

Leveraged finance risk exposure takes the form of both funded and unfunded commitments. From the time a commitment is made to a client to extend a leveraged loan, to the time the loan is closed and funded, an unfunded commitment exists. The Group typically endeavours to distribute the loan prior to the closing and funding of the loan. Once a loan has closed, whatever portion the Group continues to hold is a funded commitment. The Group's total funded and unfunded exposure was approximately US$3 billion as of the end of 2007.

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 (SPE) 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 non-rated. 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 we make the loans until they are packaged as CMBS and distributed.

The fair value of the CMBS loan inventory at 31 December 2007 was approximately US$6 billion.

CDO trading business

The Group purchases interests in RMBS and CDOs and enter into derivative contracts with ABS CDOs and other counterparties. CDOs provide credit risk exposure to a portfolio of ABS (cash CDOs) or a reference portfolio of securities (synthetic CDOs) through, for example, credit default swaps. These portfolios consist primarily of RMBS.

The Group's cash CDO business includes warehouse financing of a portfolio of assets selected by clients for packaging and distribution as CDOs, where the Group sells the warehoused assets to the CDO vehicle for cash raised in the CDO issuance. The Group's primary CDO US subprime exposure is to bonds with ratings of AAA or AA. In synthetic CDOs, the Group may be required under credit default swaps to make payments in the event that securities in the referenced portfolios default or experience other credit events such as rating agency downgrades. A characterization of credit default swaps as 'super senior' is derived from the seniority in the capital structure of the synthetic CDO. The dislocation in the mortgage and credit markets has resulted in declines in the value of the tranches subordinated to these super senior tranches, including CDOs that were highly rated at issuance. Based on current market assumptions, these super senior tranches are now exposed to a greater portion of the expected losses of the CDO vehicle than they were at origination.

The CDO trading business had net US subprime exposure of US$ 2.4 billion as of the end of 2007, reflecting the revaluing of certain ABS positions.

	2007 (US$'m)
ABS CDO	
Super senior	85
AA/AAA	(609)
A and below	(414)
Single Name ABS & Indices	
AA/AAA bonds	3,243
Other ratings	284
AA/AAA CDS	(166)
Other ratings	17
Total net CDO sub-prime exposure	2,440

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

Structured Investment Vehicles

SIVs are unconsolidated entities that issue various capital notes and debt instruments to fund the purchase of assets. We do not sponsor or serve as asset manager to any SIVs.

Hedging

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

Involvement with Special Purpose Entities ('SPE')

In the normal course of business, the Group enters into transactions with, and make use of SPEs. Securitization transactions are assessed in accordance with IAS39 for appropriate treatment of the assets transferred by the Group. 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 part of normal business, the Bank 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 Bank consolidates all SPEs for which we are the deemed the controlling entity. SPEs may be sponsored by the Bank, 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 securitization activities or to meet specific client needs, such as providing liquidity or investing opportunities, and, as part of these activities, the Bank may hold interests in the SPEs. Securitization-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 Bank also enters into lending arrangements with SPEs for the purpose of financing client projects or the acquisition of assets. Further, the Bank is involved with SPEs which were formed for the purpose of offering alternative investment solutions to clients. Such SPEs relate primarily to fund-linked vehicles or funds of funds, where the Bank acts as structurer, manager, distributor, broker, market maker or liquidity provider. The economic risks associated with SPE exposures held by the Bank, together with all relevant risk mitigation initiatives, are included in the Bank's risk management framework.

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

The 2007 results reflected the turmoil in the mortgage and credit markets, which emerged from the dislocation of the US subprime mortgage market and subsequently spread to other markets and asset classes. Included in these results are valuation reductions of US$685m from the revaluing of certain ABS positions in our CDO trading business as set out below.

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

Revaluing of certain asset-backed securities positions

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

As a result of this internal review, which is now complete, CS group recorded total valuation reductions of CHF 2.86 billion (US$2.65 billion) of which CSi recorded a total valuation reduction of US$685m in 2007 and US$957m to 19 February 2008, as a result of revaluing these positions. With regard to 2008, in light of these valuation reductions and the difficult market conditions, profitability is uncertain.

The internal review, commissioned by the CS group Executive Board and assisted by outside counsel, commenced after the release of the CS group unaudited 2007 condensed consolidated financial statements. Based on the results of the internal review and the conclusions of outside counsel, the CS group Executive Board has determined that these mismarks and pricing errors were, in part, the result of intentional misconduct by a small number of traders. These employees have either been terminated or have been suspended and are in the process of being disciplined under local employment law. The controls CS group and CSi had in place to prevent or detect these mismarks and pricing errors, including the supervision and monitoring of the valuations of these positions by trading and the related price testing and supervision by product control, were not effective. The price testing of these positions included modelling techniques that failed to accurately value these positions as of 31 December 2007. As a result, management concluded that a material weakness in internal control over financial reporting within the structured credit trading business existed as of 31 December 2007. In connection with the completion of the internal review, management have been actively engaged in the development and implementation of a remediation plan to address this material weakness in internal control over financial reporting. Management has reassigned trading responsibility for the CDO trading business and are enhancing related control processes. The remediation plan also includes improving the effectiveness of supervisory reviews, formalizing escalation procedures, improving the coordination among trading, product control and risk management, adding additional resources, improving training and enhancing the tools and other technical resources available to our personnel.

Management continue to assign the highest priority to the prompt remediation of this material weakness and reports regularly on these remediation efforts to the Audit Committees and Boards of Directors of CS group and CSi.

Notwithstanding the existence of this material weakness in internal control over financial reporting, management has performed alternative procedures since mid-February 2008, including an extensive review of the valuations of these positions in the CDO trading business as of 31 December 2007, led by senior personnel. Management are confident that as a result of the alternative procedures performed, the financial statements in this Annual Report are fairly presented, in all material respects, in conformity with IFRS.

Capital Resources

Issues of medium and long term debt are set out in Note 20 to the financial statements.

In 2007, there was an increase in various classes of authorised and issued share capital. 3,000,000,000 Preference shares were authorised all of which were issued. 1,550,000,000 Preference shares were redeemed during the year resulting in a US$21.7m net reduction in share premium. 2,950,000,000 Participating shares were authorised and 928,834,097 were issued at a premium of US$3,236m (refer to Note 23).

During the year the Bank received additional capital contributions (refer to Note 23) in order to support the growth in its business and prepare for the impact of the 2008 Basel 2 changes framework.

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

Subsidiary Undertakings and Branches

Credit Suisse First Boston International Warrants Limited was put into members' voluntary liquidation during 2005 by the Bank, and remains in liquidation (refer to Note 15).

Dividends

No dividends have been paid for the year ended 31 December 2007 (2006: US$Nil).

Risk Management

The Group's financial risk management objectives and policies and the exposure of the Group to price risk, credit risk, liquidity risk and cash flow risk are outlined in Note 33 to the financial statements.

Directors

The names of the directors as at the date of this report are set out on page 2. Changes in the directorate since 31 December 2006 and up to the date of this report are as follows:

Appointment:	
Gael de Boissard	5 March 2007
Leonhard Fischer (Chairman and CEO)	5 March 2007
Osama Abbasi (Alternate to Gael de Boissard)	5 March 2007
Fawzi S Kyriakos-Saad	13 March 2007
Michael G Philipp (Chairman and CEO)	29 March 2007
Eric Varvel (Chairman and CEO)	20 February 2008
Eraj Shirvani (Alternate to Gael Boissard)	10 March 2008
Christopher Horne (Alternate to James Amine)	10 March 2008
James Amine	10 March 2008
Resignation:	
Jeremy J Bennett	5 March 2007
Michael G Philipp	5 March 2007
Gael de Boissard (Alternate to Jeremy J Bennett)	5 March 2007
Leonhard Fischer (Chairman and CEO)	29 March 2007
Michael G Philipp (Chairman and CEO)	20 February 2008
Hamish Leslie-Melville (Alternate to Marco G Mazzucchelli)	10 March 2008
Osama S Abassi (Alternate to Gael de Boissard)	10 March 2008
Marco G Mazzucchelli	10 March 2008

None of the directors who held office at the end of the financial year was directly beneficially interested, at any time during the year, in the shares of the Bank.

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

Disclosure of Information to Auditors

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

Employee Involvement and Employment of Disabled Persons

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

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

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

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

Donations

During the year the Group made US$32,308 (2006: US$35,163) of charitable donations. There were no political donations made by the Group during the year (2006: US$Nil).

Auditors

Pursuant to Section 386 of the Companies Act 1985, KPMG Audit Plc continues in office as the Group's auditor.

Subsequent events

On 20 March 2008, CSi effected a drawdown of US$650,000,000 from a subordinated loan facility with Credit Suisse First Boston Finance B.V.

By Order of the Board

Paul E Hare
Company Secretary

One Cabot Square
London E14 4QJ
27 March 2008

CREDIT SUISSE INTERNATIONAL
STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

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

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

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

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CREDIT SUISSE INTERNATIONAL

We have audited the Group and Bank financial statements (the 'financial statements') of Credit Suisse International (the 'Bank') for the year ended 31 December 2007 which comprise the Group Income Statement, the Group and Bank Balance Sheets, the Group and Bank Cash Flow Statements, the Group and Bank Statements of Changes in Equity and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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

Respective Responsibilities of Directors and Auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards ('IFRS') as adopted by the EU are set out in the Statement of Directors' Responsibilities on page 11.

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

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

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

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

Basis of Audit Opinion

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

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CREDIT SUISSE INTERNATIONAL

Opinion

In our opinion:

• the Group financial statements give a true and fair view, in accordance with IFRS as adopted by the EU, of the state of the Group's affairs as at 31 December 2007 and of its profit for the year then ended;

• the Bank financial statements give a true and fair view, in accordance with IFRS as adopted by the EU as applied in accordance with the provisions of the Companies Act 1985, of the state of the Bank's affairs as at 31 December 2007;

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

• the information given in the Directors' Report is consistent with the financial statements.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor
London
27 March 2008

CREDIT SUISSE INTERNATIONAL
CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2007

	Note	2007 US$M	2006 US$M
Interest income	5	3,101	1,884
Interest expense	5	(5,034)	(3,114)
Net interest expense		**(1,933)**	**(1,230)**
Net commissions and fees	6	(69)	(32)
Net trading revenues	7	5,384	3,543
Other charges	6	(563)	(611)
Total non interest revenues		**4,752**	**2,900**
Net operating income		**2,819**	**1,670**
Compensation and benefits	6	(814)	(859)
Impairment charge on loans and receivables	11	(36)	(48)
Other expenses	6	(1,186)	(919)
Total operating expenses		**(2,036)**	**(1,826)**
Profit/(loss) before tax		**783**	**(156)**
Income tax (charge)/credit	8	(263)	55
Profit/(loss) after tax		**520**	**(101)**

Profit/(loss) attributable to:		
Equity holders of the parent	520	(101)
	520	**(101)**

All profits and losses for both 2007 and 2006 are from Continuing Operations.

The notes on pages 21 to 89 form an integral part of the Consolidated Financial Statements.

CREDIT SUISSE INTERNATIONAL
CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2007

	Note	2007 US$M	2006 US$M
Assets			
Cash and cash equivalents		26,713	8,296
Interest-bearing deposits with banks		148	530
Securities purchased under resale agreements and securities borrowing transactions	10	22,240	17,338
Trading assets	7	381,152	218,076
Other financial assets designated at fair value through profit and loss	7	22,628	6,959
Loans and receivables	11	11,377	12,443
Repossessed collateral	12	55	-
Current tax assets		601	449
Deferred tax assets	9	218	252
Other assets	13	26,184	17,290
Intangible assets	16	136	138
Property, plant and equipment	17	387	394
Total assets		**491,839**	**282,165**
Liabilities			
Deposits	18	4,817	3,569
Securities sold under repurchase agreements and securities lending transactions	10	25,397	20,358
Trading liabilities	7	291,119	155,733
Other financial liabilities designated at fair value through profit and loss	7	45,885	28,600
Short term borrowings	19	46,578	38,633
Current tax liabilities		71	47
Long term debt	20	12,230	4,425
Other liabilities	21	54,711	25,858
Provisions	22	16	40
Total liabilities		**480,824**	**277,263**
Shareholders' equity			
Called-up share capital	23	5,621	3,242
Share premium account	23	3,647	433
Retained earnings		1,747	1,227
Total shareholders' equity		**11,015**	**4,902**
Total liabilities and shareholders' equity		**491,839**	**282,165**

The notes on pages 21 to 89 form an integral part of the Consolidated Financial Statements.

Approved by the Board of Directors on 27 March 2008 and signed on its behalf by:

Costas P Michaelides

CREDIT SUISSE INTERNATIONAL
BANK BALANCE SHEET AS AT 31 DECEMBER 2007

	Note	2007 US$M	2006 US$M
Assets			
Cash and cash equivalents		25,830	8,099
Interest-bearing deposits with banks		148	530
Securities purchased under resale agreements and securities borrowing transactions	10	21,686	17,338
Trading assets	7	378,381	216,691
Other financial assets designated at fair value through profit and loss	7	21,326	6,464
Loans and receivables	11	11,382	12,447
Current tax assets		601	449
Deferred tax assets	9	218	252
Other assets	13	27,605	18,256
Investments in subsidiary undertakings	15	27	27
Intangible assets	16	136	138
Property, plant and equipment	17	387	394
Total assets		**487,727**	**281,085**
Liabilities			
Deposits	18	3,461	3,570
Securities sold under resale agreements and securities lending transactions	10	25,397	20,358
Trading liabilities	7	291,130	155,722
Other financial liabilities designated at fair value through profit and loss	7	42,074	26,960
Short term borrowings	19	46,431	38,311
Current tax liabilities		75	51
Long term debt	20	12,230	4,425
Other liabilities	21	55,992	26,829
Provisions	22	16	40
Total liabilities		**476,806**	**276,266**
Shareholders' equity			
Called-up share capital	23	5,621	3,242
Share premium account	23	3,647	433
Retained earnings		1,653	1,144
Total shareholders' equity		**10,921**	**4,819**
Total liabilities and shareholders' equity		**487,727**	**281,085**

The notes on pages 21 to 89 form an integral part of the Consolidated Financial Statements.

Approved by the Board of Directors on 27 March 2008 and signed on its behalf by:

Costas P Michaelides

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

	Note	Share Capital	Share Premium	Retained Earnings	Total
		US$M	US$M	US$M	US$M
Balance at 1 January 2007		3,242	433	1,227	4,902
Profit for the year and total recognised income and expense for the period		-	-	520	520
Issue of shares	23	3,929	3,236	-	7,165
Redemption of shares	23	(1,550)	(22)	-	(1,572)
Balance at 31 December 2007		**5,621**	**3,647**	**1,747**	**11,015**

	Note	Share Capital	Share Premium	Retained Earnings	Total
		US$M	US$M	US$M	US$M
Balance at 1 January 2006		1,957	433	1,328	3,718
Loss for the year and total recognised income and expense for the period		-	-	(101)	(101)
Issue of shares	23	1,285	-	-	1,285
Balance at 31 December 2006		**3,242**	**433**	**1,227**	**4,902**

The notes on pages 21 to 89 form an integral part of the Consolidated Financial Statements.

CREDIT SUISSE INTERNATIONAL

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

	Note	Share Capital	Share Premium	Retained Earnings	Total
		US$M	US$M	US$M	US$M
Balance at 1 January 2007		3,242	433	1,144	4,819
Profit for the year and total recognised income and expense for the period		-	-	509	509
Issue of shares	23	3,929	3,236		7,165
Redemption of shares	23	(1,550)	(22)	-	(1,572)
Balance at 31 December 2007		**5,621**	**3,647**	**1,653**	**10,921**

	Note	Share Capital	Share Premium	Retained Earnings	Total
		US$M	US$M	US$M	US$M
Balance at 1 January 2006		1,957	433	1,258	3,648
Loss for the year and total recognised income and expense for the period		-	-	(114)	(114)
Issue of shares	23	1,285	-	-	1,285
Balance at 31 December 2006		**3,242**	**433**	**1,144**	**4,819**

The notes on pages 21 to 89 form an integral part of the Consolidated Financial Statements.

CREDIT SUISSE INTERNATIONAL

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2007

	Note	2007 US$M	2006 US$M
Cash flows from operating activities			
Profit/(loss) before tax for the period		783	(156)
Adjustments to reconcile net profit/(loss) to net cash provided by/(used in) operating activities			
Non-cash items included in profit/(loss) before tax and other adjustments:			
Amortisation on intangible assets	16	59	58
Depreciation on property, plant and equipment	17	78	73
Interest accrued on long term debt		341	106
Impairment charge on loans and receivables	11	36	48
Impairment charge on loan commitments	6	18	-
Impairment of intangible assets	16	4	1
Write down of property, plant and equipment	17	-	2
Provisions	22	13	5
Foreign exchange losses		(12)	81
Net (increase)/decrease in operating assets:			
Interest bearing deposits with banks		382	71
Securities purchased under resale agreements and securities borrowing transactions		(4,902)	(6,306)
Trading assets		(163,076)	(29,840)
Other financial assets designated at fair value through profit and loss		(16,576)	(2,144)
Repossessed collateral		(55)	-
Loans and receivables		1,937	(4,360)
Other assets		(8,894)	(682)
Net increase/(decrease) in operating liabilities:			
Deposits		(455)	635
Securities sold under resale agreements and securities lending transactions		5,039	8,281
Trading liabilities		135,386	10,034
Other financial liabilities designated at fair value through profit and loss		17,285	2,652
Short term borrowings		7,945	16,536
Other liabilities and provision		28,655	3,700
Cash generated from/(used in) operating activities		**3,991**	**(1,205)**
Income taxes paid		(214)	(140)
Net cash flow generated from/(used in) operating activities		**3,777**	**(1,345)**
Investing activities			
Capital expenditure for property, plant and equipment and intangible assets	16,17	(132)	(220)
Net cash flow used in investing activities		**(132)**	**(220)**
Financing activities			
Issue of long term debt		8,538	2,095
Redemption of long term debt		(809)	-
Interest paid on long term debt		(253)	(88)
Issue of shares		7,165	1,285
Redemption of shares		(1,572)	-
Net cash flow generated from financing activities		**13,069**	**3,292**
Net increase in cash and cash equivalents		**16,714**	**1,727**
Cash and cash equivalents at the beginning of the year		5,263	3,536
Cash and cash equivalents at the end of the year		**21,977**	**5,263**
Cash and cash equivalents are analysed as follows:			
Cash and cash equivalents		26,713	8,296
Demand deposits	18	(4,736)	(3,033)
Cash and cash equivalents at the end of the year		**21,977**	**5,263**

The notes on pages 21 to 89 form an integral part of the Consolidated Financial Statements.

CREDIT SUISSE INTERNATIONAL
BANK CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2007

	Note	2007 US$M	2006 US$M
Cash flows from operating activities			
Profit/(loss) before tax for the period		772	(169)
Adjustments to reconcile net profit/(loss) to net cash provided by/(used in) operating activities			
Non-cash items included in profit/(loss) before tax and other adjustments:			
Amortisation on intangible assets	16	59	58
Depreciation on property, plant and equipment	17	78	73
Interest accrued on long term debt		341	105
Impairment charge on loans and receivables	11	36	48
Impairment charge on loan commitments	6	18	-
Impairment of intangible assets	16	4	1
Write down of property, plant and equipment	17	-	2
Provisions	22	13	5
Foreign exchange losses		(12)	81
Net (increase)/decrease in operating assets:			
Interest bearing deposits with banks		382	71
Securities purchased under resale agreements and securities borrowing transactions		(4,348)	(6,306)
Trading assets		(161,690)	(28,966)
Other financial assets designated at fair value through profit and loss		(15,769)	(1,649)
Loans and receivables		1,936	(4,359)
Other assets		(9,349)	(622)
Net increase/(decrease) in operating liabilities:			
Deposits		(455)	652
Securities sold under resale agreements and securities lending transactions		5,039	6,862
Trading liabilities		135,408	10,070
Other financial liabilities designated at fair value through profit and loss		15,114	3,055
Short term borrowings		8,120	16,913
Other liabilities and provision		28,965	3,606
Cash generated from/(used in) operating activities		**4,662**	**(469)**
Income taxes paid		(214)	(141)
Net cash flow generated from/(used in) operating activities		**4,448**	**(610)**
Investing activities			
Capital expenditure for property, plant and equipment and intangible assets	16,17	(132)	(220)
Net cash flow from/(used in) investing activities		**(132)**	**(220)**
Financing activities			
Issue of long term debt		8,538	2,095
Redemptions of long term debt		(809)	-
Interest paid on long term debt		(253)	(88)
Issue of shares		7,165	1,285
Redemption of shares		(1,572)	-
Net cash flow generated from financing activities		**13,069**	**3,292**
Net increase in cash and cash equivalents		**17,385**	**2,462**
Cash and cash equivalents at the beginning of the year		5,065	2,603
Cash and cash equivalents at the end of the year		**22,450**	**5,065**
Cash and cash equivalents are analysed as follows:			
Cash and cash equivalents		25,830	8,099
Demand deposits	18	(3,380)	(3,034)
Cash and cash equivalents at the end of the year		**22,450**	**5,065**

The notes on pages 21 to 89 form an integral part of the Consolidated Financial Statements.

1. General

Credit Suisse International ('CSi' or the 'Bank') is a bank domiciled in the United Kingdom. The address of the Bank's registered office is One Cabot Square, London, E14 4QJ. The Consolidated Financial Statements for the year ended 31 December 2007 comprise CSi and its subsidiaries (together referred to as the 'Group').

2. Significant Accounting Policies

a) Statement of compliance

Following the adoption of Regulation EC 1606/2002 on the 19 July 2002 by the European Parliament, the Bank is required to prepare Consolidated Financial Statements in accordance with IFRS as adopted by the EU ('Adopted IFRS'), including the standards (International Accounting Standards ('IAS')/IFRS), as well as the interpretations issued by both the Standing Interpretations Committee ('SIC') and the International Financial Reporting Interpretations Committee ('IFRIC') as applicable to the Group.

On publishing the Bank financial statements here together with the Group financial statements, the Bank is taking advantage of the exemption in s230 of the Companies Act 1985 not to present its individual income statement and related notes that form a part of these approved financial statements.

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, liabilities under cash settled share based payments and financial instruments designated by the Group as at fair value through profit and 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.

Standards and Interpretations effective in the current period

As of 1 January 2007, the Group has adopted the provisions of IFRS 7 'Financial Instruments – Disclosures'. The new standard addresses financial instrument disclosures and does not change the recognition and measurement of financial instruments. Accordingly, it will have no effect on the Income Statement and Statement of Changes in Equity. The new standard requires enhanced quantitative and qualitative risk disclosures for all major categories of financial instruments. Also, as of 1 January 2007, the amendments (Capital Disclosures) to IAS 1 'Presentation of Financial Statements' have been adopted. This amendment focuses on capital disclosures and details the objectives, polices and processes for managing capital.

Furthermore the Group adopted the following interpretations as of 1 January 2007,

- IFRIC 7 'Applying the Restatement Approach under IAS 29 "Financial Reporting in Hyperinflationary Economies';
- IFRIC 8 'Scope of IFRS 2';
- IFRIC 9 'Reassessment of Embedded Derivatives'; and
- IFRIC 10 'Interim Financial Reporting and Impairment'.

2. Significant Accounting Policies (continued)

The application of these interpretations had no significant effect on the consolidated or separate financial statements.

Certain reclassifications have been made to the prior year Consolidated Financial Statements of the Group to conform to the current year's presentation. These reclassifications had no impact on the Income Statement and Statement of Changes in Equity.

Standards and Interpretations in issue but not yet effective

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

- 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 11 'IFRS 2 - Group and Treasury Share Transactions' (effective 1 March 2007 - adoption date 1 January 2008)

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 Consolidated Financial Statements in the period of initial application.

The accounting policies have been applied consistently by Group entities.

c) Basis of consolidation

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

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

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

d) Foreign currency

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

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

2. Significant Accounting Policies (continued)

e) Segmental reporting

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

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

Equity Division engages in a broad range of equity activities for investors including sales, trading, brokerage and market making in international equity and equity related securities, options, futures and OTC equity derivatives.

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

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

f) Cash and cash equivalents

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

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

g) Securities purchased or sold under resale agreements

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

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

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

h) Securities borrowing and lending transactions

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

2. Significant Accounting Policies (continued)

at the amount of cash collateral advanced (cash collateral on securities borrowed) or received (cash collateral on securities lent).

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

i) Trading assets and liabilities

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

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

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

j) Derivative financial instruments and hedging

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

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

2. Significant Accounting Policies (continued)

derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items attributable to the hedged risk on both a retrospective and prospective basis. The Group discontinues hedge accounting prospectively in circumstances where:

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

Fair value hedge accounting

For derivatives that are designated and qualify as fair value hedges, the carrying value of the underlying hedged items is adjusted by the change in the fair value attributable to the risk being hedged. Changes in the fair value of these derivatives are recorded in the same line item of the consolidated income statement as the change in fair value of the risk being hedged for the hedged assets or liabilities to the extent the hedge is effective. Hedge ineffectiveness is separately recorded in 'Net Trading Revenues'.

When the Group discontinues fair value hedge accounting the derivative will continue to be carried on the balance sheet at its fair value and the hedged asset or liability will no longer be adjusted for changes in fair value attributable to the hedged risk. Fair value adjustments previously recorded on the underlying hedged items, where these hedged items are interest-bearing instruments, will be amortised to the statement of income over the remaining life of the hedged item according to the effective interest method. Any unamortised fair value adjustment on an interest-bearing instrument is to be reclassified to the statement of income upon sale or extinguishment of the hedged asset or liability, respectively. Fair value hedge adjustments previously made to the carrying value of the underlying hedged item, where the hedged item is not an interest-bearing instrument, are recognised in the income statement when the hedged item affects net income, which is usually when the instrument is disposed of.

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

The Group has adopted the EU endorsed Fair Value Option amendment of IAS 39 which allows an entity to designate financial assets and liabilities as held at fair value through profit and loss either at transition to IFRS or 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.

The Fair Value Option has been applied to certain debt instruments, equity securities and loans and the related assets and liabilities are presented as 'other financial assets designated at fair value through profit and loss' or 'other financial liabilities designated at fair value through profit and loss' in the balance sheet. Once designated this election financial

2. Significant Accounting Policies (continued)

liabilities designated at fair value through profit and loss' in the balance sheet. Once designated this election is irrevocable. All fair value changes related to these financial instruments held at fair value through profit and loss are recognised in 'net trading revenues'.

l) Derecognition

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

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

m) Loans and receivables

Loans and receivables are recognised when cash is advanced to borrowers. They are initially recorded at fair value, plus any directly attributable transaction costs and subsequently are amortised on an effective yield basis, less impairment losses.

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

The Group assesses at each balance sheet date whether there is objective evidence that a significant loan position or a portfolio of loans is impaired. A significant individual loan position or portfolio of loans is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition of the asset and prior to the balance sheet date (a 'loss event') and that the loss event or events have had an impact on the estimated future cash flows of the financial asset or the portfolio that can be reliably estimated.

Many factors can affect the Group's estimate of the impairment losses on loans and receivables, including volatility of default probabilities, rating migrations and loss severity. The estimation of this component of the impairment for the portfolio involves applying historical loss experience, adjusted to reflect current market conditions, to homogeneous loans based on risk rating and product type. To estimate this component of the impairment for loans, the Group segregates loans by risk, industry or country rating. Excluded from this estimation process are loans where a specifically identified loss has been included in the specific component of the allowance for loan losses.

The estimate of the component of the allowance for specifically identified credit losses on impaired loans is based on a regular and detailed analysis of each loan in the portfolio considering collateral and counterparty risk. The Group considers a loan impaired when, based on current information and events, it is probable that the Group will be unable to collect the amounts due according to the contractual terms of the loan agreement. For certain non-collateral dependent impaired loans, impairment charges are measured using the present value of estimated future cashflows discounted at the asset's original effective interest rate. For collateral dependent impaired loans, impairment charges are measured using the value of the collateral.

The amounts of the impairment charge and any subsequent reversal are recognised in the income statement.

2. Significant Accounting Policies (continued)

The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. An allowance for impairment is reversed only when the credit quality has improved such that there is reasonable assurance of timely collection of principal and interest in accordance with the original contractual terms of the claim agreement.

o) Netting

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

- currently has a legally enforceable right to set off the recognised amounts; and
- intends either to settle on a net basis, or to realise the asset and liability simultaneously.

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

p) Income tax

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

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

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

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

Information as to the calculation of income tax on the profit and loss for the periods presented is included in Note 8.

q) Repossessed collateral

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

r) Intangible assets

Intangible assets consist primarily of internally developed software. Expenditure on internally developed software is recognised as an asset when the Group is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and can reliably measure the costs to complete the development. The capitalised costs of internally developed software include all costs directly attributable to developing the software.

2. Significant Accounting Policies (continued)

Intangible assets are stated at cost less accumulated depreciation and impairment losses, and are depreciated over an estimated useful life of 3 years using the straight-line method upon completion or utilisation. The amortisation of the intangible assets is included in the 'other expenses' in the income statement.

s) Property, plant and equipment

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

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

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

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

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

t) Preference share capital

The Group classifies preference shares in accordance with the substance of the contractual arrangement. Liabilities are defined as contractual obligations to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity.

A contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities is in substance part of equity.

Therefore, preference share capital issued by the Group is classified as equity if it is non-redeemable and any dividends are discretionary, or is redeemable but only at the Group's option. Dividends on preference share capital classified as equity are recognised as distributions within equity.

u) Retirement benefit costs

The Group has both defined contribution and defined benefit pension plans. The defined benefit plans are CS group schemes, in which the Bank is not the sponsoring entity.

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred.

In accordance with the provisions of IAS 19 'Employee Benefits' for defined benefit plans that share risks between various entities under common control, no retirement benefit obligation is recognised in the balance sheet of the Bank and defined contribution accounting is applied, as the Bank is not the sponsoring entity. The Group's share of the retirement benefit obligation is instead recognised in the balance sheet of the sponsoring entity, Credit Suisse Securities (Europe) Limited ('CSS (Europe) Ltd'), which is external to the Group but is a related party due to both entities being owned by Credit Suisse Group.

2. Significant Accounting Policies (continued)

v) Long term debt

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

w) Contingent liabilities

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

x) Provisions

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

y) Share-based payments

The Bank grants shares in its ultimate parent company, CSG, to certain employees. The Bank purchases CSG shares from Credit Suisse Equity Based Compensation AG, another CS group company, upon settlement and then transfers those shares to its employees.

This arrangement has been classified as a cash-settled share-based payment due to the Bank's obligation to settle the liability by the delivery of an asset that is not an equity instrument of the Bank. A liability equal to the portion of the services received is recognised at the current market value determined at each balance sheet date. 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.

z) Interest income and expense

Interest income and expense includes interest income and expense on the Group's financial instruments owned and financial instruments sold not yet purchased, short term and long term borrowings, reverse repurchase and repurchase agreements and securities borrowed and securities lending transactions. Interest income and expense does not include interest flows on the Group's trading derivatives (except for hedging relationships), trading instruments and financial instruments classified as other financial assets or other financial liabilities designated at fair value through profit and loss. These are recorded using the effective interest rates of the financial assets or financial liabilities to which they relate in 'Net Trading Revenues'.

aa) Commissions and fees

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

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

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

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

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

2. Significant Accounting Policies (continued)

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

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

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

ab) 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.

ac) Sub leases

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

ad) Dividends

Dividends are recognised when declared and are treated as a reduction of equity along with the corresponding liability that represents the amount payable.

3. Critical Accounting Estimates and Judgements in Applying Accounting Policies

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

Fair Value

As is the normal practice in the financial services industry, the carrying values the Group reports in the consolidated financial statements with respect to financial instruments 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 price-efficient and liquid markets generally exist, or as is the case where a financial instrument's fair value is derived from actively quoted prices or pricing parameters or alternative pricing sources with a reasonable level of price transparency. For financial instruments that trade infrequently and have little price transparency, fair value may be subjective and require varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument. These instruments include certain high-yield debt securities, distressed debt securities, certain CDOs, certain OTC derivatives, certain asset-backed and mortgage-backed securities, non-traded equity securities and private equity and other long-term investments.

Uncertainty of pricing assumptions and liquidity are features of both derivative and non-derivative transactions. These features have been considered as part of the valuation process. Certain financial instrument classes have become increasingly inactive throughout 2007 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.

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

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.

In connection with ongoing control processes, management identified mismarks and pricing errors by a small number of traders in certain ABS positions in the CDO trading business. For further information, refer to the Director's Report - Revaluing of certain asset-backed securities positions on Page 8.

Litigation Contingencies

From time to time, the Group is involved in a variety of legal, regulatory and arbitration matters in connection with the conduct of its businesses.

It is inherently difficult to predict the outcome of many of these matters, particularly those cases in which the matters are brought on behalf of various classes of claimants, seek damages of unspecified or indeterminate amounts or involve novel legal claims.

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

According to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets', a provision shall be recognised when (a) an entity has a present obligation (legal or constructive) as a result of a past event; (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation.

Allowances and Impairment Losses on Loans and Receivables

As a normal part of its business, the Group is exposed to credit risks through its lending relationships, commitments and letters of credit and as a result of counterparty risk on derivatives, foreign exchange and other transactions. Credit risk is the risk that a borrower or counterparty is unable to meet its financial obligations. In the event of a default, the Group generally incurs a loss equal to the amount owed by the counterparty, less a recovery amount resulting from foreclosure, liquidation of collateral or restructuring of the counterparty's obligation. The Group maintains allowances for loan losses which are considered adequate to absorb credit losses existing at the balance sheet date. These allowances are for incurred credit losses inherent in existing exposures and credit exposures specifically identified as impaired. The inherent loss allowance is for all credit exposures not specifically identified as impaired which, on a portfolio basis, are considered to contain incurred inherent losses. The loan valuation allowance for inherent loss is established by analysing historical and current default probabilities, historical recovery assumptions and internal risk ratings. The methodology for calculating specific allowances involves judgements at many levels, such as early identification of deteriorating credits. Extensive judgement is required in order to properly evaluate the various indicators of financial condition of a counterparty and likelihood of repayment.

Special Purpose Entities

As part of normal business, CSi engages in various transactions that includes entities which are considered Special Purpose Entities (SPE's). A SPE is an entity that typically lacks sufficient equity to finance its activities without

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

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. A SPE is consolidated by CSi when the substance of the relationship between CSi and the SPE indicates that the SPE is controlled by CSi. SPE's may be sponsored by us, unrelated third parties or clients. Application of the accounting requirements for consolidation of SPE's initially and if certain events occur that require us to reassess whether consolidation is required, can require the exercise of significant management judgment.

Share-Based Payments

The Group uses the liability method to account for its share-based compensation plans, which requires the Group's obligation under these plans to be recorded at its current estimated fair value. Share awards and share unit awards that contain market conditions are marked-to-market based on the latest share price information reflecting the terms of the award. Share unit awards that contain earnings performance conditions are marked-to-market based on the Group's actual earnings performance to date and the Group's internal earnings projections over the remaining vesting period of the award. In determining the final liability, the Group also estimates the number of forfeitures over the life of the plan based on management's expectations for future periods, which also considers past experience.

Retirement Benefit Costs

The following relates to the assumptions CSS (Europe) Ltd, the sponsor of the defined benefit plan, has made in arriving at the valuations of the various components of the defined benefit plan, of which the Group is a participant.

The calculation of the expense and liability associated with the defined benefit pension plans requires the extensive use of assumptions, which include the discount rate, expected return on plan assets and rate of future compensation increases as determined by CSS (Europe) Ltd. Management determines these assumptions based upon currently available market and industry data and the historical performance of the plans and their assets. Management also consults with an independent actuarial firm to assist in selecting appropriate assumptions and valuing its related liabilities. The actuarial assumptions used by CSS (Europe) Ltd may differ materially from actual results due to changing market and economic conditions, higher or lower withdrawal rates or longer or shorter life spans of the participants. Any such differences could have a significant impact on the amount of pension expense recorded in future years.

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

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

Income Taxes

Deferred tax valuation

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

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.

Tax contingencies

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

Transfer Pricing

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

4. Segmental Analysis

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

Primary segmental reporting

As at 31 December 2007	**Note**	**Fixed Income Division US$M**	**Equity Division US$M**	**Other US$M**	**Group US$M**
Net operating income/(expense)		2,248	629	(58)	2,819
Profit/(loss) before tax		807	28	(52)	783
Income tax charge	8				(263)
Profit after tax					**520**
Amortisation	16	(46)	(13)	-	(59)
Depreciation	17	(61)	(17)	-	(78)
Capital expenditure	16,17	104	28	-	132
Impairment charge on intangible assets	16	3	1		4
Impairment charge on loan commitments	6	(18)	-	-	(18)
Impairment charge on loans and receivables	11	(35)	(1)	-	(36)
Total assets excluding tax assets		385,373	105,244	403	491,020
Tax assets					819
Total assets					**491,839**
Total liabilities excluding tax liabilities		376,983	103,672	98	480,753
Tax liabilities					71
Shareholders' equity					11,015
Total liabilities and shareholders' equity					**491,839**

4. Segmental Analysis (continued)

As at 31 December 2006	**Note**	**Fixed Income Division US$M**	**Equity Division US$M**	**Other US$M**	**Group US$M**
Net operating income/(expense)		1,783	(89)	(24)	1,670
Profit/(loss) before tax		493	(633)	(16)	(156)
Income tax credit	8				55
Loss after tax					**(101)**
Amortisation	16	(43)	(15)	-	(58)
Depreciation	17	(55)	(18)	-	(73)
Capital expenditure	16,17	164	56	-	220
Impairment charge on intangible assets	16	1	-		1
Impairment charge on loans and receivables	11	(28)	(20)	-	(48)
Total assets excluding tax assets		210,407	70,771	286	281,464
Tax assets					701
Total assets					**282,165**
Total liabilities excluding tax liabilities		206,834	70,364	18	277,216
Tax liabilities					47
Shareholders' equity					4,902
Total liabilities and shareholders' equity					**282,165**

Secondary segmental reporting

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

As at 31 December 2007	**Note**	**Americas US$M**	**Europe US$M**	**Asia Pacific US$M**	**Group US$M**
Net operating income		679	2,187	(47)	2,819
Capital expenditure	16,17	19	107	6	132
Total assets excluding tax assets		69,969	399,405	21,646	491,020
Tax assets					819
Total assets					**491,839**

4. Segmental Analysis (continued)

As at 31 December 2006	Note	Americas US$M	Europe US$M	Asia Pacific US$M	Group US$M
Net operating income		206	1,654	(190)	1,670
Capital expenditure	16,17	52	142	26	220
Total assets excluding tax assets		66,980	181,429	33,055	281,464
Tax assets					701
Total assets					**282,165**

5. Interest Income and Interest Expense

	2007 US$M	2006 US$M
Loans and receivables	655	466
Securities purchased under resale agreements and securities borrowing transactions	1,017	483
Cash collateral placed on OTC derivatives transactions	789	479
Interest income on cash and cash equivalents	640	456
Total interest income	**3,101**	**1,884**
Deposits	(266)	(184)
Short term borrowings	(2,591)	(1,372)
Securities sold under resale agreements and securities lending transactions	(533)	(719)
Long term debt	(341)	(157)
Cash collateral received on OTC derivatives transactions	(1,303)	(682)
Total interest expense	**(5,034)**	**(3,114)**
Net interest expense	**(1,933)**	**(1,230)**

Interest income accrued on impaired financial assets during the year was US$3.2m (2006 Nil).

6. Non-Interest Revenues and Total Operating Expenses

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

	2007 US$M	2006 US$M
Commissions from lending business:		
Investment and portfolio management activities	68	109
Fees for other customer services	-	3
Commission and fee income	**68**	**112**
Commissions from lending business:		
Investment and portfolio management activities	(75)	(98)
Fees for other customer services	(62)	(46)
Commission and fee expense	**(137)**	**(144)**
Net commission and fee expense	**(69)**	**(32)**

Other charges of US$563m (2006: US$611m) principally relate to amounts CSi pays to other companies in the CS group based on a global profit split transfer pricing methodology.

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

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

	2007 US$M	2006 US$M
Salaries and bonuses	705	772
Social security	52	68
Pensions	52	13
Other	5	6
Compensation and benefits	**814**	**859**

Included in the above table are amounts relating to directors' remuneration. Further detals are disclosed in Note 26.

The following table sets forth the details of other expenses:

	Note	2007 US$M	2006 US$M
Occupancy expenses		13	14
IT and machinery		71	85
Amortisation expenses	16	59	58
Depreciation expenses	17	78	73
Provisions	22	13	36
Commission expenses		147	94
Travel and entertainment		14	14
Audit fees of the Group		4	5
Professional services		67	79
Impairment of intangible assets		4	1
Impairment charge on loan commitments		18	-
Net overheads allocated from other CS group entities		553	366
Other		145	94
Other expenses		**1,186**	**919**

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

7. Trading Activities

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

	2007 US$M	2006 US$M
Interest rate products	4,087	2,406
Equity/indexed-related products	942	654
Foreign exchange products	173	(80)
Credit related products	150	565
Energy trading and marketing products	22	(3)
Other products	10	1
Net trading revenue	**5,384**	**3,543**

Net trading revenue includes revenues from trading assets and liabilities and financial assets and liabilities designated at fair value through profit and loss as detailed in accounting policy note 2(k). For the year ended 31 December 2007, the impact to the income statement relating to financial instruments designated as held at fair value through profit and loss was a loss of US$1.9bn (2006: gain US$58m). Included in this total is US$40m gain (2006: US$4m

7. Trading Activities (continued)

loss) of fair value changes of financial liabilities due to changes in the Group's own creditworthiness. The cumulative effect thereon is a gain of US$77m (2006: gain US$37m).

	Group 2007 US$M	Group 2006 US$M	Bank 2007 US$M	Bank 2006 US$M
Trading assets				
Debt instruments	41,887	35,552	42,437	36,714
Equity instruments	43,827	28,921	40,704	27,062
Positive replacement values of derivative trading positions	279,387	141,072	279,857	141,227
Loans and other receivables	16,051	12,531	15,383	11,688
Total trading assets	**381,152**	**218,076**	**378,381**	**216,691**

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

	Group 2007 US$M	Group 2006 US$M	Bank 2007 US$M	Bank 2006 US$M
Other financial assets designated at fair value through profit and loss				
Debt instruments	4,365	4,478	3,807	3,983
Equity instruments	233	316	233	316
Loans	17,089	2,165	16,345	2,165
Reverse repurchase agreements	941	-	941	-
Total other financial assets designated at fair value through profit and loss	**22,628**	**6,959**	**21,326**	**6,464**

Trading assets and other financial assets designated at fair value through profit and loss include US$31,719m (2006: US$20,423m) which are encumbered. The transactions in relation to the encumbered assets are conducted under terms that are usual and customary for securities lent, resale agreements or other collateralised borrowings.

Of the other financial assets designated at fair value through profit and loss, loans and reverse repurchase agreements were primarily elected to alleviate an accounting mismatch while debt and equity instruments were primarily elected because they are managed on a fair value basis.

For loans designated at fair value through profit and loss, the maximum fair value exposure to credit risk as at 31 December 2007 was US$17bn (2006: US$2.2bn). To mitigate this credit risk, securities are held as collateral and credit default swaps with a notional value of US$7.5bn (2006: US$911m) have been transacted to transfer this risk into the capital markets.

The fair value movement attributable to counterparty credit on loans designated at fair value through profit and loss is calculated using credit spreads applicable to specific points in time. All other risk variables are held constant and the credit spreads are moved based on current market conditions. During the year ended 31 December 2007, this fair value movement was a decrease of US$186m (2006: increase US$12m). The cumulative effect thereon at the year end was a decrease of US$174m (2006: increase US$12m). The corresponding increase in fair value of the swaps and securities in place to mitigate this risk was US$183m (2006: decrease US$6m). The cumulative effect thereon at the year end was an increase of US$177m (2006: decrease US$6m).

For reverse repurchase agreements, the Bank's credit exposure to the counterparties of these trades is mitigated by posted collateral and through subsequent margin calls. Accordingly, the Bank does not enter into hedges to mitigate credit exposure to our counterparties. Also, given that the credit exposure is virtually eliminated, the mark to market changes attributable to credit risk is insignificant.

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

7. Trading Activities (continued)

	Group 2007 US$M	Group 2006 US$M	Bank 2007 US$M	Bank 2006 US$M
Trading liabilities				
Short positions	14,712	11,348	14,678	11,143
Negative replacement values of derivative trading positions	276,407	144,385	276,452	144,579
Total trading liabilities	**291,119**	**155,733**	**291,130**	**155,722**
Other financial liabilities designated at fair value through profit and loss				
Subordinated debt	1,546	1,771	1,546	1,771
Structured notes	32,860	22,415	29,049	20,775
Bonds	144	259	144	259
Deposits	6,214	4,155	6,214	4,155
Repurchase agreements	5,121	-	5,121	-
Total other financial liabilities designated at fair value through profit and loss	**45,885**	**28,600**	**42,074**	**26,960**

The fair value of subordinated debt was calculated using a yield curve which reflected the Group's credit rating in the market. This was achieved by adjusting the relevant yield curve by the Group's credit spread, dependent on the tier of the debt, at each point in the curve to provide an own credit adjusted valuation. The other liabilities designated at fair value through profit and loss have an insignificant fair value impact arising from own credit.

Of the other financial liabilities designated at fair value through profit and loss, subordinated debt, bonds and repurchase agreements were primarily elected to alleviate an accounting mismatch, while structured notes and deposits were mainly elected because they are managed on a fair value basis. The carrying amount is US$941m higher than the amount that the Group would be contractually required to pay to the holder of these financial liabilities at maturity (2006: US$240m lower).

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

Group and Bank	2007 US$M	2006 US$M
Balance at 1 January	239	427
Increase due to new trades	418	82
Reduction due to passage of time	(35)	(45)
Reduction due to redemption, sales, transfers or improved observability	(74)	(225)
Total	**548**	**239**

8. Income Tax

Group and Bank	2007 US$M	2006 US$M
Current tax		
Current (charge)/credit on profits/(losses) for the period	(232)	35
Adjustments in respect of previous periods	3	(33)
Total current tax (charge)/credit	**(229)**	**2**
Deferred tax		
Origination and reversal of temporary differences	(28)	16
Adjustments in respect of previous periods	8	37
Effect of changes in tax rate or the imposition of new taxes	(14)	-
Total deferred tax (charge)/credit	**(34)**	**53**
Income tax (charge)/credit	**(263)**	**55**

8. Income Tax (continued)

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

Group and Bank	2007 US$M	2006 US$M
Profit/(loss) before tax	783	(156)
Profit/(loss) before tax multiplied by the UK statutory rate of corporation tax at the rate of 30% (2006: 30%)	(235)	47
Other permanent differences	(10)	4
Effect of different tax rates of operations/subsidiaries operating in other jurisdictions	(14)	(2)
Adjustments to current tax in respect of previous periods	3	(33)
Adjustments to deferred tax in respect of previous periods	7	37
Effect on deferred tax resulting from changes to tax rates	(14)	-
Other	-	2
Income tax (charge)/credit	**(263)**	**55**

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

9. Deferred Taxes

Deferred taxes are calculated on all temporary differences under the liability method using an effective tax rate of 30% (2006: 32%). The UK corporation tax rate will reduce from 30% to 28% with effect 1 April 2008. The deferred tax asset, as at December 2007, has been adjusted to reflect this.

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

Group and Bank	2007 US$M	2006 US$M
Deferred tax assets	218	252
Net position	**218**	**252**
Balance at 1 January	252	199
(Debit)/Credit to income for the year	(20)	53
Effect of change in tax rate expensed to income statement	(14)	-
At end of the year	**218**	**252**

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

Deferred tax assets

Group and Bank	2007 US$M	2006 US$M
Derivative financial instruments	40	49
Share-based compensation	151	146
Decelerated tax depreciation	13	29
Other provisions	12	15
Other short term temporary differences	-	10
Pensions and other post-retirement benefits	-	1
Tax losses	2	2
At end of the year	**218**	**252**

9. Deferred Taxes (continued)

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

Group and Bank	2007 US$M	2006 US$M
Derivative financial instruments	(8)	(4)
Share-based compensation	5	41
Decelerated tax depreciation	(16)	8
Other provisions	(4)	3
Other short term temporary differences	(10)	5
Pensions and other post-retirement benefits	(1)	(2)
Tax losses	-	2
Total deferred tax (charge)/credit in the income statement	**(34)**	**53**

At the balance sheet date, the aggregate amount of temporary differences associated with investments in subsidiaries for which deferred tax liabilities have not been provided was US$14m (2006: US$13m). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

10. Securities Borrowed, Lent and Subject to Resale Agreements

The following table summarises the securities purchased under agreements to resell and securities borrowing transactions, at their respective carrying values:

	Group 2007 US$M	Group 2006 US$M	Bank 2007 US$M	Bank 2006 US$M
Securities purchased under resale agreements	16,586	12,931	16,032	12,931
Deposits paid for securities borrowed	5,654	4,407	5,654	4,407
Total	**22,240**	**17,338**	**21,686**	**17,338**

Securities borrowed, lent and subject to resale agreements are mainly due within one year.

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

	Group 2007 US$M	Group 2006 US$M	Bank 2007 US$M	Bank 2006 US$M
Securities sold under resale agreements	16,571	16,543	16,571	16,543
Deposits received for securities lent	8,826	3,815	8,826	3,815
Total	**25,397**	**20,358**	**25,397**	**20,358**
Other liabilities (note 21)	1,130	2,089	1,144	2,089
Total	**26,527**	**22,447**	**26,541**	**22,447**

Purchase and repurchase agreements represent collateralised financing transactions used to earn net interest income, increase liquidity or facilitate trading activity. These instruments are collateralised principally by government securities and money market instruments and generally have terms ranging from overnight up to 5 years or have unspecified period of maturity. The Group monitors the fair value of securities received or delivered. For securities purchased under resale agreements, the Group requests additional securities, or the return of a portion of the cash disbursed when appropriate, in response to a decline in the market value of the securities received. Similarly, the return of excess securities or additional cash is requested, when appropriate, in response to an increase in the market value of securities sold under repurchase agreements.

Deposits paid for securities borrowed and deposits received for securities lent are recorded at the amount of cash paid or received. These transactions are typically collateralised by cash or marketable securities. For securities

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

lending transactions, the Group receives cash or securities as collateral in an amount generally in excess of the market value of securities lent. The Group monitors the market value of securities borrowed and securities on a daily basis and additional collateral is obtained as necessary.

Included in Other liabilities above are amounts received in respect of transferred assets which do not meet the de-recognition criteria in accordance with IAS 39 'Financial Instruments Recognition and Measurement'.

11. Loans and Receivables

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

	Group 2007 US$M	Group 2006 US$M	Bank 2007 US$M	Bank 2006 US$M
Banks	197	484	197	484
Customer	157	72	162	76
Domestic	**354**	**556**	**359**	**560**
Banks	375	3,534	375	3,534
Customer	10,764	8,433	10,764	8,433
Foreign	**11,139**	**11,967**	**11,139**	**11,967**
Loans and receivables, gross	**11,493**	**12,523**	**11,498**	**12,527**
Banks	(4)	(5)	(4)	(5)
Customer	(112)	(75)	(112)	(75)
Allowances for impairment losses	**(116)**	**(80)**	**(116)**	**(80)**
Loans and receivables, net	**11,377**	**12,443**	**11,382**	**12,447**

Loans and receivables due within one year for the Group, amounts to US$7,827m (2006: US$7,538m) and for the Bank amounts to US$7,827m (2006: US$7,542m).

The following table sets forth the movements in the allowances for impairment losses on loans and receivables:

Group and Bank	**Banks US$M**	**Customers US$M**	**Total US$M**
Balance at 1 January 2007	**(5)**	**(75)**	**(80)**
Amounts recovered	-	16	16
Additional allowances for impairment losses	(2)	(94)	(96)
Reversal of allowances for impairment losses	3	41	44
Net amount reversed/(charged) to income statement	1	(37)	(36)
Balance at 31 December 2007	**(4)**	**(112)**	**(116)**
Balance at 1 January 2006	**(5)**	**(27)**	**(32)**
Amounts recovered	-	-	-
Additional allowances for impairment losses	(4)	(63)	(67)
Reversal of allowances for impairment losses	4	15	19
Net amount reversed/(charged) to income statement	-	(48)	(48)
Balance at 31 December 2006	**(5)**	**(75)**	**(80)**

11. Loans and Receivables (continued)

The following table analyses loans to and receivables from customers by geographical area:

	Group 2007 US$M	Group 2006 US$M	Bank 2007 US$M	Bank 2006 US$M
Eastern Europe	5,101	2,991	5,101	2,991
Western Europe	2,278	3,291	2,278	3,291
America	2,202	1,244	2,202	1,244
Asia Pacific	769	680	769	680
United Kingdom	157	72	162	76
Middle East	414	203	414	203
Africa	-	24	-	24
Loans and receivables to customers, gross	**10,921**	**8,505**	**10,926**	**8,509**

The following table analyses loans to and receivables from banks by geographical area:

	Group 2007 US$M	Group 2006 US$M	Bank 2007 US$M	Bank 2006 US$M
Asia Pacific	231	1,737	231	1,737
United Kingdom	197	484	197	484
Western Europe	55	439	55	439
Africa	42	-	42	-
Eastern Europe	38	1,280	38	1,280
America	9	78	9	78
Loans and receivables to banks, gross	**572**	**4,018**	**572**	**4,018**

The following table analyses loans and receivables to customers by industry segment:

	Group 2007 US$M	Group 2006 US$M	Bank 2007 US$M	Bank 2006 US$M
Agriculture and mining	3,569	2,517	3,569	2,521
Financial services	3,280	1,829	3,285	1,829
Other services	1,381	1,545	1,381	1,545
Manufacturing	992	1,419	992	1,419
Communication	830	754	830	754
Transportation	350	101	350	101
Public authorities	231	137	231	137
Real estate	198	64	198	64
Health and social services	47	14	47	14
Wholesale and retail	41	39	41	39
Construction	2	75	2	75
Hotels and restaurants	-	11	-	11
Loans and receivables to customers, gross	**10,921**	**8,505**	**10,926**	**8,509**

During 2007, a specific provision of US$16m was raised against an individual loan position held by CSi. The carrying value of the loan was US$87m at the end of the year. The loan exposure is fully mitigated through the use of purchased financial guarantees.

12. Repossessed Collateral

The Group holds property as a consequence of enforcement of security over loans and advances. The fair value of the property is US$55m. The rental income earned during the year was not significant.

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

13. Other Assets

	Group 2007 US$M	Group 2006 US$M	Bank 2007 US$M	Bank 2006 US$M
Positive replacement values of derivative instruments (held for hedging purposes) (refer to Note 28)	14	-	14	-
Brokerage receivables (refer to Note 14)	10,852	8,169	10,852	8,156
Interest and fees receivable	325	167	1,752	1,159
Cash collateral receivable				
- Banks	6,419	6,005	6,419	6,005
- Customers	8,350	2,816	8,350	2,816
Prepaid expenses	1	5	-	4
Other	223	128	218	116
Total other assets	**26,184**	**17,290**	**27,605**	**18,256**

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

14. Brokerage Receivables and Brokerage Payables

The Group recognises receivables and payables from transactions in financial instruments purchased from and sold to customers, banks, brokers and dealers. The Group is exposed to a risk of loss resulting from the inability of counterparties to pay for or deliver financial instruments sold or purchased, in which case the Group would have to sell or purchase, respectively, these financial instruments at prevailing market prices. To the extent that an exchange or clearing organisation acts as a counterparty to a transaction, credit risk is generally considered to be reduced. The Group requires customers to maintain margin collateral in compliance with applicable regulatory and internal guidelines.

	Group 2007 US$M	Group 2006 US$M	Bank 2007 US$M	Bank 2006 US$M
Due from customers	2,039	3,700	2,039	3,700
Due from banks, brokers and dealers	8,813	4,469	8,813	4,456
Total brokerage receivables	**10,852**	**8,169**	**10,852**	**8,156**

	Group 2007 US$M	Group 2006 US$M	Bank 2007 US$M	Bank 2006 US$M
Due to customers	707	1,236	707	1,236
Due to banks, brokers and dealers	12,494	3,627	12,494	3,626
Total brokerage payables	**13,201**	**4,863**	**13,201**	**4,862**

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

15. Investments in Subsidiary Undertakings

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

15. Investments in Subsidiary Undertakings (continued)

The subsidiary undertakings, direct and indirect, of the Bank at 31 December 2007, all of which are consolidated in these financial statements, are as follows:

Subsidiary	Country of Incorporation	% Equity Held
Direct holdings:		
Credit Suisse First Boston International Warrants Limited (in liquidation)	Guernsey	100%
Credit Suisse First Boston International (USA), Inc.	United States	100%
CSFB International Trading, L.L.C.	United States	100%
Credit Suisse First Boston International (Holding) B.V.	Netherlands	100%
Indirect holdings:		
Credit Suisse First Boston International (Australia) Limited	Australia	100%

Credit Suisse First Boston International Warrants Limited commenced members' voluntary liquidation on 2 November 2005 and remains in liquidation.

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

16. Intangible Assets

Group and Bank	Internally Developed Software 2007 US$M	Internally Developed Software 2006 US$M
Cost:		
Cost as at 1 January	279	213
Additions	61	67
Impairment	(4)	(1)
Cost as at 31 December	336	279
Accumulated amortisation:		
Accumulated amortisation as at 1 January	(141)	(83)
Charge for the period	(59)	(58)
Accumulated amortisation as at 31 December	(200)	(141)
Net book value as at 1 January	**138**	**130**
Net book value as at 31 December	**136**	**138**

17. Property, Plant and Equipment

Group and Bank
2007

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

Group and Bank
2006

	Leasehold Land and Buildings US$M	Leasehold Improvements US$M	Computer Equipment US$M	Office Equipment US$M	Total US$M
Cost:					
Cost as at 1 January 2006	78	392	415	78	963
Additions	-	101	52	-	153
Write down	-	-	-	(2)	(2)
Cost as at 31 December 2006	78	493	467	76	1,114
Accumulated depreciation:					
Accumulated depreciation as at 1 January 2006	(11)	(215)	(357)	(64)	(647)
Charge for the period	(1)	(36)	(33)	(3)	(73)
Accumulated depreciation as at 31 December 2006	(12)	(251)	(390)	(67)	(720)
Net book value as at 1 January 2006	**67**	**177**	**58**	**14**	**316**
Net book value as at 31 December 2006	**66**	**242**	**77**	**9**	**394**

Leasehold improvements relate to improvements to land and buildings occupied by the Bank and its related parties for their own activities.

Of the Group's and Bank's depreciation charge of US$78m (2006: US$73m), US$32m (2006: US$40m) was recharged to other CS group entities, leaving a net depreciation charge for the period of US$46m (2006: US$33m).

No interest has been capitalised within property, plant and equipment (2006: US$Nil).

18. Deposits

	Group 2007 US$M	Group 2006 US$M	Bank 2007 US$M	Bank 2006 US$M
Non-interest bearing demand deposits				
from banks	1,721	260	354	249
from customers	-	6	-	6
Interest-bearing demand deposits				
from banks	3,015	2,766	3,026	2,778
from customers	-	1	-	1
Demand deposits	**4,736**	**3,033**	**3,380**	**3,034**
Time deposits				
from banks	75	442	75	442
from customers	6	94	6	94
Total deposits	**4,817**	**3,569**	**3,461**	**3,570**

19. Short Term Borrowings

	Group 2007 US$M	Group 2006 US$M	Bank 2007 US$M	Bank 2006 US$M
Short term borrowings				
from banks	45,804	38,079	45,794	38,069
from customers	774	554	637	242
Total short term borrowings	**46,578**	**38,633**	**46,431**	**38,311**

20. Long Term Debt

Group and Bank	2007 US$M	2006 US$M
Senior debt	5,160	1,237
Subordinated debt	7,070	3,188
Total long term debt	**12,230**	**4,425**

During 2007, US$3.9bn subordinated debt was issued to Credit Suisse (International) Holding AG and Credit Suisse Finance BV and the increase of US$4bn in senior debt is mainly as a result of debt issued to Credit Suisse Singapore Branch.

21. Other Liabilities

	Group 2007 US$M	Group 2006 US$M	Bank 2007 US$M	Bank 2006 US$M
Negative replacement values of derivative instruments (held for hedging purposes) (refer to Note 28)	31	181	31	181
Brokerage payables (refer to Note 14)	13,201	4,863	13,201	4,862
Interest and fees payable	664	815	1,991	1,836
Cash collateral payable to				
- Banks	23,658	12,906	23,658	13,020
- Customers	15,241	4,133	15,241	4,133
Other	1,916	2,960	1,870	2,797
Total other liabilities	**54,711**	**25,858**	**55,992**	**26,829**

21. Other Liabilities (continued)

Included in Other above are amounts of US$1,130m (2006: US$2,089m) for Group and US$1,144m (2006: US$2,089m) for Bank which are also reflected in Note 10 which relates to amounts received for transferred assets which do not meet the de-recognition criteria.

22. Provisions

Group and Bank	Property US$M	Litigation US$M	Total 2007 US$M	Total 2006 US$M
Balance at 1 January	11	29	40	35
Charges during the year	-	13	13	36
Utilised during the year	(2)	(35)	(37)	(35)
Currency translation difference	-	-	-	2
Other movements	-	-	-	2
Balance at the end of the year	**9**	**7**	**16**	**40**

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

The litigation provision relates to legal fees for cases that the Bank is defending. The exact timing of outflow of economic benefits cannot be ascertained at 31 December 2007.

23. Called-up Share Capital and Share Premium

Authorised:	2007 US$	2006 US$
Ordinary voting shares of US$1 each	125	125
Participating non-voting shares of US$1 each	3,724,999,375	774,999,375
Class A Participating non-voting shares of US$1 each	500	500
Preference Shares of US$25,000,000 each	275,000,000	275,000,000
Class A Preference Shares of US$1 each	250,000,000	250,000,000
Class B Preference Shares of US$1 each	600,000,000	600,000,000
Class C Preference Shares of US$1 each	800,000,000	800,000,000
Class D Preference Shares of US$1 each	600,000,000	600,000,000
Class E Preference Shares of US$1 each	700,000,000	700,000,000
Class F Preference Shares of US$1 each	750,000,000	750,000,000
Class G Preference Shares of US$1 each	800,000,000	-
Class H Preference Shares of US$1 each	700,000,000	-
Class I Preference Shares of US$1 each	1,500,000,000	-
	10,700,000,000	**4,750,000,000**

Allotted, called up and fully paid:	2007 US$	2006 US$
Ordinary voting shares of US$1 each	125	125
Participating non-voting shares of US$1 each	1,611,158,997	682,324,900
Class A Participating non-voting shares of US$1 each	200	200
Preference Shares of US$25,000,000 each	-	-
Class A Preference Shares of US$1 each	250,000,000	250,000,000
Class B Preference Shares of US$1 each	375,000,000	375,000,000
Class C Preference Shares of US$1 each	350,000,000	350,000,000
Class D Preference Shares of US$1 each	300,000,000	300,000,000
Class E Preference Shares of US$1 each	535,000,000	535,000,000
Class F Preference Shares of US$1 each	-	750,000,000
Class G Preference Shares of US$1 each	-	-
Class H Preference Shares of US$1 each	700,000,000	-
Class I Preference Shares of US$1 each	1,500,000,000	-
	5,621,159,322	**3,242,325,225**

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

Share premium:	2007 US$	2006 US$
Participating non-voting shares	3,668,257,378	432,675,000
Redemption of Class F and G Preference Shares	(21,742,000)	-
	3,646,515,378	**432,675,000**

On 15 March 2007, the total authorised share capital of the Bank increased from US$4,750,000,000 to US$5,550,000,000 by the creation of a new class of shares being 800,000,000 Class G Preference Shares of US$1 each, all of which were issued in cash at par to Credit Suisse (International) Holding AG ('IHAG').

On 20 April 2007, 92,674,475 Participating Shares of US$1 each were allotted and issued in cash at par as follows

Credit Suisse Group	18,534,895
IHAG	37,069,790
Credit Suisse	37,069,790

On 9 May 2007, the total authorised share capital of the Bank increased from US$5,550,000,000 to US$6,000,000,000 by the creation of a further 450,000,000 Participating Shares of US$1 each, of which 436,595,000 were issued in cash at a share premium of US$1,135,147,000 to IHAG.

On 9 May 2007, all issued Class F and G Preference Shares were redeemed at US$1.029 and US$0.99999 respectively, resulting in a net reduction in share premium of US$21,742,000.

On 10 August 2007, the total authorised capital of the Bank increased from US$6,000,000,000 to US$6,700,000,000 by the creation of a new class of shares being 700,000,000 Class H Preference Shares of US$1 each, all of which were issued in cash at par to IHAG.

On 16 November 2007, the total authorised capital of the Bank increased from US$6,700,000,000 to US$8,200,000,000 by the creation of a new class of shares being 1,500,000,000 Class I Preference Shares of US$1 each, of which 700,000,000 were issued in cash at par to Credit Suisse Investments (UK) and 800,000,000 were issued in cash at par to IHAG.

On 5 December 2007, the total authorised share capital of the Bank increased from US$8,200,000,000 to US$10,700,000,000 by the creation of a further 2,500,000,000 Participating Shares of US$1 each, of which 399,564,622 were issued in cash at a share premium of US$2,100,435,378 to IHAG.

The Ordinary Shares carry voting rights but do not carry the right to receive dividends.

The Participating Shares do not carry voting rights but carry the right to receive dividends. In all other respects the Participating Shares and the Ordinary Shares rank pari passu. Dividend payments on Participating Shares are discretionary.

The Class A Participating Shares are cumulative shares. The holders of Class A Participating Shares have the right to receive notice of and to attend all general meetings of the company, but have voting rights only in respect of resolutions modifying, varying or abrogating the rights or privileges of the holders of the Class A Participating Shares. Holders of the shares are entitled to dividends as recommended by the directors, but are not entitled to any right of participation on a return of capital in excess of the par value of the issue price of the shares plus any unpaid dividends.

The Bank has the right to redeem the issued Class A Participating Shares in whole but not part, by giving the holders of the shares not less than 28 days' prior notice in writing of the redemption date. The amount payable on redemption shall be the nominal amount paid up on each Class A Participating Share together with all arrears of the Class A participating dividend, calculated down to and including the redemption date.

The Preference Shares are cumulative shares. The holders of Preference Shares have the right to receive notice of and to attend all general meetings of the company, but only have voting rights in respect of resolutions modifying, varying or abrogating the rights or privileges of the holders of the Preference Shares.

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

The Preference Shares are cumulative shares. The holders of Preference Shares have the right to receive notice of and to attend all general meetings of the company, but only have voting rights in respect of resolutions modifying, varying or abrogating the rights or privileges of the holders of the Preference Shares.

The Bank has the right to redeem the issued Preference Shares in whole but not part, by giving the holders of the shares not less than 28 days' prior notice in writing of the redemption date. The amount payable on redemption shall be the nominal amount paid up on each Preference Share, together with all arrears and accruals of the preferential dividend thereon, calculated down to and including the date of redemption, irrespective of whether such dividend has been declared or not.

The Class A Preference Shares are non-cumulative, non-redeemable shares. The holders of the shares have the right to receive notice of and to attend all general meetings of the company, but have voting rights only in respect of resolutions modifying, varying or abrogating the rights or privileges of the holders of the Class A Preference Shares. Holders of the shares are entitled only to dividends as recommended by the directors and are not entitled to any right of participation on a return of capital in excess of the issue price of the shares. The Class A Preference shares have priority over all other classes of share, other than the Preference Shares, which retain absolute priority as to the right of participation on a return of capital.

The Class B, C, D, E, H and I Preference Shares are non–cumulative shares. The holders of each of these classes of shares have the right to receive notice of and to attend all general meetings of the company, but have voting rights only in respect of resolutions modifying, varying or abrogating the rights or privileges of the holders of shares of that particular class. Holders of the shares receive a fixed preferential dividend, which may be nil at the directors' discretion, at the following annual rates:

Class B Preference shares	6.43%
Class C Preference shares	6.299%
Class D Preference shares	7%
Class E Preference shares	6.8195%
Class H Preference shares	7.625%
Class I Preference shares	7.85%

Dividends are paid annually on 30 April ('the fixed dividend date'). Holders of the shares are not entitled to any right of participation on a return of capital in excess of the issue price of the shares. These shares have priority over all other classes of shares (except for equal priority with each other, and other than the Preference Shares and Class A Preference Shares, which retain absolute priority), as to the right of participation on a return of capital.

The Bank has the right, subject to the Companies Act 1985, to redeem these issued shares in whole or any part, on any fixed dividend date as from the following dates:

Class B Preference shares	27 February 2009
Class C Preference shares	8 November 2009
Class D Preference shares	17 November 2010
Class E Preference shares	15 March 2011
Class H Preference shares	10 August 2012
Class I Preference shares	16 November 2012

The Bank has to give the holders of the shares not less than 28 days' prior notice in writing of the redemption date. The amount payable on redemption shall be the amount paid up thereon together with a sum equal to all arrears and accruals (if any) of the preferential dividends, to be calculated up to and including the redemption date.

24. Retirement Benefit Obligations

The following disclosures contain the balances for the entire defined benefit plan sponsored by CSS (Europe) Ltd, of which the Bank is one of many participants, who are all related parties under common control. The Bank accounts for its share of the plan using defined contribution accounting. During 2007 the Bank expensed US$39m (2006: US$1m) in respect of its contributions to the UK defined benefit scheme.

24. Retirement Benefit Obligations (continued)

The following table shows the changes in the defined benefit obligation and the fair value of plan assets during 2007 and 2006, and the amounts included in the consolidated balance sheet of CSS (Europe) Ltd for the Group's defined benefit pension and other post-retirement defined benefit plans as at 31 December 2007 and 2006 respectively:

	Defined benefit pension plans	
	2007	**2006**
	US$M	**US$M**
Defined benefit obligation – beginning of the measurement period	1,374	1,055
Service cost	4	3
Interest cost	75	53
Actuarial losses – assumptions	(68)	69
Actuarial losses – experience	(19)	48
Benefit payments	(9)	(7)
Exchange rate gains	24	153
Defined benefit obligation – end of the measurement period	**1,381**	**1,374**
Fair value of plan assets – beginning of the measurement period	999	801
Actual return on plan assets	79	83
Contributions	305	8
Benefit payments	(9)	(7)
Exchange rate (losses)/gains	(3)	114
Fair value of plan assets – end of the measurement period	**1,371**	**999**

CSS (Europe) Ltd has agreed the valuation and funding of the UK defined benefit pension plan with the Pension Fund Trustees as at 31 December 2005. Lump sum contributions were paid by CSS (Europe) Ltd of GBP 140m in March 2007 and GBP 70m in January 2008. Additional annual tail contributions of GBP 2m are expected in April of each year from 2009 until 2015, subject to the results of the next formal valuation, due as at 31 December 2008. CSS (Europe) Ltd may be required to contribute, before October 2009, up to GBP 48m depending on the result of the next valuation.

Assumptions

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

	2007	**2006**
31 December	**%**	**%**
Benefit obligations		
Discount rate	5.8	5.1
Inflation	3.2	2.85
Pension increases *	3.2	2.85
Salary increases	4.95	4.6
Net periodic pension cost		
Discount rate	5.1	4.7
Salary increases	4.6	4.25
Expected long term rate of return on plan assets	7.35	6.7

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

Mortality Assumptions

The assumptions for life expectancy in the 2007 benefit obligation calculations pursuant to IAS 19 are based on 00 series year of birth mortality tables with 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.

24. Retirement Benefit Obligations (continued)

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

	2007	2006
Life expectancy at age 60 for current pensioners aged 60 (years)		
Males	28	25
Females	30	28
Life expectancy at age 60 for future pensioners currently aged 40 (years)		
Males	30	27
Females	31	30

Sensitivity Analysis

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

	Increase		Decrease	
	US$M	%	US$M	%
Benefit obligation				
One-percentage point change				
- Discount rate	414	30	(306)	22)
- Inflation	293	21	(230)	(17)
- Salary increases	59	4	(50)	(4)
1 year to life expectancy at 60	30	2	(32)	(2)
Net periodic pension cost				
One-percentage point change				
- Expected return on assets	13	189	(13)	(187)

Plan assets and investment strategy

CSS (Europe) Ltd'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, CSS (Europe) Ltd'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.

CSS (Europe) Ltd employs a building block approach in determining the long term rate of return on pension plan assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the Fund at 31 December 2007.

24. Retirement Benefit Obligations (continued)

	2007		2006	
	Fair value	% of total fair value of scheme assets	Fair value	% of total fair value of scheme assets
	US$M	%	US$M	%
Equity securities	879	64.1	693	69.4
Debt securities	270	19.7	170	17
Alternative Investments (Hedge funds)	220	16	131	13.1
Cash	2	0.2	5	0.5
Fair value of plan assets	**1,371**	**100**	**999**	**100**

Defined Contribution Pension Plans

The Bank also contributes to various defined contribution pensions primarily in the United Kingdom. The contributions in these plans during 2007 and 2006 were US$13m and US$12m respectively.

25. Stock Awards

The Bank's share-based payments, which are an integral part of the Bank's annual remuneration process, are an important part of the overall compensation package for key employees and senior executives and are designed to promote employee retention and align employee and shareholder interests. The majority of share-based payments are granted as part of the annual performance incentive bonus granted to employees subsequent to the financial year to which the performance incentive bonus relates. Share-based payments are generally subject to restrictive features such as vesting, forfeiture and blocking rules.

Following the integration of Credit Suisse Group's banking business in 2005 and the launch of the integrated bank in 2006, Credit Suisse Group streamlined its share-based compensation plans and granted one common instrument in 2007, Incentive Share Unit (ISU). Previously granted awards will continue to settle under their original terms and are not affected by the ISU. The ISU award combines features of traditional share grants with a leverage component linked to the development of the Credit Suisse group share price. Each 'ISU' will vest at a rate of one third of a share per year over three years, with the potential additional shares vesting on the third anniversary of the grant date, depending on the development of the leverage component. The number of additional shares, if any, to be delivered to employees in settlement of the leverage component will be determined by reference to the monthly average Credit Suisse Group share price over the three year period following grant.

The Bank awarded Performance Incentive Plan units ('PIPs') as part of its long term incentive program in 2006 and 2005, based upon individuals' performance in 2005 and 2004, respectively. Each PIP unit provides the holder with the potential to receive Credit Suisse Group common shares at the end of the five-year vesting period following the grant date, based on the achievement of certain performance and market criteria, continued employment with the Bank and certain other conditions such as restrictive covenants and forfeiture provisions. Compensation expense for PIPs is adjusted periodically based on management's estimate of earnings performance over the five year vesting period.

Total compensation expense for stock awards payments recognised during 2007 and 2006 was US$140m and US$234m respectively.

The total stock award liability recorded as at 31 December 2007 was US$462m (2006: US$429m). The fair value used to calculate the stock award liability was the closing Credit Suisse Group share price as at 31 December 2007 CHF 68.10 (2006: CHF 85.45). The average weighted fair value of awards granted in 2007 was CHF102.39 (2006: CHF73.55). The intrinsic value of vested share based awards outstanding as at the year end was US$4m (2006: US$28m).

25. Stock Awards (continued)

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

	2007 Million	2006 Million
Stock excluding PIP units and ISU awards		
As at 1 January	2.98	2.43
Granted	0.43	1.55
Delivered	(1.11)	(0.72)
Forfeited	(0.23)	(0.28)
As at 31 December	**2.07**	**2.98**
PIP Units		
As at 1 January	0.82	0.59
Granted	-	0.25
Forfeited	(0.02)	(0.02)
As at 31 December	**0.80**	**0.82**

	2007		2006	
ISU Awards	**Base Million**	**Leverage Million**	**Base Million**	**Leverage Million**
As at 1 January	-	-	-	-
Granted	1.64	1.64	-	-
Delivered	(0.01)	-	-	-
Forfeited	(0.14)	(0.15)	-	-
As at 31 December	**1.49**	**1.49**	**-**	**-**

Share options

No stock options were outstanding during the year (2006: Nil).

26. Related Party Transactions

The Group is controlled by Credit Suisse Group, its ultimate parent, which is incorporated in Switzerland. The Group's parent company, who holds a majority of the voting rights in the undertaking, is Credit Suisse, which is incorporated in Switzerland.

The Group has significant related party balances with subsidiaries and affiliates of CSG. These transactions largely comprise derivative trades, as the Bank is the principal risk taker for derivatives within the CS group, as well as funding trades via the use of loans or deposits, repurchase or resale agreements. In addition, the ordinary, preference and participating shares are issued to CSG and subsidiaries of CSG, as outlined in Note 23. The Bank is also charged for operating costs that mainly relate to employee-related services and other business expenses. Further, these transactions also include transfer pricing income/charges with CS group entities that provide services in respect of the global derivatives business which is centrally booked in the Bank.

The Bank generally enters into the above transactions in the ordinary course of business on market terms that could be obtained from unrelated parties.

26. Related Party Transactions (continued)

a) Related party assets and liabilities

Group	31 December 2007			31 December 2006		
Assets	**Parent**	**Other CS group companies**	**Total**	**Parent**	**Other CS group companies**	**Total**
	US$M	**US$M**	**US$M**	**US$M**	**US$M**	**US$M**
Cash and due from banks	67	18,691	18,758	-	5,167	5,167
Interest-bearing deposits with banks	-	-	-	-	399	399
Securities purchased under resale agreements and securities borrowing transactions	-	17,868	17,868	-	16,684	16,684
Trading assets	2,020	24,558	26,578	-	10,546	10,546
Other financial assets designated at fair value through profit and loss	-	3,079	3,079	-	438	438
Loans and receivables	-	380	380	-	2,739	2,739
Other assets	167	5,047	5,214	-	3,075	3,075
Total assets	**2,254**	**69,623**	**71,877**	**-**	**39,048**	**39,048**
Liabilities						
Deposits	289	186	475	-	841	841
Securities sold under repurchase agreements and securities lending transactions	-	20,082	20,082	-	15,185	15,185
Trading liabilities	2,107	30,532	32,639	3	9,495	9,498
Other financial liabilities designated at fair value through profit and loss	-	9,384	9,384	-	3,884	3,884
Short term borrowings	-	45,865	45,865	-	37,089	37,089
Long term debt	-	11,602	11,602	-	3,858	3,858
Other liabilities	65	13,320	13,385	2	9,132	9,134
Total liabilities	**2,461**	**130,971**	**133,432**	**5**	**79,484**	**79,489**

26. Related Party Transactions (continued)

Bank	31 December 2007				31 December 2006			
Assets	**Parent**	**Other CS group companies**	**Subsidiaries and SPEs**	**Total**	**Parent**	**Other CS group companies**	**Subsidiaries and SPEs**	**Total**
	US$M	**US$M**	**US$M**	**US$M**	**US$M**	**US$M**	**US$M**	**US$M**
Cash and due from banks	66	18,665	-	18,731	-	5,146	-	5,146
Interest-bearing deposits with banks	-	-	-	-	-	399	-	399
Securities purchased under resale agreements and securities borrowing transactions	-	17,397	-	17,397	-	16,684	-	16,684
Trading assets	2,020	24,559	6,347	32,926	-	10,546	5,863	16,409
Other financial assets designated at fair value through profit and loss	-	3,079	-	3,079	-	438	-	438
Loans and receivables	-	380	5	385	-	2,739	5	2,744
Other assets	167	5,044	1,436	6,647	-	3,067	1,109	4,176
Investments in subsidiary undertakings	-	-	27	27	-	-	29	29
Total assets	**2,253**	**69,124**	**7,815**	**79,192**	**-**	**39,019**	**7,006**	**46,025**
Liabilities								
Deposits	289	186	-	475	-	841	-	841
Securities sold under repurchase agreements and securities lending transactions	-	20,082	-	20,082	-	15,185	-	15,185
Trading liabilities	2,107	30,536	75	32,718	3	9,495	146	9,644
Other financial liabilities designated at fair value through profit and loss	-	9,384	230	9,614	-	3,874	687	4,561
Short term borrowings	-	45,855	245	46,100	-	37,079	38	37,117
Long term debt	-	11,602	-	11,602	-	3,858	-	3,858
Other liabilities	65	13,314	1,346	14,725	2	9,120	1,219	10,341
Total liabilities	**2,461**	**130,959**	**1,896**	**135,316**	**5**	**79,452**	**2,090**	**81,547**

26. Related Party Transactions (continued)

b) Related party off balance sheet transactions

Group	**31 December 2007**				**31 December 2006**			
	Parent	**Other CS group companies**	**Subsidiaries and SPEs**	**Total**	**Parent**	**Other CS group companies**	**Subsidiaries and SPEs**	**Total**
	US$M	**US$M**	**US$M**	**US$M**	**US$M**	**US$M**	**US$M**	**US$M**
Guarantees	1,561	172,279	-	173,840	1,972	88,596	-	90,568
Derivatives notional amounts	81,358	1,544,660	-	1,626,018	42,996	900,056	-	943,052
Total	**82,919**	**1,716,939**	**-**	**1,799,858**	**44,968**	**988,652**	**-**	**1,033,620**

Bank	**31 December 2007**				**31 December 2006**			
	Parent	**Other CS group companies**	**Subsidiaries and SPEs**	**Total**	**Parent**	**Other CS group companies**	**Subsidiaries and SPEs**	**Total**
	US$M	**US$M**	**US$M**	**US$M**	**US$M**	**US$M**	**US$M**	**US$M**
Guarantees	1,561	172,279	783	174,623	1,972	88,596	625	91,193
Derivatives notional amounts	81,674	1,544,344	4,243	1,630,261	42,996	900,056	3,947	946,999
Total	**83,235**	**1,716,623**	**5,026**	**1,804,884**	**44,968**	**988,652**	**4,572**	**1,038,192**

26. Related Party Transactions (continued)

c) Related party revenues and expenses

Group	2007			2006		
	Parent	Other CS group companies	Total	Parent	Other CS group companies	Total
	US$M	US$M	US$M	US$M	US$M	US$M
Interest income	-	1,546	1,546	-	894	894
Interest expense	-	(3,964)	(3,964)	-	(2,309)	(2,309)
Net interest expense	**-**	**(2,418)**	**(2,418)**	**-**	**(1,415)**	**(1,415)**
Commissions and fees	(-)	(130)	(130)	(1)	(137)	(138)
Other charges	(17)	(546)	(563)	-	(611)	(611)
Total non interest revenues	**(17)**	**(676)**	**(693)**	**(1)**	**(748)**	**(749)**
Net operating income	**(17)**	**(3,094)**	**(3,111)**	**(1)**	**(2,163)**	**(2,164)**
Total operating expenses	**-**	**(592)**	**(592)**	**-**	**(360)**	**(360)**

26. Related Party Transactions (continued)

d) Related Party Averages

The table below provides the average balances during the year which are indicative of the volume of transactions that the Group has with related parties during the year.

	2007 Average US$M	2006 Average US$M
Assets		
Securities purchased under resale agreements and securities borrowing transactions	21,775	12,974
Trading assets	16,280	10,015
Other assets	5,046	3,814
Liabilities		
Securities sold under repurchase agreements and securities lending transactions	16,344	15,503
Trading liabilities	21,022	9,501
Short term borrowing	48,135	27,389
Other liabilities	10,055	6,318
Off balance sheet		
Derivative Notional	1,397,494	939,260
Guarantees	140,311	71,161

The averages above have been calculated using month end balances.

e) Remuneration

Remuneration of Directors

	2007 US$M	2006 US$M
Emoluments	9	7
Share-based payment compensation	26	8
Compensation for loss of office	-	-
	35	**15**
Company contributions to defined contribution plan	1	1
	36	**16**

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.

The aggregate value of compensation provided in the accounts for 2007 for directors was US$22,127,073 (2006: US$13,473,458).

Included in the amounts receivable under share based payment schemes is US$939,366 (2006: US$351,072) relating to cash schemes.

The aggregate of emoluments and amounts receivable under long term incentive schemes provided in the accounts for the highest paid director was US$6,273,357 (2006: US$3,423,400). He was a member of a money purchase pension scheme and the contribution paid during the year into the money purchase pension scheme was US$17,862 (2006: US$31,309). During the year the highest paid director received an entitlement to shares under a long term incentive scheme.

26. Related Party Transactions (continued)

	Number of Directors 2007	Number of Directors 2006
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	7	4
Defined benefit schemes	-	3
Both money purchase and defined benefit	3	1
The number of directors who exercised share options	1	1
Directors in respect of whom services were received or receivable under long term incentive schemes	10	9

Remuneration of Key Management Personnel

	2007 US$M	2006 US$M
Emoluments	18	20
Amounts receivable under long term incentive schemes	22	59
	40	**79**
Company contributions to money purchase pension schemes	1	1
	41	**80**

Key management personnel include Directors, the EMEA (Europe, Middle East and Africa) Investment Banking Committee of CSG and Business Significant Influence Approved Persons for Regulatory purposes.

f) Loans and Advances to Directors and Key Management Personnel

There were no loans outstanding to or due from directors or key management personnel of the Group at 31 December 2007 (2006: US$Nil).

27. Employees

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

Group	2007 Number	2006 Number
Front office	452	390
Back office	650	717
	1,102	1,107

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.

28. Derivatives and Hedging Activities

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

Furthermore, the Bank enters into contracts that are not considered derivatives in their entirety but include embedded derivatives features. Such transactions primarily include issued and purchased structured debt instruments where the return may be calculated by reference to an equity security, index, or third-party credit risk or that have non-standard or foreign currency terms.

On the date the derivative contact is entered into, the Bank designates the derivative as belonging to one of the following categories:

- trading activities;
- a risk management transaction that does not qualify as a hedge under accounting standards (referred to as an economic hedge); or
- a hedge of the fair value of a recognised asset or liability.

Trading Activities

The Bank is active in most of the principal trading markets and transacts in many popular trading and hedging products. As noted above, this includes the use of swaps, futures, options and structured products (custom transactions using combinations of derivatives) in connection with its sales and trading activities. Trading activities include market-making, positioning and arbitrage activities. The majority of the Bank's derivatives held as at 31 December 2007 were used for trading activities.

Economic Hedges

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

Fair Value Hedges

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

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

The following table sets forth details of fair value hedges:

Group and Bank	**2007 US$M**	**2006 US$M**
Gains on the hedging instruments	30	4
Losses on the hedge item attributable to the hedged risk	(31)	(5)
Fair value of derivative transactions used as fair value hedges	(17)	(181)

28. Derivatives and Hedging Activities (continued)

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

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

28. Derivatives and Hedging Activities (continued)

31 December 2006	**Trading**			**Hedging**		
Group	Notional amount	Positive replacement value	Negative replacement value	Notional amount	Positive replacement value	Negative replacement value
	US$M	**US$M**	**US$M**	**US$M**	**US$M**	**US$M**
Forward rate agreements	1,791,147	445	479	-	-	-
Swaps	11,664,039	111,565	108,858	1,006	-	40
Options bought and sold (OTC)	2,168,857	16,396	18,934	-	-	-
Futures	747,672	-	-	-	-	-
Interest rate products	**16,371,715**	**128,406**	**128,271**	**1,006**	**-**	**40**
Forward rate agreements	52,754	649	1,108	-	-	-
Swaps	561,716	17,154	14,514	-	-	-
Options bought and sold (OTC)	111,242	2,048	2,152	-	-	-
Foreign exchange products	**725,712**	**19,851**	**17,774**	**-**	**-**	**-**
Forward rate agreements	4,631	873	2,530	-	-	-
Swaps	1,385	74	20	-	-	-
Options bought and sold (OTC)	8,155	689	588	-	-	-
Precious metals products	**14,171**	**1,636**	**3,138**	**-**	**-**	**-**
Swaps	143,232	1,796	3,949	-	-	-
Options bought and sold (OTC)	634,393	21,174	22,116	-	-	-
Futures	16,499	-	-	-	-	-
Equity/indexed-related products	**794,124**	**22,970**	**26,065**	**-**	**-**	**-**
Swaps	1,521,936	13,515	14,481	1,215	-	141
Credit products	**1,521,936**	**13,515**	**14,481**	**1,215**	**-**	**141**
Forward rate agreements	3,621	162	151	-	-	-
Swaps	727	33	24	-	-	-
Options bought and sold (OTC)	761	103	85	-	-	-
Other products	**5,109**	**298**	**260**	**-**	**-**	**-**
Total derivative instruments	**19,432,767**	**186,676**	**189,989**	**2,221**	**-**	**181**

	2007		**2006**	
	Positive replacement value	Negative replacement value	Positive replacement value	Negative replacement value
	US$M	**US$M**	**US$M**	**US$M**
Replacement values (trading and hedging) before netting	346,563	343,600	186,676	190,170
Replacement values (trading and hedging) after netting	279,401	276,438	141,072	144,566

28. Derivatives and Hedging Activities (continued)

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

28. Derivatives and Hedging Activities (continued)

31 December 2006	**Trading**			**Hedging**		
Bank	Notional amount **US$M**	Positive replacement value **US$M**	Negative replacement value **US$M**	Notional amount **US$M**	Positive replacement value **US$M**	Negative replacement value **US$M**
Forward rate agreements	1,791,147	448	632	-	-	-
Swaps	11,664,141	111,724	108,859	1,006	-	40
Options bought and sold (OTC)	2,168,865	16,399	18,934	-	-	-
Futures	747,672	-	-	-	-	-
Interest rate products	**16,371,825**	**128,571**	**128,425**	**1,006**	**-**	**40**
Forward rate agreements	52,754	649	1,108	-	-	-
Swaps	561,716	17,154	14,514	-	-	-
Options bought and sold (OTC)	111,242	2,048	2,152	-	-	-
Foreign exchange products	**725,712**	**19,851**	**17,774**	**-**	**-**	**-**
Forward rate agreements	4,631	873	2,531	-	-	-
Swaps	1,385	74	20	-	-	-
Options bought and sold (OTC)	8,155	689	588			
Precious metals products	**14,171**	**1,636**	**3,139**	**-**	**-**	**-**
Swaps	143,232	1,796	3,949	-	-	-
Options bought and sold (OTC)	634,394	21,174	22,116	-	-	-
Futures	16,499	-	-	-	-	-
Equity/indexed-related products	**794,125**	**22,970**	**26,065**	**-**	**-**	**-**
Swaps	1,522,088	13,526	14,520	1,215	-	141
Credit products	**1,522,088**	**13,526**	**14,520**	**1,215**	**-**	**141**
Forward rate agreements	3,621	162	151	-	-	-
Swaps	572	12	24	-	-	-
Options bought and sold (OTC)	761	103	85	-	-	-
Other products	**4,954**	**277**	**260**	**-**	**-**	**-**
Total derivative instruments	**19,432,875**	**186,831**	**190,183**	**2,221**	**-**	**181**

	2007		**2006**	
	Positive replacement value **US$M**	Negative replacement value **US$M**	Positive replacement value **US$M**	Negative replacement value **US$M**
Replacement values (trading and hedging) before netting	347,033	343,644	186,831	190,364
Replacement values (trading and hedging) after netting	279,871	276,483	141,227	144,760

29. Guarantees and Commitments

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

Group and Bank

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

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

Group and Bank

31 December 2006	Maturity <1 year US$M	Maturity 1-3 years US$M	Maturity 3-5 years US$M	Maturity >5 years US$M	Total gross amount US$M	Collateral received US$M	Net of collateral US$M
Credit guarantees and similar instruments	3	21	9	7	40	25	15
Performance guarantees and similar instruments	132	17	-	-	149	17	132
Derivatives	7,321	59,760	401,760	116,360	585,201	-	585,201
Total guarantees	**7,456**	**59,798**	**401,769**	**116,367**	**585,390**	**42**	**585,348**

31 December 2006	Maturity <1 year US$M	Maturity 1-3 years US$M	Maturity 3-5 years US$M	Maturity >5 years US$M	Total gross amount US$M	Collateral received US$M	Net of collateral US$M
Irrevocable commitments under documentary credit	-	3	50	35	88	3	85
Loan commitments	2,801	3,303	2,814	1,627	10,545	6,077	4,468
Total other commitments	**2,801**	**3,306**	**2,864**	**1,662**	**10,633**	**6,080**	**4,553**

Credit guarantees are contracts that require the Group to make payments, should a third party fail to do so under a specified existing credit obligation. For example, in connection with its corporate lending business and other corporate activities, the Group provides guarantees to counterparties in the form of standby letters of credit, which represent obligations to make payments to third parties if the counterparty fails to fulfil its obligation under a borrowing arrangement or other contractual obligation.

29. Guarantees and Commitments (continued)

The Group also provides guarantees to special purpose entities and other counterparties under which it may be required to buy assets from such entities upon the occurrence of certain triggering events.

Performance guarantees and similar instruments are arrangements that require contingent payments to be made when certain performance-related targets or covenants are not met. Such covenants may include a customer's obligation to deliver certain products and services or to perform under a construction contract. Performance-related guarantees are frequently executed as part of project finance transactions.

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

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

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

Lease Commitments

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

Group and Bank

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

	2006
Year ended 31 December	**US$M**
2007	93
2008	93
2009	92
2010	92
2011	91
Thereafter	1,053
Future operating lease commitments	**1,514**
Less minimum non-cancellable sublease rentals	(281)
Total net future minimum lease commitments	**1,233**

The future operating lease commitments include service charges of US$8.0m (2006: US$7.2m).

29. Guarantees and Commitments (continued)

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

	2007 US$M	2006 US$M
Minimum rentals	97	94
Sublease rental income	(91)	(88)
Total net rental expenses	6	6

Contingent Liabilities and Other Commitments

The Group and Bank have contingent liabilities and other commitments, entered into in the ordinary course of business, in respect of forward rate agreements, OTC futures, interest rate and currency swaps, options, spot and forward foreign exchange contracts and other OTC off-balance sheet instruments.

The Bank registered a charge to Credit Suisse Fund Management S.A. for obligations under the Credit Support Deed and the 2002 ISDA Master Agreement for a EUR400m funded swap due in 2022 that is linked to the performance of the MACS Total Return Portfolio.

The Bank registered a charge to Credit Suisse Fund Management S.A. under a Euroclear Pledge Agreement entered into between Credit Suisse Fund Management S.A. and CSS (Europe) Ltd, acting as the Pledgee's representative for all present and future debts, obligations, moneys and liabilities under transaction documents and under the Pledge Agreement.

The Bank registered a charge to Panama Street Finance over collateral, as continuing security for payment of secured obligations.

The Bank has granted a first priority pledge to Intesa Sanpaolo S.p A over the Sale Back price and any other payment in accordance with the terms of the Buy and Sell Back Agreement.

The Bank registered a charge to the Bank of New York over all principal, interest and other amounts that may be payable under the obligations of the trust deed associated with US$400m loan participation notes.

The Bank registered a further charge to BNY Corporate Trustee Services Limited over all principal, interest and other amounts payable by the Bank under the obligations of the supplemental trust deed between the Bank and BNY Corporate Trustee Services Limited associated with US$30m loan participation notes.

The Bank registered a charge to Deutsche Trustee Company Limited over all principal, interest and other amounts that may be payable under the obligations of the trust deed associated with the US$125m loan participation notes.

The Bank registered a charge to Caledonian Trust (Cayman) Limited for principal, interest and other amounts associated with its purchase of the Magnitude Master Fund linked Investments Notes of Sterling £20m.

The Bank has granted to Morgan Guaranty Trust Company of New York, as operator of the Euroclear System, charges over cash and securities held in the account of the Bank at Euroclear.

The Bank has granted to the Bank of New York a charge over certain cash and securities against a failure of the Bank to meet certain obligations.

The Bank has granted a further charge to the Bank of New York over all principal, interest and other amounts payable by the Bank under the obligations of the trust deed between the Bank and the Bank of New York. The charge is secured to a limit of US$250m (2006: US$250m).

The Bank has granted a charge to HSBC Bank Plc as settlement bank over certain receivables in respect of the Bank's membership of CREST. This is a first floating charge over all eligible stock and other sums due to the Bank against the failure of the Bank to meet its obligations under the Settlement Bank Facility agreement.

29. Guarantees and Commitments (continued)

The Bank has granted a charge to HSBC Bank Plc over certain receivables in respect of the Bank's membership of CREST. This is a first charge over all eligible stock and other sums due to the Bank against the failure of the Bank to meet its obligations under the Settlement Bank Facility agreement with HSBC Bank Plc.

The Bank has granted to the International Bank for Reconstruction and Development, International Finance Corporation and Ace Capital Re Overseas Limited charges over certain cash and securities due as collateral to the charges under the terms of the credit support annexes to their respective ISDA Master Agreements.

The Bank has granted to Credit Suisse a charge over certain shares, dividends, interest and related share rights against a failure of the Bank to meet certain intra-group obligations.

The Bank has granted various fixed charges to J.P. Morgan Corporate Trustee Services Limited over all principal, interest and other amounts payable by the Bank to J.P. Morgan Corporate Trustee Services Limited under the obligations of the trust deed between the Bank and J.P. Morgan Corporate Trustee Services Limited. The charge is secured to a limit of US$1,115m (2006: US$1,020m).

The Bank has granted charges over a revolving credit facility to Credit Suisse, London Branch, against a failure of the Bank to meet certain intra-group obligations.

The Bank has granted a charge to Deutsche Trustee Company Limited over certain interests and benefits on notes. This is a first fixed charge on interest and any other amounts payable by the Bank under the loan agreement. The charge is limited to US$500m (2006: US$250m).

The Bank has granted charges to the Apothekerversorgung Niedersachsen Einrichtung der Apothekerkammer Niedersachsen Korperschaft des Offentlichen Rechts over certain property. This is a first fixed charge over the property and a floating charge over derivatives of the asset. The charges are secured to a limit of EUR35m (2006: EUR35m).

The Bank has granted charges to the Arzteversorgung Niedersachsen Einrichtung der Arztekammer Niedersachsen Korperschaft des Offentlichen Rechts over certain property. This is a first fixed charge over the property and a floating charge over derivatives of the asset. The charges are secured to a limit of EUR65m (2006: EUR65m).

The Bank has granted a fixed charge to Hill Samuel Investments Limited over the Account and the Settled Debt Securities held in Euroclear or an agreed alternative.

The Bank has granted a fixed charge to Credito Emiliano S.p.A. over a charge account with Clearstream Banking S.A. for the purpose of maintaining collateral in favour of Credito Emiliano S.p.A.

The Bank has granted a charge and assignment of shares to OM-IP Eclipse Trading Limited over a charge account with RMF Investment Strategies SPC.

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

30. Securitisations and Special Purpose Entities and other structured transactions

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

30. Securitisations and Special Purpose Entities and other structured transactions (continued)

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

Group	2007 US$M	2006 US$M
Assets		
Cash and due from banks	861	187
Repossessed Collateral	55	-
Securities purchased under resale agreements and securities borrowing transactions	555	-
Other financial assets designated at fair value through profit and loss	1,924	1,062
Trading assets	5,381	3,907
Other assets	31	134
Total assets	**8,807**	**5,290**
Liabilities		
Deposits	2,756	1,386
Trading liabilities	894	965
Short term borrowings	382	349
Other financial liabilities designated at fair value through profit and loss	4,698	2,327
Other liabilities	77	263
Total liabilities	**8,807**	**5,290**

31. Fair Value of Financial Instruments

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

For cash and other liquid assets and money market instruments maturing within three months, the fair value is generally based on observable inputs. For those items with a stated maturity exceeding three months, fair value is calculated using a discounted cash flow analysis.

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

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

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

31. Fair Value of Financial Instruments (continued)

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

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

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

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

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

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

31 December 2007

Group	**Fair value**	**Book value**			
		Held for trading	Designated at fair value	Loans and receivables	Total
	US$M	**US$M**	**US$M**	**US$M**	**US$M**
Financial Assets					
Cash and cash equivalents	26,713	-	-	26,713	26,713
Interest-bearing deposits with banks	148	-	-	148	148
Securities purchased under resale agreements and securities borrowing transactions	22,240	-	-	22,240	22,240
Trading assets	381,152	381,152	-	-	381,152
Other financial assets designated at fair value through profit and loss	22,628	-	22,628	-	22,628
Loans and receivables	11,426	-	-	11,377	11,377
Other assets	25,946	-	-	25,946	25,946

31. Fair Value of Financial Instruments (continued)

	Fair value	Book value			
		Held for trading	Designated at fair value	Other amortised cost	Total
	US$M	US$M	US$M	US$M	US$M
Financial Liabilities					
Deposits	4,817	-	-	4,817	4,817
Securities sold under repurchase agreements and securities lending transactions	24,856	-	-	25,397	25,397
Trading liabilities	291,119	291,119	-	-	291,119
Other financial liabilities designated at fair value through profit and loss	45,885	-	45,885	-	45,885
Short term borrowings	46,578	-	-	46,578	46,578
Long term debt	12,258	-	-	12,230	12,230
Other liabilities	52,764	-	-	52,764	52,764

31 December 2006

Group	Fair value	Book value			
		Held for trading	Designated at fair value	Loans and receivables	Total
	US$M	US$M	US$M	US$M	US$M
Financial Assets					
Cash and cash equivalents	8,296	-	-	8,296	8,296
Interest-bearing deposits with banks	530	-	-	530	530
Securities purchased under resale agreements and securities borrowing transactions	17,338	-	-	17,338	17,338
Trading assets	218,076	218,076	-	-	218,076
Other financial assets designated at fair value through profit and loss	6,959	-	6,959	-	6,959
Loans and receivables	12,791	-	-	12,443	12,443
Other assets	17,157	-	-	17,157	17,157

31. Fair Value of Financial Instruments (continued)

	Fair value	Book value			
		Held for trading	Designated at fair value	Other amortised cost	Total
	US$M	US$M	US$M	US$M	US$M
Financial Liabilities					
Deposits	3,569	-	-	3,569	3,569
Securities sold under repurchase agreements and securities lending transactions	19,704	-	-	20,358	20,358
Trading liabilities	155,733	155,733	-	-	155,733
Other financial liabilities designated at fair value through profit and loss	28,600	-	28,600	-	28,600
Short term borrowings	38,633	-	-	38,633	38,633
Long term debt	4,386	-	-	4,425	4,425
Other liabilities	22,717	-	-	22,717	22,717

31 December 2007

Bank	Fair value	Book value			
		Held for trading	Designated at fair value	Loans and receivables	Total
	US$M	US$M	US$M	US$M	US$M
Financial Assets					
Cash and cash equivalents	25,830	-	-	25,830	25,830
Interest-bearing deposits with banks	148	-	-	148	148
Securities purchased under resale agreements and securities borrowing transactions	21,686	-	-	21,686	21,686
Trading assets	378,381	378,381	-	-	378,381
Other financial assets designated at fair value through profit and loss	21,326	-	21,326	-	21,326
Loans and receivables	11,431	-	-	11,382	11,382
Other assets	27,373	-	-	27,373	27,373

31. Fair Value of Financial Instruments (continued)

	Fair value	Book value			
		Held for trading	Designated at fair value	Other amortised cost	Total
	US$M	US$M	US$M	US$M	US$M
Financial Liabilities					
Deposits	3,461	-	-	3,461	3,461
Securities sold under repurchase agreements and securities lending transactions	24,856	-	-	25,397	25,397
Trading liabilities	291,130	291,130	-	-	291,130
Other financial liabilities designated at fair value through profit and loss	42,074	-	42,074	-	42,074
Short term borrowings	46,431	-	-	46,431	46,431
Long term debt	12,258	-	-	12,230	12,230
Other liabilities	54,091	-	-	54,091	54,091

31 December 2006

Bank	Fair value	Book Value			
		Held for trading	Designated at fair value	Loans and receivables	Total
	US$M	US$M	US$M	US$M	US$M
Financial Assets					
Cash and cash equivalents	8,099	-	-	8,099	8,099
Interest-bearing deposits with banks	530	-	-	530	530
Securities purchased under resale agreements and securities borrowing transactions	17,338	-	-	17,338	17,338
Trading assets	216,691	216,691	-	-	216,691
Other financial assets designated at fair value through profit and loss	6,464	-	6,464	-	6,464
Loans and receivables	12,795	-	-	12,447	12,447
Other assets	18,136			18,136	18,136

31. Fair Value of Financial Instruments (continued)

	Fair value	Book Value			
		Held for trading	Designated at fair value	Other amortised cost	Total
	US$M	US$M	US$M	US$M	US$M
Financial Liabilities					
Deposits	3,570	-	-	3,570	3,570
Securities sold under repurchase agreements and securities lending transactions	19,704	-	-	20,358	20,358
Trading liabilities	155,722	155,722	-	-	155,722
Other financial liabilities designated at fair value through profit and loss	26,960	-	26,960	-	26,960
Short term borrowings	38,311	-	-	38,311	38,311
Long term debt	4,386	-	-	4,425	4,425
Other liabilities	23,851	-	-	23,851	23,851

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

For the year ended 31 December 2007, the amount recognised in profit or loss during the period for financial instruments estimated using a valuation technique and entity specific inputs was a profit of US$3,150m (2006: loss US$1,396m).

As the valuation models are based on 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$1,299m) and US$1,299m.

32. Assets Pledged or Assigned

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

Group and Bank

	Group 2007 US$M	Group 2006 US$M	Bank 2007 US$M	Bank 2006 US$M
Fair value of collateral received where there exists a right to resell or repledge	32,060	24,210	33,560	24,210
Fair value of collateral received which has been resold or repledged where the right to resell or repledge existed	28,253	20,739	28,253	20,739

As at 31 December 2007 and 2006, collateral was received in connection with resale agreements, securities borrowings and loans, derivative transactions and margined broker loans. As at these dates, a substantial portion of the collateral received by the Group had been sold or repledged in connection with repurchase agreements, securities sold not yet purchased, securities borrowed and lent, pledges to clearing organisations, segregation requirements under securities laws and regulations, derivative transactions and bank loans.

CSi is obliged to return the securities under conditions that are customary in the market place for such transactions.

32. Assets Pledged or Assigned (continued)

The following table shows other information:

Group and Bank

	2007 US$M	2006 US$M
Cash restricted under UK and foreign banking regulations	15	7

33. Financial Instruments Risk Position

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

Risk management oversight

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 optimal 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 aspects play an important role in CS group's business planning process and are strongly supported by senior management. The primary objectives of risk management are to protect CS group's financial strength and reputation, while looking to ensure that capital is effectively deployed to support business activities and grow shareholder value. Although CS group has implemented comprehensive risk management processes and has sophisticated control systems, from time to time losses will be incurred. Therefore CS group limits the impact of negative developments by carefully managing concentrations of risks. The business mix of Investment Banking, Private Banking and Asset Management furthermore gives CS group a natural diversification. CS group's Investment Banking business has chosen a buy and sell business model to mitigate risks and limit its exposure. When deemed necessary the risk mitigation is supported by hedging activities. CS group believes that this comprehensive approach to risk management has proven to be effective in the difficult market environment of 2007.

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

- CSG Board of Directors: Responsible to shareholders for the strategic direction, supervision and control of CS group and for defining its overall tolerance for risk.
- Boards of Directors of other CS group legal entities: Responsible for the strategic direction, supervision and control of the respective legal entity and for defining the legal entity's tolerance for risk.
- Risk Committees: Responsible for assisting the Boards of Directors of CSG and other CS group legal entities in fulfilling their oversight responsibilities by providing guidance regarding risk governance and the development of the risk profile and capital structure, including the regular review of major risk exposures and the approval of risk limits.
- Audit Committees: Responsible for assisting the Boards of Directors of the CSG and other CS group legal entities in fulfilling their oversight responsibilities by monitoring management's approach with respect to financial reporting, internal controls, accounting, and legal and regulatory compliance. Additionally, the Audit Committees are responsible for monitoring the independence and the performance of the internal and external auditors.

33. Financial Instruments Risk Position (continued)

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 all risk exposures, concentration risks and risk related activities. CARMC is responsible for supervising and directing CS group's risk profile on a consolidated basis, recommending risk limits to the Board of Directors and its Risk Committee and for establishing and allocating risk limits within the various businesses. CARMC meetings focus on the following three areas on a rotating basis: Asset and Liability Management/Liquidity; Market and Credit Risk; and Operational Risk/Legal and Compliance.

Three main committees are implemented on 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 regarding reputational risks. The Divisional Risk Management Committees ('RMC') are closest to the daily business activities and established to manage risk on a divisional basis.

The Group Chief Risk Officer ('CRO') supervises the risk organisation as a whole and reports directly to the CS group CEO. The risk committees are further supported by the Global Treasury, which is responsible for the management of CS group's balance sheet, capital management, funding, liquidity and hedging policies. Risk management responsibility lies primarily with the independent risk division:

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

The CRO is responsible for providing risk management oversight and for establishing an organisational basis to manage risk management matters through the four primary risk functions independently of the front office, as described below. SRM is charged with assessing the overall risk profile on a portfolio level and for individual businesses, and recommending corrective action, where necessary. RMM is responsible for the measurement and reporting of credit risk, market risk and economic risk capital data, managing risk limits, and establishing policies on market risk and economic risk capital. CRM is headed by the Chief Credit Officer ('CCO') and has responsibility for approving credit limits, monitoring and managing individual exposures and assessing and managing the quality of credit portfolios and allowances. BORO acts as the central hub for the divisional Operational Risk functions. Finally, risk also has certain functional responsibilities for critical risk areas such as Business Continuity and Reputational Risk Management.

Risk limits

A sound system of risk limits is fundamental to effective risk control. The limits define CS group's maximum exposure given the market environment, the business strategy and the financial resources available to absorb losses. CS group uses an Economic Capital ('EC') limit structure to limit 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 (Value-at-Risk ('VaR')), the mismatch of interest-earning assets and interest-bearing liabilities, private equity and seed money investments, and emerging market country exposures. Risk limits are allocated to lower organisational levels within the businesses, and numerous other limits are established to control specific risks, including a system of individual counterparty credit limits that is used to control concentration risks.

Economic capital and position risk

Economic Capital represents current market best practice for measuring and reporting all quantifiable risks; it measures risk in terms of economic realities rather than regulatory or accounting rules. The development and usage of EC methodologies and models has increased across the industry in recent years. In the absence of a standardised EC approach, comparisons across firms may not be meaningful.

CS group uses EC as a consistent and comprehensive tool for risk management, capital management and planning

33. Financial Instruments Risk Position (continued)

and performance measurement. EC provides CS group with a robust framework for managing its risk profile on a consolidated basis and for the assessment of aggregate risk appetite in relation to financial resources. CS group also considers other factors that are outside the scope of the EC framework (for example, strategy, economic and competitive environment and external constraints such as those imposed by regulators or rating agencies). By providing a common terminology for risk across the CS group, EC increases risk transparency and improves knowledge-sharing.

Position Risk EC represents the CS group's core top-level risk management tool and is used to assess, monitor and report risk exposures throughout the CS group. Position Risk EC is the level of unexpected loss in economic value on the 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).

The EC methodology is regularly reviewed in order to ensure that the model remains relevant as markets and business strategies evolve.

a. 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 market parameters, such as market volatilities. CS group defines its market risk as potential changes in 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 modeled and reported, and effectively managed. Trading and non-trading portfolios are managed at various organisational levels, from the overall risk positions at CS group level down to specific portfolios. CS group uses market risk measurement and management methods designed to meet or exceed industry standards. These include both general tools capable of calculating comparable exposures across CS group's many activities as well as 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, the market risk exposures are also reflected in CS group's EC calculations. The risk management techniques and policies are regularly reviewed to ensure that 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 volatilities 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 using one-day holding period values.

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

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

33. Financial Instruments Risk Position (continued)

based on the profit and loss distribution resulting from the historical changes of market rates, prices and volatilities applied to evaluate the portfolio. This methodology also avoids any explicit assumptions on correlation between risk factors. During 2007, CS group increased the length of the historical time series dataset used to calculate VaR from two to approximately three years to capture a wider range of historical events. The VaR model uses assumptions and estimates that CS group believes are reasonable, but different assumptions or estimates could result in different estimates of VaR.

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 the price data from the recent past can be used to predict future events. If future market conditions differ substantially from past market conditions, then the risk predicted by VaR may be too conservative or too liberal.

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 the CS group, the group 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 rates. 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 to support senior management in managing risks.

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. During the financial market turbulence experienced in 2007, the scenario analysis framework helped management to identify and quantify the impact of material changes in market values on CS group's portfolio. Given the speed and severity of the collapse in US subprime mortgage values in 2007, the parameters for various asset-backed and residential mortgage-backed securities were updated at the end of third quarter to reflect recent experience.

Trading portfolios

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

Development of trading portfolio risks
Trading portfolio risk mainly resides in the Bank, consequently the table below shows the trading-related market risk exposure for the Bank, as measured by scaled one-day, 99% VaR. 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.

33. Financial Instruments Risk Position (continued)

The Bank's one-day, 99% VaR as of 31 December 2007, was US$ 43 million, compared to US$ 40 million as of 31 December 2006.

Market risk in CSi trading portfolios (1-day, 99% Value-at-Risk) 1)

	2007				2006			
In US$M	Min.	Max.	Average	31.12.2007	Min.	Max.	Average	31.12.2006
Interest rate & credit spread	18	40	28	29	18	38	25	22
Foreign exchange	2	27	9	14	4	21	8	7
Equity	14	47	25	23	20	44	31	30
Commodity	0	15	3	9	0	11	1	1
Diversification Benefit	2)	2)	(22)	(32)	2)	2)	(20)	(20)
Total	**31**	**64**	**43**	**43**	**31**	**64**	**45**	**40**

1) All figures above represent ten-day VaR scaled to a one-day holding period.

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

The materiality of the changes in the valuations, as announced on 19 February has been assessed, and it has been concluded that there is no material change to the market risk figures for the current year.

VaR results

Various techniques are used to assess the accuracy of the VaR model used for trading portfolios, including backtesting. In line with industry practice, the Bank presents backtesting using actual daily trading revenues. Actual daily trading revenues are compared with VaR calculated using a one-day holding period. A backtesting exception occurs when the daily loss exceeds the daily VaR estimate. The Bank had three backtesting exceptions in 2007, compared with no backtesting exceptions in 2006.

Non-trading portfolios

Risk measurement and management

The market risks associated with the non-trading portfolios are measured, monitored and limited using several tools, including EC, scenario analysis, sensitivity analysis and VaR. Non-trading portfolio risks mainly reside in the Bank. For the purpose of this disclosure, the aggregated market risks associated with the Bank's non-trading portfolios are measured using sensitivity analysis.

The sensitivity analysis for the non-trading activities measures the amount of potential change in economic value resulting from specified hypothetical shocks to market factors. It is not a measure of the potential impact on reported earnings in the current period, since the non-trading activities generally are not marked to market through earnings. Foreign exchange translation risk and real estate risk are not included in this analysis. These risks are included in the CS group EC model. For more details of this model, please see the Risk Management section of the CSG Annual Report.

Development of non-trading portfolio risks

Interest rate risk on non-trading positions is shown below using sensitivity analysis that estimates the potential change in value resulting from a 50 basis point decrease in the interest rates of developed nations and a 200 basis point decrease in the interest rates of emerging market nations. The estimated impact of this scenario would be a decrease in the value of the non-trading portfolio of approximately US$19 million at 31 December 2007, of which developed nations contributed a decrease of US$15 million and emerging market nations contributed a decrease of US$3 million. The estimated impact of this scenario would be a decrease in the value of the non-trading portfolio of approximately US$30 million at 31 December 2006, of which developed nations contributed a decrease of US$27 million and emerging market nations contributed a decrease of US$3 million.

33. Financial Instruments Risk Position (continued)

The table below provides further details of the IR sensitivity on a one basis point basis, as the Bank manages interest rate sensitivity on this basis.

Interest rate sensitivity position

Interest rate sensitivity by time bands at 31 December 2007

US$ thousand gain/(loss) per basis point increase		Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
CHF	Trading	(21)	53	111	(373)	46	(184)
	Non-trading	3	3	1	7	1	15
USD	Trading	(137)	132	(222)	385	387	545
	Non-trading	136	397	32	(9)	(283)	273
EUR	Trading	35	(604)	(471)	(557)	1,381	(216)
	Non-trading	20	68	(44)	25	(59)	10
GBP	Trading	(4)	(95)	55	(570)	365	(249)
	Non-trading	(28)	(10)	(11)	6	3	(40)
JPY	Trading	(116)	415	168	433	(336)	564
	Non-trading	(4)	1	10	0	(3)	4
Other	Trading	35	72	(142)	(959)	369	(625)
	Non-trading	7	18	(11)	(37)	0	(23)

Interest rate sensitivity by time bands at 31 December 2006

US$ thousand gain/(loss) per basis point increase		Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
CHF	Trading	(41)	37	5	(103)	(114)	(216)
	Non-trading	(5)	1	-	2	2	-
USD	Trading	85	(523)	694	596	(690)	162
	Non-trading	90	392	76	(17)	4	545
EUR	Trading	(13)	(126)	303	(370)	869	663
	Non-trading	-	51	(40)	1	(26)	(14)
GBP	Trading	86	(133)	40	(110)	(172)	(289)
	Non-trading	1	(10)	(3)	3	5	(4)
JPY	Trading	(13)	62	(376)	228	563	464
	Non-trading	6	-	-	-	(1)	5
Other	Trading	(26)	5	141	(125)	364	359
	Non-trading	1	15	1	-	(1)	16

Equity risk on non-trading positions is measured using sensitivity analysis that estimates the potential change in value resulting from a 10% decline in the equity markets of developed nations and a 20% decline in the equity markets of emerging market nations. The estimated impact of this scenario would be a decrease of approximately US$ 1 million in the value of the non-trading portfolio as of 31 December 2007 compared to a decrease of approximately US$ 5 million in the value of the non-trading portfolio as of 31 December 2006.

Foreign exchange risk related to accrued net income and net assets is centrally and systematically managed with a focus on risk reduction and diversification. Risk is monitored and managed at an entity level through the levelling of accrued profit and losses which are incurred in a currency other than the entity's functional currency.

The Bank does not have material commodity risk in its non-trading portfolio.

33. Financial Instruments Risk Position (continued)

b. Currency Risk

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

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

c. Credit Risk

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

Definition of Counterparty 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 virtually all of the credit exposures in the banking business and comprises seven core components:

- Individual counterparty rating systems;
- Transaction rating system;
- A counterparty credit limit system;
- Country and regional concentration limits;
- Risk-based pricing methodology;
- Active credit portfolio management; and
- A credit risk provisioning methodology.

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

For the purposes of internal ratings, CSi has developed a set of credit rating models tailored for different client segments (e.g. international corporates, financial institutions, asset finance, Small and Medium Enterprises ('SME'), commodity traders, residential mortgages, etc.). 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 date, 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, which measures the counterparty's risk of default over a one-year period.

33. Financial Instruments Risk Position (continued)

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 assumption to estimate the potential credit loss. 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. In 2007, the overall internal credit rating system has also received approval by the regulatory authorities for application under the Basel 2 Advanced Internal Ratings Based (AIRB) approach. These inputs allow CSi to price transactions involving credit risk more accurately, based on risk/return estimates. Pricing and the terms of the credit extension are sensitive to many of the credit risk factors described in this section, and are intended to reflect more accurately the situation of the borrower as well as CSi's interests and priorities in negotiating the extension of credit.

Senior credit managers make credit decisions on a transaction-by-transaction basis, determined by levels appropriate to the amount and complexity of the transactions, as well as based on the overall exposures to counterparties and their related entities. These approval authority levels are set out within the governing principles of CSi.

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

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

The review process culminates in a quarterly determination of the appropriateness of allowances for credit losses. A systematic provisioning methodology is used to identify potential credit risk-related losses. Impaired transactions are classified as potential problem exposure, non-performing exposure, or non-interest earning exposure and the exposures are generally managed within credit recovery units. The credit provisions review committee (CPRC) 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.

The following table presents the maximum exposure to 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 maximum exposure to credit risk is the maximum amount CSi would have to pay if the guarantees are called upon. For loan commitments and other credit related commitments that are irrevocable over the life of the respective facilities, the maximum exposure to credit risk is the full amount of the committed facilities.

33. Financial Instruments Risk Position (continued)

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

	Group 2007 US$M	Group 2006 US$M	Bank 2007 US$M	Bank 2006 US$M
Interest bearing deposits with banks	148	530	148	530
Securities purchased under resale agreements and Securities borrowing transactions	22,240	17,338	21,686	17,338
Trading assets				
- debt securities	41,887	35,552	42,437	36,714
- derivative trading positions	279,387	141,072	279,857	141,227
- other	16,051	12,531	15,383	11,688
Other financial assets designated at fair value through profit and loss				
- debt securities	4,365	4,478	3,807	3,983
- loans	17,089	2,165	16,345	2,165
- reverse repurchase agreements	941	-	941	-
Loans and receivables				
- banks	572	4,018	572	4,018
- customers	10,921	8,505	10,926	8,509
Other assets	26,184	17,290	27,605	18,256
Off balance sheet items				
- financial guarantees	1,124,456	585,390	1,124,456	585,390
- loan commitments and other credit related commitments	10,562	10,633	10,562	10,633

Risk Mitigation

CSi actively manage our credit exposure utilising different tools depending upon product and type of counterparty. Credit hedges and similar tools are used to mitigate counterparty risk, primarily on the lending portfolio, but also to reduce counterparty risk on other products. 'Credit hedges' represent the notional exposure that has been transferred to other market counterparties, generally through the use of credit default swaps. We also actively enter 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.

Credit ratings

To ensure that ratings are consistent and comparable across all businesses, we have developed an internal rating scale which is benchmarked to the external rating agencies utilizing the historical probability of default associated with external ratings. The relationship between the probability of default and external agency ratings is reviewed annually and adjustments are made to calibrate the internal rating classification to the assumed probability of default in the external ratings.

Counterparty Exposure before Collateral by Rating

Bank	**2007 US$M**	**2007 %**	**2006 US$M**	**2006 %**
AAA	8,132	11	4,985	11
AA+ to AA-	20,302	29	11,746	27
A+ to A-	13,324	19	9,415	21
BBB+ to BBB-	13,509	19	8,034	18
BB+ to BB-	7,082	10	5,834	13
B+ and below	8,728	12	4,602	10
	71,077	**100**	**44,616**	**100**

33. Financial Instruments Risk Position (continued)

Unsecured Exposure by Rating (including provisions)

Bank	**2007 US$M**	**2007 %**	**2006 US$M**	**2006 %**
AAA	7,117	20	4,755	20
AA+ to AA-	10,467	28	5,868	24
A+ to A-	7,138	20	4,723	19
BBB+ to BBB-	4,415	12	2,961	12
BB+ and below	7,168	20	5,979	25
	36,305	**100**	**24,286**	**100**

The above tables include all loans, commitments, derivatives, securities purchased and sold under resale and repurchase agreements, and short term cash trades on a net counterparty exposure basis for the Bank as most of the trading portfolio mainly resides in the Bank.

The first table represents mark to market exposures before offsetting any eligible collateral held; the second table represents mark to market exposures after offsetting collateral.

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

d. 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 weekly 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.

e. 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, CSi manages its risk through confirmation and affirmation of transaction details with counterparties. In addition, it also proactively seeks to manage the timing of settlement instructions to its agents and the reconciliation of incoming payments in order to reduce the window of exposure. CRM establishes and monitors limits to control the amount of settlement risk incurred to each counterparty.

33. Financial Instruments Risk Position (continued)

f. Legal Risk

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

CSi 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 CSi's business activities or other sanctions. CSi 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, CSi 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.

g. 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 framework with ownership residing with the management responsible for the relevant business process. Additionally, CS group has established a central team within the Chief Risk Officer area 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 firm-wide tools for the management, measurement, monitoring and reporting of operational risk. These include: self-assessments; 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 Federal Banking Commission to use a similar methodology for the Advanced Measurement Approach (AMA) under the Basel 2 Accord. The 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.

In connection with ongoing internal control processes, CS group identified mismarks and pricing errors by a small number of traders in certain ABS positions in the CDO trading business in Investment Banking and immediately undertook an internal review of this business. Both the CS group and the CSi Executive Boards continues to assign the highest priority to the prompt remediation of the related material weakness and reports regularly on these remediation efforts to the Executive Boards and Audit Committees of CS group and CSi. For further information, refer to the Director's report - Revaluing of certain asset-backed securities positions on page 8.

33. Financial Instruments Risk Position (continued)

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.

h. 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.

i. Liquidity Risk

The Global Treasury department manages the liquidity position of CS group within parameters determined by the ALM-CARMC. The liquidity risk of CSi, which mainly resides in the Bank, is managed as an integral part of the overall CS liquidity risk framework.

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, even in the event of a liquidity dislocation, Credit Suisse 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 Credit Suisse and channelling these funds to business and subsidiaries, as required. CSi has unrestricted and direct access to funding sourced by Credit Suisse.

As a global bank, Credit Suisse 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 and execution of the unsecured funding plan which reflects projected business growth, development of the balance sheet and future funding needs and maturity profiles. The funding plan incorporates short-term funding (mainly certificates of deposits and, to a lesser extent, commercial paper ('CP')) and senior and subordinated long-term debt. Substantially all of Credit Suisse unsecured senior debt is issued without financial covenants that would increase the cost of financing or accelerate the maturity, including adverse changes in Credit Suisse credit ratings, cash flows, results of operations or financial ratios.

A substantial part of the group's assets, principally trading inventories that support the institutional securities business, are very liquid, consisting of securities inventories and collateralized receivables. Credit Suisse also maintains a portfolio of high quality and very liquid assets readily available for additional funding needs. These liquid assets are managed to provide for emergency liquidity needs and are maintained at a level above regulatory requirements. Credit Suisse has historically been able to access significant liquidity through the secured lending markets.

33. Financial Instruments Risk Position (continued)

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

Group
31 December 2007

	On Demand	Due within 3 months	Due between 3 and 12 months	Due between 1 and 5 years	Due after 5 years	Total
	US$M	US$M	US$M	US$M	US$M	US$M
Deposits	4,736	81	-	-	-	4,817
Securities sold under repurchase agreements and securities lending transactions	8,826	11,567	2,736	2,497	-	25,626
Trading liabilities	291,119	-	-	-	-	291,119
Other financial liabilities designated at fair value through profit and loss	-	8,564	5,683	24,438	9,119	47,804
Short term borrowings	10,132	36,651	-	-	-	46,783
Long term debt	-	1,058	3,719	727	10,735	16,239

Group
31 December 2006

	On Demand	Due within 3 months	Due between 3 and 12 months	Due between 1 and 5 years	Due after 5 years	Total
	US$M	US$M	US$M	US$M	US$M	US$M
Deposits	3,033	536	-	-	-	3,569
Securities sold under repurchase agreements and securities lending transactions	3,815	11,023	1,627	3,930	-	20,395
Trading liabilities	155,733	-	-	-	-	155,733
Other financial liabilities designated at fair value through profit and loss	-	2,142	2,816	20,319	5,270	30,547
Short term borrowings	9,662	20,559	7,604	-	-	37,825
Long term debt	-	25	77	551	6,002	6,655

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

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

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

33. Financial Instruments Risk Position (continued)

j. Corporate Asset and Liability Management

The Global Treasury department also oversees policy with respect to corporate interest rate and foreign exchange exposures, debt maturity, internal and external capitalisation and intercompany funding. Global Treasury manages corporate interest rate risk and foreign currency risks within parameters agreed by the CARMC; business divisions are authorised to take such risks as part of their business strategies within limits set by CARMC.

k. Capital

CSi 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 were subsequently implemented in the UK by the FSA, the UK regulator, and incorporated within its prudential sourcebooks for banks and investment firms.

Regulatory capital comprises a number of 'tiers'. Tier 1 capital principally comprises shareholders' equity. This is supplemented by Tier 2 and Tier 3 capital, which consist mainly of subordinated debt instruments. Total capital equals the sum of these, less deductions for such items as investments in non-consolidated subsidiaries and holdings of capital instruments issued by other credit institutions and financial institutions in excess of trading book concessions.

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

CSi received a number of regulatory capital injections during the course of 2007 in order to support the growth in its business and prepare for the impact of the 2008 Basel 2 regime as follows:

	2007 US$M	2006 US$M
Total regulatory capital less deductions at 1 January	**9,179**	**6,951**
Net capital injections during the year:		
Core Tier 1	4,142	-
Non Core Tier 1	1,450	1,285
Upper Tier 2	2,450	665
Lower Tier 2	1,089	500
	9,131	**2,450**
Other movements	**(5)**	**(222)**
Total regulatory capital less deductions at 31 December	**18,305**	**9,179**

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

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

33. Financial Instruments Risk Position (continued)

During 2007, CSi complied with its FSA regulatory capital requirements and the following table sets out details of its regulatory capital at 31 December 2007 and 2006:

	2007 US$M	2006 US$M
Total shareholders' equity	11,015	4,902
Reconciliation to tier 1 capital		
Deductions	(702)	(128)
Tier 1 capital less deductions	**10,313**	**4,774**
Tier 2 capital:		
Upper Tier 2	4,735	2,528
Lower Tier 2	3,284	1,969
Tier 2 capital	**8,019**	**4,497**
Tier 1 plus Tier 2 capital	**18,332**	**9,271**
Deductions	(27)	(92)
Tier 1 plus Tier 2 capital, less deductions	**18,305**	**9,179**
Tier 3 capital	-	-
Deductions from total capital	-	-
Total regulatory capital less deductions	**18,305**	**9,179**

With effect 1 January 2008, CSi is subject to the Basel 2 regime, which revises the original Basel 1 framework, and aims to make the framework more risk sensitive and representative of modern banks' risk management practices. Basel 2 has been implemented in the European Union via the Capital Requirements Directive, and affects banks, building societies and certain types of investment firms.

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

- Pillar 1: minimum capital requirements for credit, market and operational risks. CSi has received approval from the FSA for the use of a number of models for calculating its credit risk requirements;
- Pillar 2: supervisory review – establishing a constructive dialogue between a firm and the regulator on the risks, the risk management and capital requirements of the firm; and
- Pillar 3: market discipline – requirements on public disclosure intended to give the market a stronger role in ensuring that the firm holds an appropriate level of capital.

34. Revaluing of Certain Asset-Backed Securities Positions

CSi made valuation reductions in 2008 as a result of the internal review in relation to the mismarks and pricing errors. For further information, refer to the Director's report - Revaluing of certain asset-backed securities positions on page 8.

35. Subsequent events

On 20 March 2008, CSi effected a drawdown of US$650,000,000 from a subordinated loan facility with Credit Suisse First Boston Finance B.V.

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