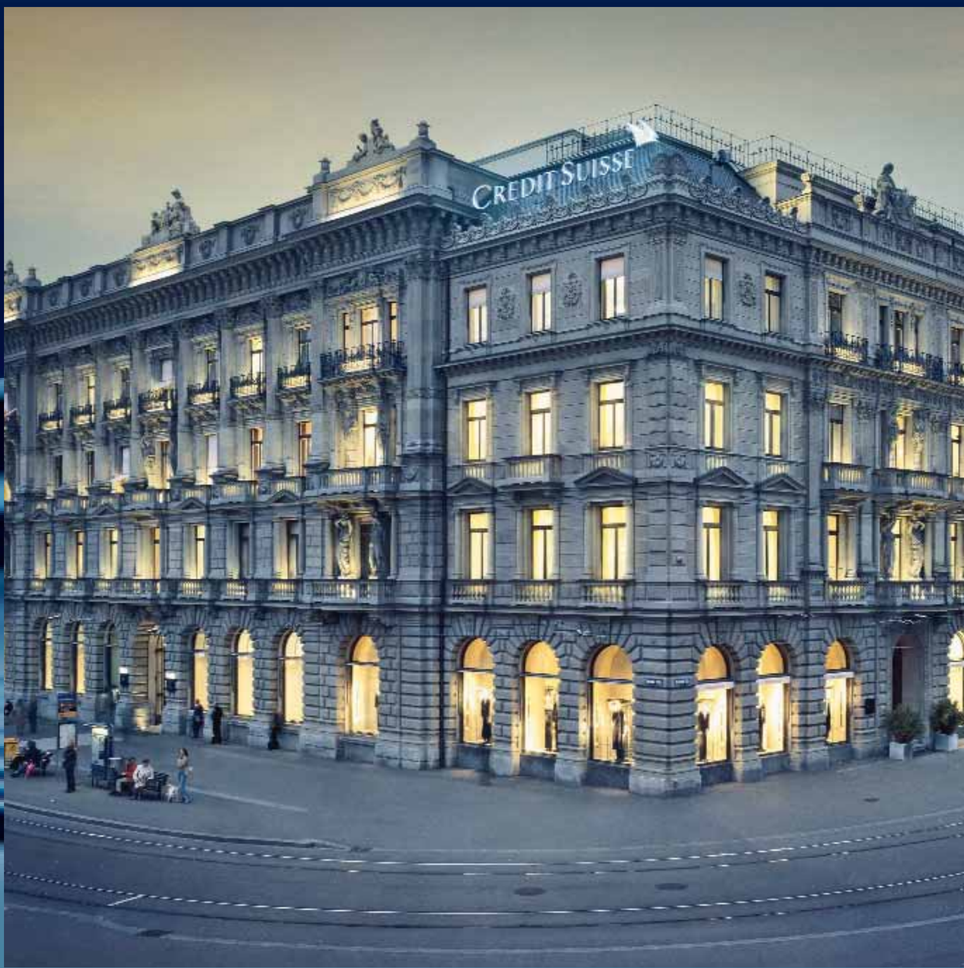
Credit Suisse Securities (Europe) Limited
Annual Report 2007



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

COMPANY REGISTRATION NUMBER: 891554

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

International Financial Reporting Standards

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

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

CSG, a company domiciled in Switzerland, is the ultimate parent of a worldwide group of companies (collectively referred to as the 'Credit Suisse group') specialising in Investment Banking, Private Banking and Asset Management. 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. Copies of accounts of the immediate parent Credit Suisse Investment Holdings (UK) are available to the public and may be obtained from The Registrar of Companies, Companies House, Crown Way, Maindy, Cardiff. These are the smallest and largest groups in which the results of the Company are consolidated.

Credit Suisse group, a leading financial services provider, 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. Credit Suisse 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, Credit Suisse 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.

Principal product areas

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

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

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

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

Economic environment

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 Security ('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, 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

The net operating income for the Group for 2007 was US$3,282M (2006: US$3,279M). The profit after tax, attributable to shareholders, for the year was US$350M (2006: US$158M).

As at 31 December 2007, the Group had total assets of US$331,247M (2006: US$314,423M) and total equity of US$5,268M (2006: US$1,929M).

An analysis of the total operating income by business is given below:

	2007	2006
	US$M	US$M
Fixed Income	806	902
Equity	1,951	1,855
Investment Banking	312	281
Other	213	241
	3,282	**3,279**

Fixed Income's net operating income decreased by 11% on the prior year. This was primarily due to the emerging market and structured product business areas which were affected by market conditions in 2007. Structured products incurred write-downs on a number of securitised investments which remained unsold as at the end of the year. This was offset by increases generated in the life insurance business which grew significantly in the year and made a substantial contribution.

Equity's net operating income increased by 5% on the prior year. As in prior years, a substantial portion of the revenue was generated by the cash equity business which benefited from significantly increased business volumes as a consequence of increased market volatility. Equity proprietary trading generated significant trading revenues and the prime services business continued to generate regular income.

Investment Banking's net operating income increased by 11% on the prior year. This was generated by the merger and acquisition business and strategic advisory business.

'Other' reflects Private Banking, Private Funds Group and other operating income that is not specifically allocated to any business. Items in this category are particularly sensitive to trading volumes and available capital, both of which increased during 2007.

The Group's cost base for the year was US$2,701M (2006: US$3,129M). This reduction was mainly due to decreased deferred compensation accruals which is linked to the CSG share price which has decreased 20% year on year.

The Company has made a lump sum contribution of GBP140M (US$280M) in March 2007 and GBP70M (US$140M) in January 2008 to the UK defined benefit pension scheme.

The Group is part of Credit Suisse 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 the balance sheet, however the Group also enter into a number of transactions that may give rise to both on and off-balance sheet exposure. 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 risk management needs, including mitigation of interest rate, foreign currency and credit risk. The Group enter 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.

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

The results in 2007 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.

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.

Leveraged finance business

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

The total net balance sheet exposure for leveraged finance assets is US$314M as of the end of 2007.

Derivatives

The Group enters into derivative contracts in the normal course of business for market-making, positioning and arbitrage purposes, as well as for 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 our 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 unrealised 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.

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 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 the loans are made until they are packaged as CMBS and distributed. The Group also have exposure that arises from any securities that are retained and also from the secondary market. The Group's CMBS origination net balance sheet exposure was US$1,520M as of the end of 2007. The vast majority of these loans are secured by historically stable, high-quality, income-producing real estate to a diverse range of borrowers in Europe.

RMBS business

RMBS are bonds backed by a pool of mortgage loans on residential real estate properties. Cash flows generated by the underlying pool of residential mortgage loans are the primary source of repayment for the principal and interest on the bonds. The residential mortgage loans included in these pools will vary based on the credit characteristics of the related obligors – ranging from prime loans to subprime loans – and the related lien priority – either first liens or second liens.

Various types of residential properties collateralise the related residential mortgages, like CMBS, the collateral backing RMBS is typically sold to an SPE which then issues the RMBS. Typical RMBS transactions will include bonds with varying payment priorities and various methods of allocating any losses incurred on the underlying residential mortgages. The ratings associated with an RMBS transaction can range from AAA to non-rated. RMBS transactions include both non-agency and agency business.

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

CDO trading business

The Group has a retained interest in a small CDO asset at year end. The CDO trading business net balance sheet exposure was US$48M as of the end of 2007, reflecting the revaluing of certain ABS positions. 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 any levels of subprime CDOs.

Involvement with Special Purpose Entities

In the normal course of business, the Group enters into transactions with, and make use of, SPEs. Securitisation transactions are assessed in accordance with IAS39 for appropriate treatment of the assets transferred by the Group. The Group's investing or financing needs, or those of the Group's clients, determine the structure of each transaction, which in turn determines whether sale accounting and subsequent derecognition of the transferred assets under IAS39 applies. Certain transactions may be structured to include derivatives or other provisions that prevent sales accounting and related derecognition of the assets from consolidated balance sheets.

As a normal part of business, the Group engages in various transactions that include entities which are considered SPEs. SPEs are entities which typically either lack sufficient equity to finance their activities without additional subordinated financial support or are structured such that the holders of the voting rights do not substantively participate in the gains and losses of the entity. Such entities are required to be assessed for consolidation under IAS 27 and its associated interpretation, SIC-12 which require that the entity controlling the SPE must consolidate the SPE. The Group consolidates all SPEs for which it is deemed the controlling entity. SPEs may be sponsored by the Group, unrelated third parties or clients. At each balance sheet date, SPEs are reviewed for events that may trigger reassessment of the entities' classification and/or consolidation. Application of the accounting requirements for consolidation of SPEs may require the exercise of significant management judgment.

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

Revaluing of certain asset-backed securities positions

As announced on 19 February 2008, in connection with ongoing internal control processes, Credit Suisse group identified mismarks and pricing errors by a small number of traders in certain ABS positions in Collateralised Debt Obligations ('CDO') trading within our structured products business in Investment Banking and immediately undertook an internal review of this business. These traders ran global portfolios of positions, some portions of which were entered into by the Group. Consequently findings from this review directly impact the Group.

As a result of this internal review, which is now complete, Credit Suisse group recorded total valuation reductions of CHF 2,860M (USD$2,650M), of which the Group recorded a total valuation reduction of US$nil in 2007 and US$26M to 19 February 2008, as a result of revaluing these positions.

The internal review, commissioned by the CSG Executive Board and assisted by outside counsel, commenced after the release of the CSG unaudited 2007 condensed consolidated financial statements. Based on the results of the internal review and the conclusions of outside counsel, the CSG 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 CSG and the Company 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. Management has reassigned trading responsibility for the CDO trading business and are enhancing related control processes. Management continues to assign the highest priority to the prompt remediation of this ineffectiveness, and reports are provided regularly on these remediation efforts to the Audit Committees and Boards of Directors of CSG and the Company.

Notwithstanding the existence of this ineffectiveness in certain internal controls 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.

Subordinated loan capital

During the year the Group borrowed US$517M of additional subordinated loan capital from Credit Suisse First Boston Finance BV (2006: borrowed US$618M).

Capital

During the year the Company issued US$2,100M of ordinary shares fully paid up (2006: US$nil) and also received US$894M additional capital contributions from Credit Suisse Investment Holdings (UK) (2006: US$1,248M) in order to support the growth in its business and prepare for the impact of the introduction of the Basel II framework in 2008.

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

Dividends

No dividends were paid or are proposed for 2007 (2006: US$nil).

Risk Management

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

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

Directors

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

Appointments

Osama Abassi (Alternate to Gael de Boissard)	5 March 2007
Gael de Boissard	5 March 2007
Leonhard Fischer (Chairman and CEO)	5 March 2007
Fawzi Kyriakos-Saad	13 March 2007
Michael Philipp (Chairman and CEO)	29 March 2007
Eric Varvel (Chairman and CEO)	20 February 2008
James Amine	10 March 2008
Christopher Horne (Alternate to James Amine)	10 March 2008
Eraj Shirvani (Alternate to Gael de Boissard)	10 March 2008

Resignations

Jeremy Bennett	5 March 2007
Gael de Boissard (Alternate to Jeremy Bennett)	5 March 2007
Michael Philipp (Chairman and CEO)	5 March 2007
Leonhard Fischer (Chairman and CEO)	29 March 2007
Michael Philipp (Chairman and CEO)	20 February 2008
Osama Abassi (Alternate to Gael de Boissard)	10 March 2008
Hamish Leslie-Melville (Alternate to Marco G. Mazzucchelli)	10 March 2008
Marco G. Mazzucchelli	10 March 2008

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

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

Disclosure of Information to Auditors

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

Employee Involvement and Employment of Disabled Persons

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

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

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

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

Donations

During the year the Group made US$886,567 (2006: US$590,703) of charitable donations. There were no political donations made by the Group during the year (2006: US$nil).

Auditors

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

By Order of the Board

Paul E Hare
Company Secretary

One Cabot Square
London E14 4QJ
27 March 2008

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

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

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

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

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Credit Suisse 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 SECURITIES (EUROPE) LIMITED

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

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

Respective Responsibilities of Directors and Auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards ('IFRS') as adopted by the EU are set out in the Statement of Directors' Responsibilities on page 12.

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

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

Basis of Audit Opinion

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

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

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRS as adopted by the EU, of the state of the Group's affairs as at 31 December 2007 and of its profit for the year then ended;
- the Company financial statements give a true and fair view, in accordance with IFRS as adopted by the EU as applied in accordance with the provisions of the Companies Act 1985, of the state of the Company's affairs as at 31 December 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

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2007

	Note	Group 2007 US$M	Group 2006 US$M
Interest income	4	8,887	6,876
Interest expense	4	(11,423)	(8,107)
Net interest expense	4	**(2,536)**	**(1,231)**
Net commissions and fees	5	2,216	1,963
Net trading revenues	6	3,631	2,652
Net other charges	5	(29)	(105)
Net non-interest revenues		**5,818**	**4,510**
Net operating income		**3,282**	**3,279**
Compensation and benefits	5	(1,883)	(2,464)
Other expenses	5	(818)	(665)
Total operating expenses		**(2,701)**	**(3,129)**
Profit before tax		**581**	**150**
Income tax (charge)/credit	7	(231)	8
Profit after tax		**350**	**158**

Profit attributable to:		
Equity holders of the Parent	350	158
	350	**158**

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

The notes on pages 23 to 93 form an integral part of these consolidated financial statements.

CREDIT SUISSE SECURITIES (EUROPE) LIMITED
CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2007

	Note	Group 2007 US$M	Group 2006 US$M
Assets			
Cash and cash equivalents		2,681	4,737
Interest-bearing deposits with banks		3,627	20
Securities purchased under resale agreements and securities borrowing transactions	8	71,808	194,146
Trading assets	6	101,313	71,334
Financial assets designated at fair value through profit and loss	6	96,791	2,057
Loans and receivables	9	3,630	-
Other investments	10	7	9
Deferred tax assets	11	489	505
Other assets	12	50,785	41,518
Goodwill	15	8	7
Property, plant and equipment	16	108	90
Total assets		**331,247**	**314,423**
Liabilities			
Deposits	17	1,293	1,939
Securities sold under repurchase agreements and securities lending transactions	8	59,788	150,554
Trading liabilities	6	58,333	52,131
Financial liabilities designated at fair value through profit and loss	6	98,332	4,760
Short term borrowings	18	61,695	66,868
Current tax liabilities		373	250
Long term debt	19	2,809	2,292
Deferred tax liabilities	11	6	9
Other liabilities	20	43,340	33,627
Provisions	21	10	64
Total liabilities		**325,979**	**312,494**
Shareholders' equity			
Called-up share capital	22	7,517	4,523
Retained earnings		(2,210)	(2,560)
Other reserves		(39)	(34)
Total shareholders' equity		**5,268**	**1,929**
Total liabilities and shareholders' equity		**331,247**	**314,423**

The notes on pages 23 to 93 form an integral part of these consolidated financial statements.

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

Costas P Michaelides

CREDIT SUISSE SECURITIES (EUROPE) LIMITED
COMPANY BALANCE SHEET AS AT 31 DECEMBER 2007

	Note	Company 2007 US$M	Company 2006 US$M
Assets			
Cash and cash equivalents		2,524	4,727
Interest-bearing deposits with banks		3,627	719
Securities purchased under resale agreements and securities borrowing transactions	8	71,808	194,146
Trading assets	6	102,409	71,334
Financial assets designated at fair value through profit and loss	6	96,791	2,053
Loans and receivables	9	-	-
Other investments	10	7	9
Deferred tax assets	11	489	505
Other assets	12	50,783	40,824
Investment in subsidiary undertakings	14	-	-
Goodwill	15	8	7
Property, plant and equipment	16	108	90
Total assets		**328,554**	**314,414**
Liabilities			
Deposits	17	1,293	1,939
Securities sold under repurchase agreements and securities lending transactions	8	59,788	150,554
Trading liabilities	6	58,307	52,131
Financial liabilities designated at fair value through profit and loss	6	95,678	4,754
Short term borrowings	18	61,689	66,868
Current tax liabilities		373	250
Long term debt	19	2,809	2,292
Deferred tax liabilities	11	6	9
Other liabilities	20	43,337	33,627
Provisions	21	10	64
Total liabilities		**323,290**	**312,488**
Shareholders' equity			
Called-up share capital	22	7,517	4,523
Retained earnings		(2,214)	(2,563)
Other reserves		(39)	(34)
Total shareholders' equity		**5,264**	**1,926**
Total liabilities and shareholders' equity		**328,554**	**314,414**

The notes on pages 23 to 93 form an integral part of these consolidated financial statements.

For the year ended 2007, US$349M of profit attributable to shareholders (2006: US$155M) has been included in the accounts of the Company.

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

C.P. Michaelides

Costas P Michaelides

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

	Group					
	Share Capital	**Retained Earnings**	**Other Reserves**			**Total shareholders' equity**
			Cash flow hedging reserve	Translation reserve	Total other reserves	
	US$M	US$M	US$M	US$M	US$M	US$M
Balance at 1 January 2007	**4,523**	**(2,560)**	**-**	**(34)**	**(34)**	**1,929**
Foreign exchange translation differences	-	-	-	8	8	8
Net loss on hedges of net investments in foreign entities taken to equity	-	-	-	(13)	(13)	(13)
Net gain on cash flow hedging instruments transferred to income statement	-	-	-	-	-	-
Net loss recognised directly in equity	**-**	**-**	**-**	**(5)**	**(5)**	**(5)**
Net profit for the year	-	350	-	-	-	350
Total recognised income and expense for the year	**-**	**350**	**-**	**(5)**	**(5)**	**345**
Issuance of common shares	2,100	-	-	-	-	2,100
Capital contribution	894	-	-	-	-	894
Balance at 31 December 2007	**7,517**	**(2,210)**	**-**	**(39)**	**(39)**	**5,268**

The notes on pages 23 to 93 form an integral part of these consolidated financial statements.

CREDIT SUISSE SECURITIES (EUROPE) LIMITED

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

	Company					
	Share Capital	**Retained Earnings**	**Other Reserves**			**Total shareholders' equity**
			Cash flow hedging reserve	Translation reserve	Total other reserves	
	US$M	US$M	US$M	US$M	US$M	US$M
Balance at 1 January 2007	**4,523**	**(2,563)**	**-**	**(34)**	**(34)**	**1,926**
Foreign exchange translation differences	-	-	-	8	8	8
Net loss on hedges of net investments in foreign entities taken to equity	-	-	-	(13)	(13)	(13)
Net gain on cash flow hedging instruments transferred to income statement	-	-	-	-	-	-
Net loss recognised directly in equity	**-**	**-**	**-**	**(5)**	**(5)**	**(5)**
Net profit for the year	-	349	-	-	-	349
Total recognised income and expense for the year	**-**	**349**	**-**	**(5)**	**(5)**	**344**
Issuance of common shares	2,100	-	-	-	-	2,100
Capital contribution	894	-	-	-	-	894
Balance at 31 December 2007	**7,517**	**(2,214)**	**-**	**(39)**	**(39)**	**5,264**

The notes on pages 23 to 93 form an integral part of these consolidated financial statements.

CREDIT SUISSE SECURITIES (EUROPE) LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2006

	Group					
	Share Capital	**Retained Earnings**	**Other Reserves**			**Total shareholders' equity**
			Cash flow hedging reserve	Translation reserve	Total other reserves	
	US$M	US$M	US$M	US$M	US$M	US$M
Balance at 1 January 2006	**3,275**	**(2,718)**	**-**	**(37)**	**(37)**	**520**
Foreign exchange translation differences	-	-	-	30	30	30
Net loss on hedges of net investments in foreign entities taken to equity	-	-	-	(27)	(27)	(27)
Net gain on cash flow hedging instruments transferred to income statement	-	-	-	-	-	-
Net income recognised directly in equity				**3**	**3**	**3**
Net profit for the year	-	158	-	-	-	158
Total recognised income and expense for the year	**-**	**158**	**-**	**3**	**3**	**161**
Capital contribution	1,248	-	-	-	-	1,248
Balance at 31 December 2006	**4,523**	**(2,560)**	**-**	**(34)**	**(34)**	**1,929**

The notes on pages 23 to 93 form an integral part of these consolidated financial statements.

CREDIT SUISSE SECURITIES (EUROPE) LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2006

	Company					
	Share Capital	**Retained Earnings**	**Other Reserves**			**Total shareholders' equity**
			Cash flow hedging reserve	Translation reserve	Total other reserves	
	US$M	US$M	US$M	US$M	US$M	US$M
Balance at 1 January 2006	**3,275**	**(2,718)**	**-**	**(37)**	**(37)**	**520**
Foreign exchange translation differences	-	-	-	30	30	30
Net loss on hedges of net investments in foreign entities taken to equity	-	-	-	(27)	(27)	(27)
Net gain on cash flow hedging instruments transferred to income statement	-	-	-	-	-	-
Net income recognised directly in equity	**-**	**-**	**-**	**3**	**3**	**3**
Net profit for the year	-	155	-	-	-	155
Total recognised income and expense for the year	**-**	**155**	**-**	**3**	**3**	**158**
Capital contribution	1,248	-	-	-	-	1,248
Balance at 31 December 2006	**4,523**	**(2,563)**	**-**	**(34)**	**(34)**	**1,926**

The notes on pages 23 to 93 form an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2007

	Note	Group 2007 US$M	Group 2006 US$M
Cash flows from operating activities			
Profit before tax for the period		581	150
Adjustments to reconcile net income to net cash provided by/(used in) operating activities			
Non-cash items included in loss before tax and other adjustments:			
Impairment, depreciation and disposals of property, plant and equipment	16	13	10
Interest accrued on subordinated debt	20	171	111
Foreign exchange gains	15	(1)	(1)
Impairment charge on loans and receivables	9	125	-
Net (increase)/decrease in operating assets:			
Interest bearing deposits with banks		(3,607)	635
Securities purchased under resale agreements and securities borrowing transactions	8	122,338	(38,149)
Trading assets	6	(29,979)	(11,972)
Financial assets designated at fair value through profit and loss	6	(94,734)	(1,267)
Loans and receivables	9	(3,755)	15
Accrued income, prepaid expenses, other investments and other assets	10,12	(9,265)	(11,246)
Net increase/(decrease) in operating liabilities:			
Securities sold under resale agreements and securities lending transactions	8	(90,766)	27,995
Deposits	17	(646)	897
Short term borrowings	18	(5,173)	11,475
Trading liabilities	6	6,202	5,802
Financial liabilities designated at fair value through profit and loss	6	93,572	4,476
Accrued expenses and other liabilities	20	9,712	10,192
Provisions	21	(54)	(4)
Cash generated used in operations		**(5,266)**	**(881)**
Income tax paid	7,11	(95)	(3)
Net cash flow used in operating activities		**(5,361)**	**(884)**
Investing activities			
Capital expenditure for property, plant and equipment	16	(36)	(36)
Net cash flow used in investing activities		**(36)**	**(36)**
Financing activities			
Issuances of long term debt	19	517	618
Increase in capital	22	2,994	1,248
Interest paid	20	(170)	(106)
Net cash flow from investing activities		**3,341**	**1,760**
Net (decrease)/increase in cash and cash equivalents		**(2,056)**	**840**
Cash and cash equivalents at beginning of the year		**4,737**	**3,897**
Cash and cash equivalents at end of the year		**2,681**	**4,737**

The notes on pages 23 to 93 form an integral part of these consolidated financial statements.

COMPANY CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2007

	Note	Company 2007 US$M	Company 2006 US$M
Cash flows from operating activities			
Profit before tax for the period		580	147
Adjustments to reconcile net income to net cash provided by/(used in) operating activities			
Non-cash items included in loss before tax and other adjustments:			
Impairment, depreciation and disposals of property, plant and equipment	16	13	10
Interest accrued on subordinated debt	20	171	111
Foreign exchange gains	15	(1)	(1)
Net (increase)/decrease in operating assets:			
Interest bearing deposits with banks		(2,908)	(64)
Securities purchased under resale agreements and securities borrowing transactions	8	122,338	(38,149)
Trading assets	6	(31,075)	(11,972)
Financial assets designated at fair value through profit and loss	6	(94,738)	(1,263)
Loans and receivables	9	-	15
Accrued income, prepaid expenses, other investments and other assets	10,12	(9,957)	(10,552)
Net increase/(decrease) in operating liabilities:			
Securities sold under resale agreements and securities lending transactions	8	(90,766)	27,995
Deposits	17	(646)	897
Short term borrowings	18	(5,179)	11,475
Trading liabilities	6	6,176	5,802
Financial liabilities designated at fair value through profit and loss	6	90,924	4,470
Accrued expenses and other liabilities	20	9,709	10,192
Provisions	21	(54)	(4)
Cash generated used in operations		**(5,413)**	**(891)**
Income tax paid	7,11	(95)	(3)
Net cash flow used in operating activities		**(5,508)**	**(894)**
Investing activities			
Capital expenditure for property, plant and equipment	16	(36)	(36)
Net cash flow used in investing activities		**(36)**	**(36)**
Financing activities			
Issuances of long term debt	19	517	618
Increase in capital	22	2,994	1,248
Interest paid	20	(170)	(106)
Net cash flow from investing activities		**3,341**	**1,760**
Net (decrease)/increase in cash and cash equivalents		**(2,203)**	**830**
Cash and cash equivalents at beginning of the year		**4,727**	**3,897**
Cash and cash equivalents at end of the year		**2,524**	**4,727**

The notes on pages 23 to 93 form an integral part of these consolidated financial statements.

1. General

Credit Suisse Securities (Europe) Limited is a company domiciled in the United Kingdom. The address of the Group's registered office is One Cabot Square, London, E14 4QJ. The Consolidated Financial Statements for the year ended 31 December 2007 comprise Credit Suisse Securities (Europe) Limited and its subsidiaries.

2. Significant Accounting Policies

a) Statement of compliance

The Group prepares 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 Company financial statements here together with the Group financial statements, the Company is taking advantage of the exemption in s230 of the Companies Act 1985 not to present its individual income statement and related notes 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, liabilities under cash settled share based payment plans, financial instruments held for trading and financial instruments designated by the Group 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.

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. The critical accounting estimates and judgements applied in these financial statements are set out in note 3.

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 has had 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 amendment (Capital Disclosures) to IAS 1 'Presentation of Financial Statements' has been adopted. This amendment focuses on capital disclosures and details the objectives, polices and processes for managing capital.

2. Significant Accounting Policies (continued)

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'.

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

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

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

2. Significant Accounting Policies (continued)

d) Foreign currency

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

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

e) Cash and cash equivalents

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

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

f) Securities purchased or sold under resale or repurchase agreements

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

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

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

g) Securities borrowing and lending

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

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

2. Significant Accounting Policies (continued)

h) Trading assets and liabilities

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

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

Unrealised and realised gains and losses on trading positions are recorded in 'Net trading revenues'.

i) Derivative financial instruments and hedging

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

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.

2. Significant Accounting Policies (continued)

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

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

Cash flow hedge accounting

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

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

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

Hedge of a net investment

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

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

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.

2. Significant Accounting Policies (continued)

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

k) Derecognition

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

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

l) 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.

2. Significant Accounting Policies (continued)

m) Impairment charge 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 loss event or events has 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 amount of the loss is recognised in the income statement.

n) 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 limit 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 to offset transactions falling under Master Netting Agreements.

o) Dividend policy

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

p) Income tax

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

2. Significant Accounting Policies (continued)

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

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

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

A deferred tax liability is recognised on taxable temporary differences arising on un-remitted earnings of subsidiaries except to the extent that it is probable that such temporary differences will not reverse in the foreseeable future.

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

q) Goodwill

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

r) Property, plant and equipment

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

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

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

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

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

2. Significant Accounting Policies (continued)

s) Retirement benefit costs

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

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

t) 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.

u) Contingent liabilities

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

v) Provisions

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

w) Share-based payments

The Company grants shares in its ultimate parent company, CSG, to certain employees. The Company purchases CSG shares from Credit Suisse Equity Based Compensation AG, another Credit Suisse 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 Company's obligation to settle the liability by the delivery of an asset that is not an equity instrument of the Company. 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.

2. Significant Accounting Policies (continued)

x) Interest income and expense

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

y) Commissions and fees

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

(a) the amount of revenue can be measured reliably;
(b) it is probable that the economic benefits associated with the transaction will flow to the entity;
(c) the stage of completion of the transaction at the balance sheet date can be measured reliably; and
(d) the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

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

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

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

z) 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.

aa) Sub leases

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

3. Critical Accounting Estimates and Judgements in Applying Accounting Policies

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

Fair value

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

Fair value may be objective, as is the case for exchange-traded instruments, for which quoted prices in 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 and non-traded equity securities.

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

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.

Litigation contingencies

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

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

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

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.

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 the Company, as sponsor of the defined benefit plans, has made in arriving at the valuations of the various components of the defined benefit plans.

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

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

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

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

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

Income taxes

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

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 audits or when an event occurs requiring a change to the tax contingency accruals. Management regularly assesses the appropriateness of provisions for income taxes. Management believes that it has appropriately accrued for any contingent tax liabilities.

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

Special Purpose Entities

As a normal part of business, the Company engages in various transactions that include entities which are considered SPEs. A SPE is an entity that typically lacks sufficient equity to finance its activities without additional subordinated financial support or is structured such that the holders of the voting rights do not substantively participate in the risks and rewards of ownership of the entity. Such entities are required to be assessed for consolidation under IAS27 and its interpretation, SIC-12. A SPE is consolidated by the Company when the substance of the relationship between the Company and the SPE indicates that the SPE is controlled by the Company. SPE's may be sponsored by the Company, 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.

4. Interest Income and Interest Expense

	Group 2007 US$M	Group 2006 US$M
Interest income on cash, cash equivalents and loans	924	358
Securities purchased under resale agreements and securities borrowing transactions	7,861	6,434
Interest income on cash collateral	102	84
Total interest income	**8,887**	**6,876**
Interest expense on deposits	(78)	(43)
Securities sold under repurchase agreements and securities lending transactions	(6,584)	(5,065)
Interest expense on short-term borrowings	(4,098)	(2,708)
Interest expense on long-term debt	(396)	(111)
Interest expense on cash collateral	(267)	(180)
Total interest expense	**(11,423)**	**(8,107)**
Net interest expense	**(2,536)**	**(1,231)**

Interest income includes US$3,995M (2006: US$55M) and interest expense includes US$3,888M in 2007 (2006: US$57M) relating to instruments designated at fair value through profit and loss.

5. Non-Interest Revenues and Total Operating Expenses

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

	Group 2007 US$M	Group 2006 US$M
Commissions from lending business:		
Investment and portfolio management fees	-	1
Commissions and fees from fiduciary activities:		
Underwriting fees	398	473
Brokerage fees	1,552	1,214
Merger and acquisition fees	379	364
Fees for other customer services	39	41
Commission and fee income	**2,368**	**2,093**
Commissions from lending business:		
Investment and portfolio management fees	-	(2)
Commissions and fees from fiduciary activities:		
Brokerage fees	(144)	(121)
Fees for other customer services	(8)	(7)
Commission and fee expense	**(152)**	**(130)**
Net Commissions and fees	**2,216**	**1,963**

Net other charges of US$(29)M (2006: US$(105)M) principally relate to amounts charged to the Group from other Credit Suisse group companies under transfer pricing policies, see note 25.

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

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

	Group 2007 US$M	Group 2006 US$M
Salaries and bonuses	1,655	2,104
Social security	204	258
Pension cost	(2)	68
Other	26	34
Compensation and benefits	**1,883**	**2,464**

Included in the above table are amounts relating to directors' remuneration. Further details are disclosed in note 25(d).

The following table sets forth the details of other expenses:

	Group 2007 US$M	Group 2006 US$M
Occupancy expenses	185	168
IT and machinery expenses	133	140
Depreciation expenses	12	10
Provisions and losses	(3)	(1)
Commission expenses	502	391
Travel and entertainment	93	92
Audit fees of the Group	2	2
Professional services	299	232
Impairment charge on loans	125	-
Other	151	152
Expenses receivable from other Credit Suisse group companies	(681)	(521)
Other expenses	**818**	**665**

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

6. Trading Activities

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

	Group 2007 US$M	Group 2006 US$M
Interest rate products	49	386
Equity/index-related products	1,096	874
Foreign exchange products	(44)	212
Other	149	-
Trading revenues	**1,250**	**1,472**
Dividend income on trading assets	5,203	3,867
Dividend expense on trading liabilities	(2,822)	(2,687)
Net trading dividend income	**2,381**	**1,180**
Net trading revenues	**3,631**	**2,652**

Net trading revenue includes revenues from trading assets and liabilities and financial assets and liabilities designated at fair value through profit and loss as detailed in accounting policy note 2(j). For the year ended 31 December 2007, the impact to the profit and loss relating to financial instruments designated at fair value through profit and loss was a gain of US$326M (2006: US$9M loss). Included in this total is US$nil (2006: US$nil) of fair value changes of financial liabilities due to changes in the Group's own creditworthiness.

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

	Group 2007 US$M	Group 2006 US$M
Trading assets		
Debt instruments		
Treasury bills	427	206
Government debt instruments	25,054	17,832
Corporate debt instruments	14,924	13,344
Equity instruments	41,010	27,131
Positive replacement values of derivative trading positions	19,898	12,821
Total trading assets	**101,313**	**71,334**

	Company 2007 US$M	Company 2006 US$M
Trading assets		
Debt instruments		
Treasury bills	427	206
Government debt instruments	25,054	17,832
Corporate debt instruments	16,020	13,344
Equity instruments	41,010	27,131
Positive replacement values of derivative trading positions	19,898	12,821
Total trading assets	**102,409**	**71,334**

Trading assets include US$46,594M (2006: US$35,755M) which are encumbered, see note 31. These transactions in relation to the encumbered assets are conducted under terms that are usual and customary for these instruments.

6. Trading Activities (continued)

	Group 2007 US$M	Group 2006 US$M
Financial assets designated at fair value through profit and loss		
Securities purchased under resale agreements	95,745	1,618
Life insurance contracts	276	61
Life annuity contracts	770	378
Total financial assets designated at fair value through profit and loss	**96,791**	**2,057**

	Company 2007 US$M	Company 2006 US$M
Financial assets designated at fair value through profit and loss		
Securities purchased under resale agreements	95,745	1,618
Life insurance contracts	180	8
Life annuity contracts	432	272
Investments in life insurance trusts	434	155
Total financial assets designated at fair value through profit and loss	**96,791**	**2,053**

For financial assets designated at fair value through profit and loss the maximum fair value exposure to credit risk as at 31 December 2007 is US$96,791M (Group and Company) (2006: US$2,057M (Group) and US$2,053M (Company)). US$95,745M (Group and Company) of this value is fully collateralised (2006: US$1,618M (Group and Company)).

The movement in fair values that is attributable to changes in the credit risk of the financial assets designated at fair value through profit and loss during the period ended 31 December 2007 was US$nil (Group and Company) in the income statement (2006: US$nil (Group and Company)). The changes in fair value are mainly due to movements in market risk.

Trading liabilities	Group 2007 US$M	Group 2006 US$M
Debt instruments	(23,097)	(26,856)
Equity instruments	(15,143)	(12,150)
Negative replacement values of derivative trading positions	(20,093)	(13,125)
Total trading liabilities	**(58,333)**	**(52,131)**

Trading liabilities	Company 2007 US$M	Company 2006 US$M
Debt instruments	(23,071)	(26,856)
Equity instruments	(15,143)	(12,150)
Negative replacement values of derivative trading positions	(20,093)	(13,125)
Total trading liabilities	**(58,307)**	**(52,131)**

6. Trading Activities (continued)

	Group 2007 US$M	Group 2006 US$M
Financial liabilities designated at fair value through profit and loss		
Securities sold under repurchase agreements	(95,678)	(4,754)
Structured notes	(2,632)	-
Other	(22)	(6)
Total financial liabilities designated at fair value through profit and loss	**(98,332)**	**(4,760)**

	Company 2007 US$M	Company 2006 US$M
Financial liabilities designated at fair value through profit and loss		
Securities sold under repurchase agreements	(95,678)	(4,754)
Total financial liabilities designated at fair value through profit and loss	**(95,678)**	**(4,754)**

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

The carrying amount is US$142M lower (2006: US$nil) than the amount Group would be contractually required to pay at maturity to the holder of these financial liabilities. The carrying amount is US$17M lower (2006: US$nil) than the amount the Company would be contractually required to pay at maturity to the holder of these financial liabilities.

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

	Group 2007 US$M	Group 2006 US$M
Balance at 1 January	-	-
Increase due to new trades	(84)	-
Reduction due to passage of time	2	-
Reduction due to redemption, sales, transfers or improved observability	-	-
Total	**(82)**	**-**

	Company 2007 US$M	Company 2006 US$M
Balance at 1 January	-	-
Increase due to new trades	(76)	-
Reduction due to passage of time	1	-
Reduction due to redemption, sales, transfers or improved observability	-	-
Total	**(75)**	**-**

7. Income Tax

	Group and Company 2007 US$M	Group and Company 2006 US$M
Current tax		
Current tax on profits of the period	(194)	(156)
Adjustments in respect of previous periods	(23)	57
Total current tax	**(217)**	**(99)**
Deferred tax		
Origination and reversal of temporary differences	3	133
Adjustments in respect of previous periods	17	(26)
Effect of changes in tax rate or the imposition of new taxes	(34)	-
Total deferred tax	**(14)**	**107**
Income tax (charge)/credit	**(231)**	**8**

Current tax of US$nil (2006: US$nil) and deferred tax of US$nil (2006: US$nil) were credited directly to equity.

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

	Group 2007 US$M	Group 2006 US$M
Profit before tax	581	150
Profit before tax multiplied by the UK statutory rate of corporation tax of 30% (2006: 30%)	(174)	(45)
Increase/(decrease) in income tax credit resulting from:		
Other permanent differences	(4)	12
Unrelievable foreign tax	(13)	(12)
Adjustments to current tax in respect of previous periods	(23)	57
Adjustments to deferred tax in respect of previous periods	17	(26)
Effect on deferred tax resulting from change in tax rates	(34)	-
Tax effect of utilising tax losses on which no deferred tax was previously recognised	-	22
Income tax (charge)/credit	**(231)**	**8**

The UK corporation tax rate will reduce from 30% to 28% with effect 1 April 2008. Deferred taxes are calculated on all temporary differences under the liability method using an effective tax rate of 28% (2006: 30%). Consequently, US$34M was charged to the profit and loss account in 2007 (2006: US$nil).

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

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

	Group and Company 2007 US$M	Group and Company 2006 US$M
Securities purchased under resale agreements and securities borrowing transactions	14,162	112,321
Deposits paid for securities borrowed	57,646	81,825
Total	**71,808**	**194,146**
Of which due in more than 1 year	**-**	**-**

The maximum month-end amount of securities purchased under agreements to resell was US$110,210M and US$213,901M in 2007 and 2006 respectively. The average amount of securities purchased under agreements to resell during the year was US$94,186M and US$189,123M in 2007 and 2006 respectively.

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

	Group and Company 2007 US$M	Group and Company 2006 US$M
Securities sold under repurchase agreements and securities lending transactions	15,453	112,302
Deposits received for securities lent	44,335	38,252
Total	**59,788**	**150,554**
Of which due in more than 1 year	**-**	**-**

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

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

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

Transferred Assets

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

	Group and Company 2007		Group and Company 2006	
Nature of Asset	Carrying amount of asset US$M	Associated liability US$M	Carrying amount of asset US$M	Associated liability US$M
Securities lending agreements and repurchase agreements	**21,763**	**(21,763)**	**12,077**	**(12,077)**

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

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

9. 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
Customer	1,495	-
United Kingdom	**1,495**	**-**
Customer	2,135	-
Foreign	**2,135**	**-**
Total loans and receivables	**3,630**	**-**
Of which due in more than 1 year	**3,630**	**-**

9. Loans and Receivables (continued)

The following table analyses loans to and receivables from customers, net of impairment losses, by geographical area:

	Group 2007 US$M	Group 2006 US$M
United Kingdom	1,495	-
Western Europe	2,135	-
Loans and receivables to customers	**3,630**	**-**

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

	Group 2007 US$M	Group 2006 US$M
Balance at 1 January	-	-
Allowances for impairment losses	125	-
Balance at 31 December	**125**	**-**

During the current financial year a specific provision of US$125M (2006: US$nil) was taken against loan positions in the Group. The year end carrying value of the loans was US$3,630M (2006: US$nil). The amount of interest accrued during the current reporting period was US$256M (2006: US$nil). The Group holds mortgages on commercial real estate properties as collateral against the loan positions.

10. Other Investments

The following table summarises details of other investments:

	Group and Company 2007 US$M	Group and Company 2006 US$M
Non-marketable equity securities	7	9
Total other investments	**7**	**9**

This item includes investments in non-marketable exchanges and financial clearing houses for which the Group has neither significant influence nor control over the investee. These securities are held at cost.

11. Deferred Taxes

Deferred taxes are calculated on temporary differences under the liability method using an effective tax rate of 28% (2006 : 30%).

	Group and Company 2007 US$M	Group and Company 2006 US$M
Deferred tax liabilities	(6)	(9)
Deferred tax assets	489	505
Net position	**483**	**496**

11. Deferred Taxes (continued)

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

	Group and Company 2007 US$M	Group and Company 2006 US$M
Balance at 1 January	496	387
Credit to income for the year	20	107
Effect of change in tax rate expensed to income statement	(34)	-
Exchange differences	1	2
At end of the year	**483**	**496**

Deferred tax assets	Group and Company 2007 US$M	Group and Company 2006 US$M
Share-based compensation	406	412
Other provisions	1	13
Other short term temporary differences	20	30
Pensions and other post retirement benefits	62	50
At end of the year	**489**	**505**

Deferred tax liabilities	Group and Company 2007 US$M	Group and Company 2006 US$M
Accelerated tax depreciation	(6)	(9)
At end of the year	**(6)**	**(9)**

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

	Group and Company 2007 US$M	Group and Company 2006 US$M
Share-based compensation	6	(108)
Decelerated tax depreciation	(3)	(3)
Other provisions	12	(4)
Other short term temporary differences	11	2
Pensions and other post-retirement benefits	(12)	6
Total deferred tax charge / (credit) in the income statement	**14**	**(107)**

11. Deferred Taxes (continued)

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

Deferred tax assets are recognised on deductible temporary differences, tax loss carry forwards and tax credits only to the extent that realisation of the related tax benefit is probable. The Group has no tax losses (2006: US$nil) to carry forward against future taxable income.

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

12. Other Assets

	Group 2007 US$M	Group 2006 US$M
Positive replacement values of derivative instruments (held for hedging purposes)	2	5
Brokerage receivables (Note 13)	45,883	35,615
Interest and fees receivable	3,312	2,123
OTC cash collateral	884	2,822
Prepaid expenses	49	46
Other	655	907
Total other assets	**50,785**	**41,518**

	Company 2007 US$M	Company 2006 US$M
Positive replacement values of derivative instruments (held for hedging purposes)	2	5
Brokerage receivables (Note 13)	45,885	35,615
Interest and fees receivable	3,312	2,128
OTC cash collateral	884	2,822
Prepaid expenses	49	46
Other	651	208
Total other assets	**50,783**	**40,824**

All other assets (2006: other assets, other than 'positive replacement values of derivative instruments'), are due within 1 year.

13. Brokerage Receivables and Brokerage Payables

	Group 2007 US$M	Group 2006 US$M
Due from customers	26,542	18,682
Due from banks, brokers and dealers	19,341	16,933
Total brokerage receivables	**45,883**	**35,615**

	Company 2007 US$M	Company 2006 US$M
Due from customers	26,544	18,682
Due from banks, brokers and dealers	19,341	16,933
Total brokerage receivables	**45,885**	**35,615**

	Group and Company 2007 US$M	Group and Company 2006 US$M
Due to customers	(19,164)	(10,295)
Due to banks, brokers and dealers	(13,167)	(13,946)
Total brokerage payables	**(32,331)**	**(24,241)**

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

14. Investment in Subsidiary Undertakings

	Company 2007 US$M	Company 2006 US$M
Beginning of the year	-	-
End of the year	**-**	**-**

Subsidiaries

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

15. Goodwill

	Group and Company 2007 US$M	Group and Company 2006 US$M
Opening net carrying amount	7	6
Exchange differences	1	1
Closing net carrying amount	**8**	**7**

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

16. Property, Plant and Equipment

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

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

No interest has been capitalised within Property, Plant and Equipment (2006:US$nil).

16. Property, Plant and Equipment (continued)

	Group and Company					
	2006					
	Long Leasehold Land and Buildings US$M	Leasehold Improvements US$M	Internally Developed Software US$M	Computer Equipment US$M	Office Equipment US$M	Total US$M
Cost:						
Cost as at 1 January 2006	52	46	-	10	6	114
Additions	-	29	-	1	6	36
Disposals	-	(7)	-	(2)	(1)	(10)
Other movements	-	(2)	-	3	-	1
Cost as at 31 December 2006	52	66	-	12	11	141
Depreciation:						
Depreciation as at 1 January 2006	7	30	-	9	4	50
Charge for the period	1	7	-	1	1	10
Disposals	-	(6)	-	(2)	(1)	(9)
Other movements	-	(2)	-	2	-	-
Depreciation as at 31 December 2006	8	29	-	10	4	51
Net book value as at 31 December 2006	44	37	-	2	7	90
Net book value as at 31 December 2005	45	16	-	1	2	64

17. Deposits

	Group and Company 2007 US$M	Group and Company 2006 US$M
Non-interest bearing demand deposits		
from banks	1,124	414
Interest-bearing demand deposits		
from banks	122	202
from customers	44	147
Demand deposits	**1,290**	**763**
Time deposits		
from banks	3	1,176
Total deposits	**1,293**	**1,939**

18. Short Term Borrowings

	Group 2007 US$M	Group 2006 US$M
Interest-bearing brokerage borrowings	61,695	66,868
Total short term borrowings	**61,695**	**66,868**

	Company 2007 US$M	Company 2006 US$M
Interest-bearing brokerage borrowings	61,689	66,868
Total short term borrowings	**61,689**	**66,868**

19. Long Term Debt

	Group and Company 2007 US$M	Group and Company 2006 US$M
Subordinated debt	2,809	2,292
Total long term debt	**2,809**	**2,292**

At 31 December 2007 subordinated debt comprises an amount of US$2,809M advanced by Credit Suisse First Boston Finance BV, a fellow company under common control, under an agreement dated 22 March 1996, as amended by deed of variation dated 2 July 2001 (2006: US$2,292M). During the year the Company borrowed a further US$517M additional subordinated loan capital from Credit Suisse First Boston Finance BV (2006: US$618M).

Under the terms of the facility the Company may repay, in whole or in part, any amounts outstanding upon giving prior written notice to the lender and FSA. The earliest date at which the lender can request repayment is April 2021.

Interest on subordinated debt is payable at a rate up to LIBOR plus 85 basis points per annum or at such other rate as may be agreed between the parties. Under the facility, the loan and any interest outstanding thereon is subordinated in right of repayment to all other indebtedness and liabilities of the Company.

20. Other Liabilities

	Group 2007 US$M	Group 2006 US$M
Negative replacement values of derivative instruments (held for hedging purposes)	3	1
Brokerage payables (Note 13)	32,331	24,241
Interest and fees payable	2,079	2,172
OTC cash collateral	6,527	4,791
Compensation accruals	1,958	2,178
Other	442	244
Total other liabilities	**43,340**	**33,627**

20. Other Liabilities (continued)

	Company 2007 US$M	Company 2006 US$M
Negative replacement values of derivative instruments (held for hedging purposes)	3	1
Brokerage payables (Note 13)	32,331	24,241
Interest and fees payable	2,079	2,172
OTC cash collateral	6,527	4,791
Compensation accruals	1,958	2,178
Other	439	244
Total other liabilities	**43,337**	**33,627**

All other liabilities (2006: other liabilities, other than 'negative replacement values of derivative instruments'), are due within one year.

21. Provisions

	Group and Company			
	Property US$M	Litigation US$M	Total 2007 US$M	Total 2006 US$M
Balance at beginning of year	22	42	**64**	**68**
Increase in provisions	1	2	**3**	**10**
Released during the year	(15)	(4)	**(19)**	**(16)**
Utilised during the year	(1)	(36)	**(37)**	**-**
Currency translation difference	(1)	-	**(1)**	**2**
Balance at the end of the year	**6**	**4**	**10**	**64**
Of which due in more than 1 year	**6**	**-**	**6**	**8**

Included in the property provision are reinstatement costs of the new Frankfurt building at 16 Junghofplatz (US$2.3M), the Milan office (US$2.1M), Oxford Street, London (US$0.6M), Hanwha building (US$0.5M) and the Paris office (US$0.5M).

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

22. Called-up Share Capital

Authorised

	Group and Company 2007 US$M	Group and Company 2006 US$M
Equity		
2,150,000,000 ordinary voting shares of US$1 each	2,150	50
Total authorised share capital	**2,150**	**50**

22. Called-up Share Capital (continued)

Allotted, called up and fully paid

	Group and Company 2007 US$M	Group and Company 2006 US$M
2,127,300,000 ordinary voting shares of US$1 each	2,127	27
Capital contribution	5,390	4,496
Total called-up share capital	**7,517**	**4,523**

On 7 November 2007, the total authorised share capital of the Company increased from US$50M to US$850M with 800,000,000 ordinary shares issued to Credit Suisse Investment Holdings (UK). These shares were allotted, called up and fully paid.

On 5 December 2007, the total authorised share capital of the Company increased from US$850M to US$2,150M with 1,300,000,000 ordinary shares issued to Credit Suisse Investment Holdings (UK). These shares were allotted, called up and fully paid.

The holders of ordinary shares carry voting rights and the right to receive dividends. The increase in ordinary voting shares in 2007 was required to support the growth in the business and prepare for the impact of the Basel II regulatory framework in 2008.

During the year, an additional capital contribution of US$894M (2006: US$1,248M) was made by Credit Suisse Investment Holdings (UK).

23. Stock Awards

The Company's share-based payments, which are an integral part of the Company'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 incentive performance bonus granted to employees subsequent to the financial year to which the incentive performance 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 CSG 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 CSG share price over the three year period following grant.

23. Stock Awards (continued)

The Company awarded Performance Incentive Plan units ('PIP') 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 Company 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$349M and US$722M respectively.

The total stock award liability recorded as at 31 December 2007 was US$1,381M (2006: US$1,321M). 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 CHF 103.76 (2006: CHF73.55). The intrinsic value of vested share based awards outstanding as at the year end was US$47M (2006: US$88M).

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

	Group and Company 2007 millions	Group and Company 2006 millions
Stock excluding PIP units and ISU awards		
As at 1 January	9.39	8.03
Granted	0.93	4.78
Delivered	(3.76)	(2.79)
Forfeited	(0.49)	(0.63)
As at 31 December	**6.07**	**9.39**
PIP Units		
As at 1 January	2.89	2.08
Granted	-	0.86
Delivered	-	-
Forfeited	(0.07)	(0.05)
As at 31 December	**2.82**	**2.89**

	Group and Company 2007 millions		Group and Company 2006 millions	
ISU Awards	Base	Leverage	Base	Leverage
As at 1 January	-	-	-	-
Granted	4.50	4.50	-	-
Delivered	(0.02)	-	-	-
Forfeited	(0.28)	(0.30)	-	-
As at 31 December	**4.20**	**4.20**	**-**	**-**

23. Stock Awards (continued)

Share options

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

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

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

	Group and Company 2007		Group and Company 2006	
	In units	Weighted average exercise price	In units	Weighted average exercise price
At 1 January	97,639	CHF 52.18	81,272	CHF 47.98
Granted	-	CHF 00.00	16,367	CHF 73.06
Exercised	-	CHF 00.00	-	CHF 00.00
Forfeited	-	CHF 00.00	-	CHF 00.00
At 31 December	**97,639**	**CHF 52.18**	**97,639**	**CHF 52.18**

No share options were exercised during 2007 (2006: nil). The number of options exercisable as at the year end was 66,615 (2006: 36,467). The average weighted exercise price of options exercisable at the year end was CHF 50.01 (2006: CHF 47.92). The intrinsic value of vested options outstanding as at the year end was US$1.1M (2006: US$1.1M).

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

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

The fair value of options granted during the period determined using the Black-Scholes valuation model was US$nil (2006: US$9.00). The significant inputs into the model were share prices of US$nil (2006: US$54.98) at the grant date, exercise price shown above, standard deviation of expected share price returns of nil% (2006: 24.8%), option life disclosed above and annual risk free interest rate of nil% (2006: 2.4%). The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices over the last three years.

24. Retirement Benefit Obligations

The Company has established a number of pension schemes covering substantially all employees. Some of the pension schemes are final salary defined benefit plans and are funded. The assets of the funded plans are held independently of the Company's assets in separate trustee administered funds. A full actuarial valuation is completed by independent actuaries for these schemes every three years using the projected unit credit method and updated as at each balance sheet date. The Company does not contribute to any other post-retirement defined benefit plans.

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

Defined benefit pension and other post-retirement defined benefit plans

Defined benefit pension plans	Group and Company 2007 US$M	Group and Company 2006 US$M
Service costs on benefit obligation	8	6
Interest costs on benefit obligation	76	54
Expected return on plan assets	(95)	(53)
Amortisation of:		
prior service cost	-	-
unrecognised losses	9	4
Net periodic pension costs	**(2)**	**11**
Settlement gains	-	-
Curtailment losses	-	-
Total pension costs	**(2)**	**11**

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 balance sheet for the Company's defined benefit pension and other post-retirement defined benefit plans as at 31 December 2007 and 2006 respectively:

Defined benefit pension plans	Group and Company 2007 US$M	Group and Company 2006 US$M
Defined benefit obligation – beginning of the measurement period	1,395	1,072
Service cost	8	6
Interest cost	76	54
Actuarial losses	(91)	116
Benefit payments	(10)	(8)
Exchange rate losses	25	155
Defined benefit obligation – end of the measurement period	**1,403**	**1,395**

24. Retirement Benefit Obligations (continued)

Defined benefit pension plans	Group and Company 2007 US$M	Group and Company 2006 US$M
Fair value of plan assets – beginning of the measurement period	1,003	804
Assets of countries added in current year	-	-
Expected return on plan assets	95	53
Actuarial (losses)/gains on plan assets	(16)	30
Actual return on plan assets	79	83
Contributions	308	9
Plan participant contributions	-	-
Benefit payments	(10)	(8)
Exchange rate (losses)/gains	(4)	115
Fair value of plan assets – end of the measurement period	**1,376**	**1,003**

Total amount recognised at 31 December		
Funded status of the plan	(27)	(392)
Unrecognised		
Net transition asset	-	-
Prior service cost	-	-
Net actuarial losses	201	252
Exchange rate (losses)/gains	(10)	15
Net amount recognised at 31 December	**164**	**(125)**

The Company has agreed the valuation and funding of the UK defined benefit pension plan with the Pension Fund Trustees as at 31 December 2005. Lump sum contributions were paid by the Company of GBP140M in March 2007 and GBP70M in January 2008. Additional annual tail contributions of GBP2M are expected in April of each year from 2009 until 2015, subject to the results of the next formal valuation, due as at 31 December 2008. The Company may be required to contribute, before October 2009, up to GBP48M depending on the result of the next valuation.

The Company expects to make standard monthly payments to contribute a further total of US$14M to the UK defined benefit pension plans in 2008.

During 2007, the Company recognised US$64M through the income statement for monies received from the participating entities for their portion of the lump sum contribution of GBP140M paid by the Company in 2007.

At 31 December 2007 and 2006, the pension fund plan assets held no material amounts of CSG debt and equity securities.

24. Retirement Benefit Obligations (continued)

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

	Group and Company 2007 US$M	Group and Company 2006 US$M
At 1 January	(125)	(109)
Exchange difference	(21)	(14)
Total expenses	2	(11)
Contributions paid	308	9
At 31 December	**164**	**(125)**

Assumptions

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

31 December in %	Group and Company 2007	Group and Company 2006
Benefit obligations		
Discount rate	5.80	5.10
Inflation	3.20	2.85
Pension increases*	3.20	2.85
Salary increases	4.95	4.60
Net periodic pension cost		
Discount rate	5.10	4.70
Salary increases	4.60	4.25
Expected long term rate of return on plan assets	7.35	6.70

* Pensions earned pre 6 April 1997 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 a scaling factor of 85% projected to date with allowance for the medium cohort and then projected forwards with allowance for the medium cohort but subject to an underpin to longevity improvement rates of 0.5% p.a. for females and 1% p.a. for males.

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

	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

24. Retirement Benefit Obligations (continued)

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 US$M	Increase %	Decrease US$M	Decrease %
Benefit obligation				
One-percentage point change				
Discount rate	419	30	(310)	(22)
Inflation	294	21	(231)	(16)
Salary increases	59	4	(52)	(4)
1 year to life expectancy at 60	29	2	(32)	(2)
Net periodic pension cost				
One-percentage point change				
Expected return on assets	13	690	(13)	(682)

Plan assets and investment strategy

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

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

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

	2007		2006	
	Fair value US$M	% of total fair value of scheme assets	Fair value US$M	% of total fair value of scheme assets
Equity securities	879	63.9	693	69.1
Debt securities	275	20.0	174	17.3
Alternative investments (primarily hedge funds)	220	16.0	131	13.1
Cash	2	0.1	5	0.5
Fair value of plan assets	**1,376**	**100.0**	**1,003**	**100.0**

24. Retirement Benefit Obligations (continued)

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

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

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

Defined Contribution Pension Plans

The Company also contributes to various defined contribution pensions primarily in the United Kingdom. The contributions in these plans during 2007 and 2006 were US$69M and US$59M respectively.

25. Related Party Transactions

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

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

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

25. Related Party Transactions (continued)

a) Related party assets and liabilities

	Group 2007 US$M Fellow Credit Suisse Group Companies	Group 2006 US$M Fellow Credit Suisse Group Companies
Assets		
Cash and cash equivalents	1,105	807
Interest-bearing deposits with banks	3,627	-
Securities purchased under resale agreements and securities borrowing transactions	54,412	76,343
Trading assets	10,416	4,445
Other assets	9,660	7,326
Total assets	**79,220**	**88,921**
Liabilities		
Deposits	1,143	702
Securities sold under repurchase agreements and securities lending	17,006	35,139
Trading liabilities	9,821	4,296
Short term borrowings	61,669	66,858
Long term debt	2,809	2,292
Other liabilities	4,996	3,674
Total liabilities	**97,444**	**112,961**

25. Related Party Transactions (continued)

	Company 2007 US$M Special Purpose Entities	Company 2007 US$M Fellow Credit Suisse Group Companies	Company 2007 US$M Total	Company 2006 US$M Total
Assets				
Cash and cash equivalents	-	1,105	1,105	807
Interest-bearing deposits with banks	-	3,627	3,627	699
Securities purchased under resale agreements and securities borrowing transactions	-	54,412	54,412	76,343
Trading assets	1,108	10,416	11,524	4,445
Other assets	-	9,660	9,660	7,331
Total assets	**1,108**	**79,220**	**80,328**	**89,625**
Liabilities				
Deposits	-	1,143	1,143	702
Securities sold under repurchase agreements and securities lending transactions	-	17,006	17,006	35,139
Trading liabilities	-	9,821	9,821	4,296
Short term borrowings	-	61,669	61,669	66,858
Long term debt	-	2,809	2,809	2,292
Other liabilities	-	4,996	4,996	3,674
Total liabilities	**-**	**97,444**	**97,444**	**112,961**

b) Related party off balance sheet transactions

	Group and Company 2007 US$M Fellow Credit Suisse Group Companies	Group and Company 2006 US$M Fellow Credit Suisse Group Companies
Off balance sheet items		
Guarantees	-	15,200
Derivatives notional amounts	493,643	311,237
Obligation to return securities under 'Securities purchased under resale agreements and securities borrowing transactions'	(62,578)	(45,666)
Securities to be received under 'Securities sold under repurchase agreements and securities lending transactions'	99,436	82,499
Total	**530,501**	**363,270**

25. Related Party Transactions (continued)

c) Related party revenues and expenses

	Group and Company 2007 US$M Fellow Credit Suisse Group Companies	Group and Company 2006 US$M Fellow Credit Suisse Group Companies
Interest income	3,066	2,512
Interest expense	(6,044)	(4,102)
Net interest income	**(2,978)**	**(1,590)**
Net commissions and fees	99	79
Other charges	(29)	(105)
Total non-interest revenues	**70**	**(26)**
Total operating expenses	**(561)**	**(277)**

d) Remuneration

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

Remuneration of Directors

	Group and Company 2007 US$M	Group and Company 2006 US$M
Emoluments	3	11
Share based payment compensation	8	13
Company contributions to money purchase pension schemes	-	1
Total	**11**	**25**

Where directors and key management personnel perform services for a number of companies within the Credit Suisse 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$15,257,605 (2006: US$98,064,855).

Included in the share-based payment compensation for directors is US$284,034 (2006: US$430,620) relating to cash schemes.

25. Related Party Transactions (continued)

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was US$3,691,812 (2006: US$6,469,194). He was a member of a money purchase pension scheme and the contribution paid during the year for the money purchase pension scheme was US$14,795 (2006: US$15,367).

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

	Group and Company Number of Directors 2007	Group and Company 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
Total	**10**	**8**
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

	Group and Company 2007 US$M	Group and Company 2006 US$M
Emoluments	22	37
Amounts receivable under long term incentive schemes	48	252
Compensation for loss of office	-	2
Total	**70**	**291**
Group contributions to money purchase pension schemes	1	1
Total	**71**	**292**

Key Management Personnel include all Directors, the Europe, Middle East and Africa ('EMEA') Investment Banking Committee of Credit Suisse group and Significant Influence Approved Persons for regulatory purposes.

e) Loans and advances to Directors and Key Management Personnel

There were no loans or advances made to directors or key management personnel during the period (2006: US$nil).

25. Related Party Transactions (continued)

f) Liabilities due to pension funds

Liabilities due to own pension funds as at 31 December 2007 and 2006 of US$nil and US$19.5M respectively are reflected in various liability accounts in the Group's balance sheet.

26. Employees

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

	Group and Company 2007 Number	Group and Company 2006 Number
Front office	1,978	1,787
Back office	3,002	3,202
Total	**4,980**	**4,989**

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

27. Derivatives and Hedging Activities

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

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

Trading Activities

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

27. Derivatives and Hedging Activities (continued)

Cash Flow Hedges

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

	Group and Company 2007 US$M	Group and Company 2006 US$M
Fair value of open derivative transactions used as cash flow hedges	2	2
Cash inflows from assets		
within 3 months	-	-
between 3 months and 1 year	-	-
between 1 and 5 years	-	-
greater than 5 years	-	-
Total cash inflows from assets	**-**	**-**
Cash outflows from liabilities		
within 3 months	158	64
between 3 months and 1 year	-	-
between 1 and 5 years	-	-
greater than 5 years	-	-
Total cash outflows from liabilities	**158**	**64**

Amounts relating to cash flow hedges transferred to profit and loss during the period are reflected as a component of expenses. Net ineffectiveness recognised on cash flow hedges during 2007 was US$ nil (2006: US$ nil). Cash flow hedges affect the profit and loss account in the same period when the expenses are recorded such that the hedged expense is recorded using the locked in foreign exchange rate.

Net Investment Hedges

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

The fair value of open derivative transactions used as net investment hedges for the Group and Company as at 31 December 2007 was a liability of US$3M (2006: US$2M asset).

27. Derivatives and Hedging Activities (continued)

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

31 December 2007	Group and Company Trading			Group and Company Hedging		
	Notional amount	Positive replacement value	Negative replacement value	Notional amount	Positive replacement value	Negative replacement value
	US$M	US$M	US$M	US$M	US$M	US$M
Forward rate agreements	5,174	98	22	-	-	-
Swaps	459,281	5,712	5,486	-	-	-
Options bought and sold (OTC)	37,921	181	170	-	-	-
Futures	116,752	-	-	-	-	-
Options bought and sold (traded)	859,885	85	-	-	-	-
Interest rate products	**1,479,013**	**6,076**	**5,678**	**-**	**-**	**-**
Forward rate agreements	270,231	5,629	5,617	294	2	3
Swaps	46,269	1,397	2,123	-	-	-
Options bought and sold (OTC)	109,405	2,981	2,805	-	-	-
Futures	4,026	-	-			
Options bought and sold (traded)	7,563	-	-	-	-	-
Foreign Exchange Products	**437,494**	**10,007**	**10,545**	**294**	**2**	**3**
Forward rate agreements	5,707	143	-	-	-	-
Swaps	111,653	3,423	3,527	-	-	-
Options bought and sold (OTC)	8,130	40	136	-	-	-
Futures	6,082	-	-			
Options bought and sold (traded)	1,987	-	-	-	-	-
Equity/indexed-related products	**133,559**	**3,606**	**3,663**	**-**	**-**	**-**
Credit swaps	23,855	209	207	-	-	-
Other products	**23,855**	**209**	**207**	**-**	**-**	**-**
Total derivative instruments	**2,073,921**	**19,898**	**20,093**	**294**	**2**	**3**

27. Derivatives and Hedging Activities (continued)

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

31 December 2006	Group and Company **Trading**			Group and Company **Hedging**		
	Notional amount	Positive replacement value	Negative replacement value	Notional amount	Positive replacement value	Negative replacement value
	US$M	US$M	US$M	US$M	US$M	US$M
Forward rate agreements	4,209	55	34	-	-	-
Swaps	301,777	3,609	3,510	-	-	-
Options bought and sold (OTC)	89,344	649	401	-	-	-
Futures	104,187	-	-	-	-	-
Options bought and sold (traded)	808,249	134	385	-	-	-
Interest rate products	**1,307,766**	**4,447**	**4,330**	**-**	**-**	**-**
Forward rate agreements	182,343	3,080	2,725	511	5	1
Swaps	22,124	1,046	611	-	-	-
Options bought and sold (OTC)	46,822	635	616	-	-	-
Futures	1,037	-	-			
Foreign Exchange Products	**252,326**	**4,761**	**3,952**	**511**	**5**	**1**
Forward rate agreements	1,269	20	1	-	-	-
Swaps	60,212	2,916	3,486	-	-	-
Options bought and sold (OTC)	19,646	24	1,224	-	-	-
Futures	5,720	-	-	-	-	-
Options bought and sold (traded)	1,823	564	-	-	-	-
Equity/indexed-related products	**88,670**	**3,524**	**4,711**	**-**	**-**	**-**
Credit swaps	13,946	89	132	-	-	-
Other products	**13,946**	**89**	**132**	**-**	**-**	**-**
Total derivative instruments	**1,662,708**	**12,821**	**13,125**	**511**	**5**	**1**

	Group and Company 2007		Group and Company 2006	
	Positive replacement value	Negative replacement value	Positive replacement value	Negative replacement value
	US$M	US$M	US$M	US$M
Replacement values (trading) before netting	19,898	20,093	12,821	13,125
Replacement values (trading) after netting	19,898	20,093	12,821	13,125

28. Guarantees and Commitments

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

	Group and Company						
31 December 2007	Maturity <1 year	Maturity 1-3 years	Maturity 3-5 years	Maturity >5 years	Total gross amount	Collateral received	Net of collateral
	US$M	US$M	US$M	US$M	US$M	US$M	US$M
Total guarantees	**2,136**	**142**	**454**	**60**	**2,792**	**-**	**2,792**

	Group and Company						
31 December 2006	Maturity <1 year	Maturity 1-3 years	Maturity 3-5 years	Maturity >5 years	Total gross amount	Collateral received	Net of collateral
	US$M	US$M	US$M	US$M	US$M	US$M	US$M
Total guarantees	**739**	**1,857**	**96**	**37**	**2,729**	**-**	**2,729**

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

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

Commitments

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

The Company has granted to Morgan Guaranty Trust Company of New York a fixed charge over all American Depository Receipts ('ADR's) held by that company on behalf of the Company, and over all rights, claims and interests in the relevant underlying securities. At 31 December 2007 the Company held ADRs to the value of US$1,460.3M (2006: US$1,612.6M).

The Company has granted to Morgan Guaranty Trust Company of New York, as operator of the Euroclear System, a charge over cash and securities held in the account of the Company at Euroclear. At 31 December 2007 the Company had open trades of US$146.4M with Euroclear (2006: US$774.3M).

The Company has granted to Morgan Guaranty Trust Company of New York a first fixed charge over all sums standing to the credit of the collateral accounts in the name of the Company together with all rights actual or contingent in respect thereof. At 31 December 2007 the Company held no uncollateralised positions with Euroclear (2006: US$nil).

28. Guarantees and Commitments (continued)

The Company has granted to HSBC Bank Plc a first fixed charge over all sums receivable by the Company in respect of any transfer or debit of stock or other securities and a first floating charge over the title and interest in the stock and securities in connection with the provision of CGO Settlement Bank facilities. At 31 December 2007 the Company had open trades of US$58.4m with HSBC Bank Plc (2006: US$nil).

The Company has granted a pledge of securities and claims to a syndicate of banks whose lead bank is Citibank. This pledge is for all present and future securities, bonds, notes, certificates of deposits, instruments or rights representing property rights or claims as well as all other debentures which may be pledged in the same form as securities, according to Luxembourg Law. At 31 December 2007 the Company had open trades of US$882.9M with Citibank (2006: US$3,193.9M).

The Company has granted a first fixed charge to HSBC Bank Plc as Settlement Bank over certain receivables in respect of the Company's membership of CREST, and a first floating charge over all eligible stock and other sums due to the Company against failure of the Company to meet its obligations under the Settlement Bank Facility agreement with HSBC Bank Plc. At 31 December 2007 the Company had open trades of US$178.1M with CREST (2006: US$1,114.9M).

The Company has granted to The Bank of New York a charge over all securities held in the Company's account with Bank of New York as security for payment and discharge of secured obligations. At 31 December 2007 the Company had no liabilities payable to Bank of New York (2006: US$nil).

The Company has granted to Glaxosmithkline Export Ltd a charge over Euroclear securities. At 31 December 2007 the Company held no uncollateralised positions with Euroclear (2006: US$nil).

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

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

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

The Company had underwriting commitments of US$nil at 31 December 2007 (2006: US$2,635M).

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

28. Guarantees and Commitments (continued)

Lease Commitments

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

	Group and Company Total 2007 US$M	Group and Company Of which rental 2007 US$M	Group and Company Total 2006 US$M	Group and Company Of which rental 2006 US$M
Up to 1 year	35	28	45	36
From 1 year to 2 years	22	17	42	34
From 2 years to 3 years	20	16	38	31
From 3 years to 4 years	20	14	35	28
From 5 years and over	2,101	57	1,915	97
Future operating lease commitments	**2,198**	**132**	**2,075**	**226**
Less minimum non-cancellable sublease rentals	(32)	(24)	(93)	(69)
Total net future minimum lease commitments	**2,166**	**108**	**1,982**	**157**

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

	Group and Company Total 2007 US$M	Group and Company Of which rental 2007 US$M	Group and Company Total 2006 US$M	Group and Company Of which rental 2006 US$M
Minimum rentals	47	38	46	41
Sublease rental income	(13)	(10)	(18)	(14)
Total net rental expenses	**34**	**28**	**28**	**27**

Other Commitments

The following table sets forth details of other commitments:

	Group and Company 2007 US$M	Group and Company 2006 US$M
Forward reverse repurchase agreements with maturity <1 year	16,625	2,288
Other commitments with maturity <1 year	473	-
Total other commitments	**17,098**	**2,288**
Collateral received	**-**	**-**

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

29. Securitisations, Special Purpose Entities and Other Structured Transactions

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

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

	2007 US$M	2006 US$M
Assets		
Cash and cash equivalents	158	10
Trading assets	2	-
Financial assets designated at fair value through profit and loss	434	159
Loans and receivables	3,630	-
Other assets	2	699
Total assets	**4,226**	**868**
Liabilities		
Trading liabilities	26	-
Financial liabilities designated at fair value through profit and loss	3,751	6
Short term borrowings	7	699
Other liabilities	3	5
Total liabilities	**3,787**	**710**
Shareholders' equity		
Called-up share capital	400	155
Retained earnings	39	3
Total shareholders' equity	**439**	**158**
Total liabilities and shareholders' equity	**4,226**	**868**

During the year, a number of the SPEs were involved in commercial mortgaged backed securities transactions. The Company acted as underwriter for the SPEs in the issuance of their debt, due to market conditions at the end of 2007, the Company still held a retained interest in the SPEs through the debt issuance.

30. Fair Value of Financial Instruments

Qualitative disclosures of valuation techniques

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

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

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

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

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

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

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

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

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

30. Fair Value of Financial Instruments (continued)

Short-term borrowings and long-term debt include structured notes (hybrid financial instruments that are both bifurcatable and non-bifurcatable) and vanilla debt. The fair value of these debt instruments is based on quoted prices, where available. Where quoted prices are not available, fair values are calculated using yield curves for similar maturities, taking into consideration the impact of the 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, other investments, prepaid expenses, taxes, provisions and pension and benefit obligations are excluded.

	Fair value	**Book Value**			
Group 2007	Total fair value	Held for trading	Designated at fair value	Loan and receivables	Total book value
	US$M	US$M	US$M	US$M	US$M
Cash and cash equivalents	2,681	-	-	2,681	2,681
Interest-bearing deposits with banks	3,627	-	-	3,627	3,627
Securities purchased under resale agreements and securities borrowing transactions	71,808	-	-	71,808	71,808
Trading assets	101,313	101,313	-	-	101,313
Financial assets designated at fair value through profit and loss	96,791	-	96,791	-	96,791
Loans and receivables	3,630	-	-	3,630	3,630
Other assets	50,081	-	-	50,081	50,081
Financial assets	**329,931**	**101,313**	**96,791**	**131,827**	**329,931**

	Fair Value	**Book Value**			
Group 2007	Total fair value	Held for trading	Designated at fair value	Other amortised cost	Total book value
	US$M	US$M	US$M	US$M	US$M
Deposits	1,293	-	-	1,293	1,293
Securities sold under repurchase agreements and securities lending transactions	59,788	-	-	59,788	59,788
Trading liabilities	58,333	58,333	-	-	58,333
Financial liabilities designated at fair value through profit and loss	98,332	-	98,332	-	98,332
Short term borrowings	61,708	-	-	61,695	61,695
Long term debt	3,008	-	-	2,809	2,809
Other liabilities	40,940	-	-	40,940	40,940
Financial liabilities	**323,402**	**58,333**	**98,332**	**166,525**	**323,190**

30. Fair Value of Financial Instruments (continued)

Group 2006	Fair Value	Book Value			
	Total fair value	Held for trading	Designated at fair value	Loan and receivables	Total book value
	US$M	US$M	US$M	US$M	US$M
Cash and cash equivalents	4,737	-	-	4,737	4,737
Interest-bearing deposits with banks	20	-	-	20	20
Securities purchased under resale agreements and securities borrowing transactions	194,133	-	-	194,146	194,146
Trading assets	71,334	71,334	-	-	71,334
Financial assets designated at fair value through profit and loss	2,057	-	2,057	-	2,057
Other assets	40,565	-	-	40,565	40,565
Financial assets	**312,846**	**71,334**	**2,057**	**239,468**	**312,859**

Group 2006	Fair Value	Book Value			
	Total fair value	Held for trading	Designated at fair value	Other amortised cost	Total book value
	US$M	US$M	US$M	US$M	US$M
Deposits	1,939	-	-	1,939	1,939
Securities sold under repurchase agreements and securities lending transactions	150,529	-	-	150,554	150,554
Trading liabilities	52,131	52,131	-	-	52,131
Financial liabilities designated at fair value through profit and loss	4,760	-	4,760	-	4,760
Short term borrowings	66,868	-	-	66,868	66,868
Long term debt	2,425	-	-	2,292	2,292
Other liabilities	31,205	-	-	31,205	31,205
Financial liabilities	**309,857**	**52,131**	**4,760**	**252,858**	**309,749**

Company 2007	Fair Value	Book Value			
	Total fair value	Held for trading	Designated at fair value	Loan and receivables	Total book value
	US$M	US$M	US$M	US$M	US$M
Cash and cash equivalents	2,524	-	-	2,524	2,524
Interest-bearing deposits with banks	3,627	-	-	3,627	3,627
Securities purchased under resale agreements and securities borrowing transactions	71,808	-	-	71,808	71,808
Trading assets	102,409	102,409	-	-	102,409
Financial assets designated at fair value through profit and loss	96,791	-	96,791	-	96,791
Other assets	50,083	-	-	50,083	50,083
Financial assets	**327,242**	**102,409**	**96,791**	**128,042**	**327,242**

30. Fair Value of Financial Instruments (continued)

	Fair Value	Book Value			
Company 2007	Total fair value	Held for trading	Designated at fair value	Other amortised cost	Total book value
	US$M	US$M	US$M	US$M	US$M
Deposits	1,293	-	-	1,293	1,293
Securities sold under repurchase agreements and securities lending transactions	59,788	-	-	59,788	59,788
Trading liabilities	58,307	58,307	-	-	58,307
Financial liabilities designated at fair value through profit and loss	95,678	-	95,678	-	95,678
Short term borrowings	61,702	-	-	61,689	61,689
Long term debt	3,008	-	-	2,809	2,809
Other liabilities	40,940	-	-	40,940	40,940
Financial liabilities	**320,716**	**58,307**	**95,678**	**166,519**	**320,504**

	Fair Value	Book Value			
Company 2006	Total fair value	Held for trading	Designated at fair value	Loan and receivables	Total book value
	US$M	US$M	US$M	US$M	US$M
Cash and cash equivalents	4,727	-	-	4,727	4,727
Interest-bearing deposits with banks	719	-	-	719	719
Securities purchased under resale agreements and securities borrowing transactions	194,133	-	-	194,146	194,146
Trading assets	71,334	71,334	-	-	71,334
Financial assets designated at fair value through profit and loss	2,053	-	2,053	-	2,053
Other assets	40,570	-	-	40,570	40,570
Financial assets	**313,536**	**71,334**	**2,053**	**240,162**	**313,549**

	Fair Value	Book Value			
Company 2006	Total fair value	Held for trading	Designated at fair value	Other amortised cost	Total book value
	US$M	US$M	US$M	US$M	US$M
Deposits	1,939	-	-	1,939	1,939
Securities sold under repurchase agreements and securities lending transactions	150,529	-	-	150,554	150,554
Trading liabilities	52,131	52,131	-	-	52,131
Financial liabilities designated at fair value through profit and loss	4,754	-	4,754	-	4,754
Short term borrowings	66,868	-	-	66,868	66,868
Long term debt	2,425	-	-	2,292	2,292
Other liabilities	31,205	-	-	31,205	31,205
Financial liabilities	**309,851**	**52,131**	**4,754**	**252,858**	**309,743**

30. Fair Value of Financial Instruments (continued)

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

For the year ended 31 December 2007, the amount recognised in the Group and Company profit and loss for financial instruments estimated using a valuation technique and entity specific inputs was a gain of US$112M (2006: US$14M loss).

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

31. Assets Pledged or Assigned

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

	Group and Company 2007 US$M	Group and Company 2006 US$M
Book value of assets pledged and assigned as collateral	57,002	39,889
of which assets provided with the right to sell or repledge	46,594	35,755
Fair value of collateral received with the right to sell or repledge	277,023	266,554
of which sold or repledged	254,679	240,319

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.

UK banking cash reserves, consisting of client money, held by the Group and Company were US$6,713M as at 31 December 2007 (2006: US$1,899M). This cash is not reflected on the Balance Sheet of the Group and Company.

32. Financial Instruments Risk Position

Overview

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

Risk Management Oversight

Risk governance

The prudent taking of risk in line with Credit Suisse 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, Credit Suisse group established and continuously strengthens an independent risk function that closely interacts with the sales and trading functions to ensure optimal flow of information. Credit Suisse group's risk management framework is based on transparency, management accountability and independent oversight.

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

Although Credit Suisse group has implemented comprehensive risk management processes and has sophisticated control systems, it works to limit the impact of negative developments by carefully managing concentrations of risks. The business mix of Investment Banking, Private Banking and Asset Management furthermore gives Credit Suisse group a natural diversification. In Credit Suisse group's Investment Banking business it 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. Credit Suisse group thinks 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 Credit Suisse group's business activities and cannot be completely eliminated, but they are managed through a comprehensive internal control environment. Credit Suisse 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 Credit Suisse group and for defining its overall tolerance for risk.
- Boards of Directors of other Credit Suisse group legal entities: Responsible for the strategic direction, supervision and control of the respective legal entity and for defining the legal entity's tolerance for risk.
- Risk Committees: Responsible for assisting the Boards of Directors of CSG and other Credit Suisse group legal entities in fulfilling their oversight responsibilities by providing guidance regarding risk governance and the development of the risk profile and capital 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 CSG and other Credit Suisse group legal entities in fulfilling their oversight responsibilities by monitoring management's approach with respect to financial reporting, internal controls, accounting, and legal and regulatory compliance. Additionally, the Audit Committees are responsible for monitoring the independence and the performance of the internal and external auditors.

32. 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 Credit Suisse group's risk profile on a consolidated basis, recommending risk limits to the CSG Board of Directors and its Risk Committee and for establishing and allocating risk limits within the various businesses. CARMC meetings focus on the following three areas on a rotating basis: Asset and Liability Management/Liquidity; Market and Credit Risk; and Operational Risk/Legal and Compliance.

Four main committees are implemented at 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; and
- the Divisional Risk Management Committees ('RMC') are closest to the daily business activities and established to manage risk on a divisional basis.

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

- Chief Risk Officer
- 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 management 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 Credit Suisse group's maximum exposure given the market environment, the business strategy and the financial resources available to absorb losses.

Credit Suisse 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.

32. Financial Instruments Risk Position (continued)

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.

Credit Suisse group uses EC as a consistent and comprehensive tool for risk management, capital management and planning and performance measurement. EC provides Credit Suisse group with a robust framework for managing its risk profile on a consolidated basis and for the assessment of the aggregate risk appetite in relation to financial resources. Credit Suisse 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 Credit Suisse group, EC increases risk transparency and improves knowledge-sharing.

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

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. Credit Suisse 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.

Credit Suisse group devotes considerable resources to ensuring that market risk is comprehensively captured, accurately modelled and reported, and effectively managed. Trading and non-trading portfolios are managed at various organisational levels, from the overall risk positions at group level down to specific portfolios. Credit Suisse 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 Credit Suisse 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 Credit Suisse 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.

32. Financial Instruments Risk Position (continued)

Historical financial market rates, prices and volatilities serve as a basis for the statistical VaR model underlying the potential loss estimation. Credit Suisse 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 Company has approval from the FSA to use its VaR model in the calculation of trading book market risk capital requirements. The Company continues to receive regulatory approval for ongoing enhancements to the methodology, and the model is subject to regular reviews by regulators and auditors.

Credit Suisse group uses a historical simulation model for the majority of risk types and businesses within its trading portfolios. Where insufficient data is available for such an approach, an 'extreme-move' methodology is used. The model is based on the profit and loss distribution resulting from 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, Credit Suisse 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 Credit Suisse 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

Credit Suisse 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 Credit Suisse 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.

32. Financial Instruments Risk Position (continued)

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 the Credit Suisse 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 the 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 Company's regulatory capital purposes. This classification of assets as trading is done for the purpose of analysing our market risk exposure, not for financial statement purposes.

Development of trading portfolio risks

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

The Company's one-day, 99% VaR as of 31 December 2007, was US$75M, compared to US$45M as of 31 December 2006.

Value at Risk

	Company				Company			
	2007				2006			
In US$M	Min.	Max.	Average	31.12.2007	Min.	Max.	Average	31.12.2006
Interest rate & credit spread	13	39	22	39	11	32	16	18
Foreign exchange	3	16	8	8	2	56	9	7
Equity	28	68	39	50	17	47	27	33
Commodity	-	2	1	-	-	4	2	1
Diversification Benefit	1)	1)	(23)	(22)	1)	1)	(13)	(14)
Total	**27**	**75**	**47**	**75**	**26**	**86**	**41**	**45**

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

VaR results

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

The Company had two backtesting exceptions in 2007, compared with three backtesting exceptions in 2006.

32. Financial Instruments Risk Position (continued)

Non-trading portfolios

Risk measurement and management

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

Development of non-trading portfolio risks

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

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

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

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 an increase in the value of the non-trading portfolio of approximately US$18M at 31 December 2007, of which developed nations contributed an increase of US$18M and emerging market nations had an immaterial impact. The estimated impact of this scenario would be an increase in the value of the non-trading portfolio of approximately US$4M at 31 December 2006, of which developed nations contributed an increase of US$4M and emerging market nations had an immaterial impact.

32. Financial Instruments Risk Position (continued)

Non-trading portfolios risk mainly resides in the Company, consequently the table below provides further details of the interest rate sensitivity by time bands as at 31 December 2007 on a one basis point basis for the Company, as the Company manages interest rate sensitivity on this basis.

US$ thousands gain/(loss) per basis point increase		Company Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
CHF	Non-trading	1	-	-	-	-	1
	Trading	-	(4)	2	(8)	3	(7)
USD	Non-trading	(47)	19	(6)	(121)	(572)	(727)
	Trading	(111)	15	2,551	(2,456)	397	396
EUR	Non-trading	-	(6)	325	-	-	319
	Trading	(65)	(277)	488	(499)	857	504
GBP	Non-trading	4	-	1	11	19	35
	Trading	2	26	(554)	583	(28)	29
JPY	Non-trading	6	-	-	-	-	6
	Trading	2	5	4	(26)	(40)	(55)
Other	Non-trading	4	-	-	-	-	4
	Trading	4	6	178	(403)	119	(96)

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

b. Credit Risk

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

Definition of Credit Risk

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

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

Credit Risk Management Approach

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

32. Financial Instruments Risk Position (continued)

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

- individual counterparty rating systems;
- transaction rating systems;
- a counterparty credit limit system;
- country 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 client's creditworthiness and the type of credit transaction.

For the purposes of internal ratings, the Group have developed a set of credit rating models tailored for different client segments (e.g. international corporates, financial institutions, asset finance, small and medium enterprises, commodity traders, residential mortgages, etc.). The models are built from statistical data and then subjected 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.

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 also received approval by the regulatory authorities for application under the Basel II Advanced Internal Ratings Based ('AIRB') approach.

These inputs allow the Group 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 the Group'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 the Credit Suisse group.

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 or 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. The Group regularly analyse our industry diversification and concentration in selected areas.

32. Financial Instruments Risk Position (continued)

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.

Maximum Exposure to Credit Risk

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

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

	Group 2007 US$M	Group 2006 US$M
Cash and cash equivalents	2,681	4,737
Interest-bearing deposits with banks	3,627	20
Securities purchased under resale agreements and securities borrowing	71,808	194,146
Trading assets		
Debt instruments	40,405	31,382
Derivative trading positions	19,898	12,821
Financial assets designated at fair value through profit and loss		
Resale agreements	95,745	1,618
Other	1,046	439
Loans and receivables		
Customers	3,630	-
Other assets	49,197	37,743
Off-balance sheet items		
Financial guarantees	2,792	2,729
Total	**290,829**	**285,635**

32. Financial Instruments Risk Position (continued)

	Company 2007 US$M	Company 2006 US$M
Cash and cash equivalents	2,524	4,727
Interest-bearing deposits with banks	3,627	719
Securities purchased under resale agreements and securities borrowing	71,808	194,146
Trading assets		
Debt instruments	41,501	31,382
Derivative trading positions	19,898	12,821
Financial assets designated at fair value through profit and loss		
Resale agreements	95,745	1,618
Other	1,046	435
Other assets	49,199	37,748
Off-balance sheet items		
Financial guarantees	2,792	2,729
Total	**288,140**	**286,325**

Unsecured Exposure by Counterparty Rating

	Company 2007		Company 2006	
	US$M	%	US$M	%
AAA	2,995	28.7	2,686	35.3
AA+ to AA-	4,371	41.9	2,606	34.2
A+ to A-	2,581	24.7	2,045	26.8
BBB+ to BBB-	301	2.9	140	1.8
BB+ to BB-	62	0.5	44	0.6
B+ and below	132	1.3	96	1.3
	10,442	**100.0**	**7,617**	**100.0**

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

Credit Ratings

To ensure that ratings are consistent and comparable across all businesses, the Group has developed an internal rating scale which is benchmarked to the external rating agencies utilising 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.

32. Financial Instruments Risk Position (continued)

Risk Mitigation

The Group 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. The Group also actively enter into collateral arrangements for OTC derivatives and other traded products which allows the Group 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 measured net of an appropriate haircut.

The Group is exposed to a risk of loss resulting from the inability of counterparties to pay for or deliver financial instruments sold, 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.

c. 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. Credit Suisse 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 Credit Suisse 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 Credit Suisse 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.

d. Settlement Risk

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

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

32. Financial Instruments Risk Position (continued)

e. Legal Risk

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

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

f. Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Credit Suisse 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, Credit Suisse group transfers operational risks to third-party insurance companies.

Operational risk is inherent in most aspects of Credit Suisse 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. Credit Suisse group therefore manages operational risk differently from market and credit risk. Credit Suisse group believes that effective management of operational risks requires a common group-wide framework with ownership residing with the management responsible for the relevant business process.

Additionally, Credit Suisse group has established a central team within the Chief Risk Officer area that focuses on the coordination of consistent policy, tools and practices throughout Credit Suisse 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 Credit Suisse group to maintain a coordinated approach.

Within Credit Suisse 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. Credit Suisse group utilises a number of group-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.

32. Financial Instruments Risk Position (continued)

In connection with ongoing control processes, Credit Suisse 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. The Group Executive Board continues to assign the highest priority to the prompt remediation of the related material weakness and reports regularly on these remediation efforts to the Group Audit Committee and Board of Directors.

For further information, refer to the Directors' report – Revaluing of certain asset backed securities positions.

Credit Suisse group has employed the same methodology to calculate EC for operational risk since 2000, and has obtained approval from the Swiss Federal Banking Commission to use a similar methodology for the Advanced Measurement Approach ('AMA') under the Basel II Accord. The methodology is based upon the identification of a number of key risk scenarios that describe all of the major operational risks that Credit Suisse group faces.

Groups of senior staff review each scenario and discuss the likelihood of occurrence and the potential severity of loss. Internal and external loss data, along with certain business environment and internal control factors (for example, self-assessment results and key risk indicators) are considered as part of this process. Based on the output from these meetings, Credit Suisse 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.

g. Reputational Risk

Credit Suisse 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 Credit Suisse group, the relevant business proposal is required to be submitted to Credit Suisse group's Reputational Risk Review Process. This involves a vetting of the proposal by senior business management, and its subsequent referral to one of Credit Suisse group's Reputational Risk Approvers, each of whom is independent of the business divisions and has authority to approve, reject, or impose conditions on Credit Suisse group's participation.

h. Liquidity Risk

The Global Treasury department manages the liquidity position of Credit Suisse group within parameters determined by the ALM-CARMC. The liquidity risk of the Company is managed as an integral part of the overall Credit Suisse group 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. The Company has unrestricted and direct access to funding sourced by Credit Suisse.

32. Financial Instruments Risk Position (continued)

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.

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

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

Group 2006	On Demand	Due within 3 Months	Due between 3 and 12 months	Due between 1 and 5 Years	Due after 5 years	Total
Deposits	1,606	-	342	-	-	1,948
Securities sold under repurchase agreements and securities lending transactions	57,122	82,007	11,244	630	-	151,003
Trading liabilities	52,131	-	-	-	-	52,131
Financial liabilities designated at fair value through profit and loss	-	42	127	2,631	3,504	6,304
Short term borrowings	-	66,950	-	-	-	66,950
Long term debt	-	-	-	-	2,292	2,292
Total financial liabilities	**110,859**	**148,999**	**11,713**	**3,261**	**5,796**	**280,628**

32. Financial Instruments Risk Position (continued)

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

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

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

i. Corporate Asset and Liability Management

The Credit Suisse group Treasury department also oversees corporate policy with respect to interest rate and foreign exchange exposure, as well as a range of other policy areas including debt maturity profile, internal and external capitalisation and intercompany funding. Credit Suisse group minimises foreign currency exposures from a corporate perspective. Trading divisions are authorised to take such risks as part of their business strategies, within limits set by CARMC.

j. Capital

The Company's capital adequacy and capital resources are managed and monitored based on practices developed by the Basel Committee on Banking Supervision (the 'Basel Committee') and governed by European Union Directives. These directives 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 illiquid non-trading assets.

The Group's overall capital needs are continually reviewed to ensure that its capital base can appropriately support the anticipated needs of its businesses and the regulatory capital requirements of its subsidiaries. The capital management framework at Credit Suisse group ensures that our 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.

32. Financial Instruments Risk Position (continued)

The Company 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 introduction of the Basel II framework in 2008 as follows:

	Company 2007 US$M	Company 2006 US$M
Total regulatory capital less deductions at 1 January	**3,005**	**1,413**
Capital injections during the year		
Tier 1	2,994	1,248
Tier 2	517	618
	3,511	**1,866**
Other movements	(151)	(274)
Total regulatory capital less deductions at 31 December	**6,365**	**3,005**

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 firm as set out by the FSA.

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

The following table sets out details of its regulatory capital at 31 December 2007 and 2006:

	Company 2007 US$M	Company 2006 US$M
Total shareholders' equity	5,264	1,926
Reconciliation to tier 1 capital		
Pension risk adjustment	(447)	-
Deductions	(8)	(7)
Tier 1 capital less deductions	**4,809**	**1,919**
Tier 2 capital:		
Upper Tier 2	2,809	1,919
Lower Tier 2	-	-
Tier 2 capital	**2,809**	**1,919**
Tier 1 plus Tier 2 capital	7,618	3,838
Deductions	-	-
Tier 1 plus Tier 2 capital, less deductions	**7,618**	**3,838**
Tier 3 capital	**-**	**373**
Deductions from total capital	(1,253)	(1,206)
Total regulatory capital less deductions	**6,365**	**3,005**

32. Financial Instruments Risk Position (continued)

With effect from 1 January 2008, the Company is subject to FSA's implementation of the Basel II Accord, which revises the original Basel I framework, and aims to make the regulatory requirements more risk sensitive and representative of modern banks' risk management practices. Basel II 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. The Company 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 firms hold an appropriate level of capital.

k. Cash flow and Fair Value Interest Rate Risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Credit Suisse group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. The CSG Board sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored daily.

A discussion of the Value at Risk methodology used by the Credit Suisse group for managing interest rate risk is provided in section a) of this note.

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