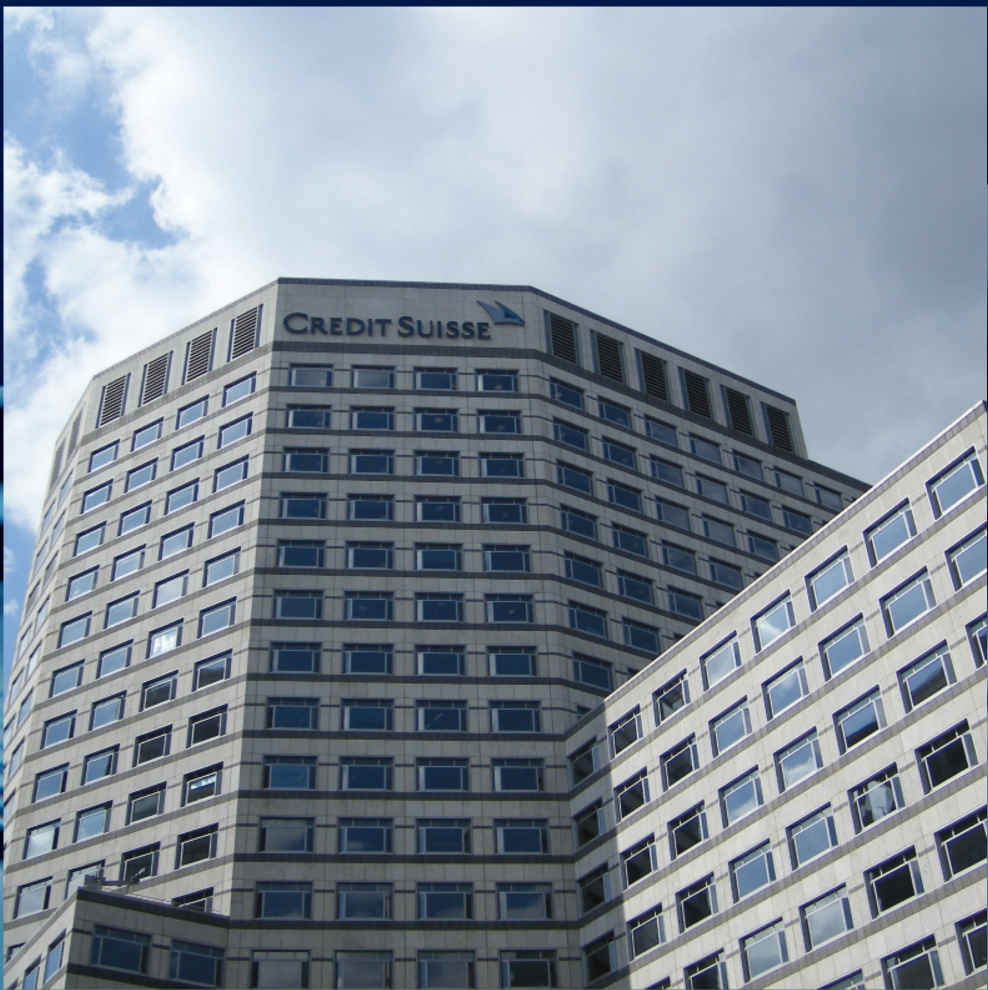
Credit Suisse International
Annual Report 2006



COMPANY REGISTRATION NUMBER: 2500199

CREDIT SUISSE INTERNATIONAL

BOARD OF DIRECTORS

Leonhard Fischer (Chairman and CEO)

Osama Abbasi (Alternate to Gael de Boissard)

Gael de Boissard

Stephen Dainton (Alternate to Simon Yates)

Renato Fassbind (Non Executive)

Tobias Guldimann (Non Executive)

Fawzi Kyriakos-Saad

Hamish Leslie-Melville (Alternate to Marco Mazzucchelli)

Marco G Mazzucchelli

Costas P Michaelides

Simon Yates

COMPANY SECRETARY

Paul Hare

CREDIT SUISSE INTERNATIONAL
DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2006

The directors present their Report and the Financial Statements for the year ended 31 December 2006.

International Financial Reporting Standards

Credit Suisse International's 2006 financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted for use in the European Union (EU).

Business Review

Profile

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

Credit Suisse International ('CSi' or the 'Bank'), an indirect wholly owned subsidiary of Credit Suisse Group, is an unlimited liability company and is authorised under the Financial Services and Markets Act 2000 by the Financial Services Authority.

CSi is a global market leader in over-the-counter ('OTC') derivative products from the standpoints of counterparty service, innovation, product range and geographic scope of operation. CSi offers a range of interest rate, currency, equity, commodity and emerging market/credit-related OTC derivatives and certain securitised products. CSi's business is primarily client-driven, focusing on transactions that address the broad financing, risk management and investment concerns of its worldwide client base.

Principal Product Areas

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

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

Other relates mainly to the Investment Banking business, as well as operating income that is not specifically allocated to any business division. This includes financial advisory services regarding mergers and acquisitions and other matters, origination and distribution of equity and fixed income securities, leveraged finance and private equity investments as well as the provision of capital raising services, in conjunction with the Equity and Fixed Income Divisions.

Performance

The consolidated net operating income for CSi and its subsidiaries (together referred to as the 'Group') for 2006 was US$1,670m (2005: US$1,461m). The loss attributable to shareholders for the year was US$(101)m (2005 profit: US$81m). As at 31 December 2006, the Group had total assets of US$282,165m (2005: US$235,226m) and total shareholders' equity of US$4,902m (2005: $3,718m).

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

	2006 US$M	2005 US$M
Fixed Income Division	1,783	1,264
Equity Division	(89)	149
Other	(24)	48
	1,670	1,461

FID has shown a significant favourable movement last year, with strong growth particularly in the European Exotics, Leverage Finance, US High Grade and CMBS business lines.

The Equity Division has seen a decline in operating income in comparison to last year mainly due to unfavourable trading conditions in the Asian markets.

Other has seen a decline in operating income in comparison to last year mainly due to amounts allocated to CSi from other companies in the CS group relating to revenue sharing arrangements.

CSi's total operating expenses for the year was US$1,826m (2005: US$1,418m). The increase has been due to higher compensation, overhead allocations and support costs.

Capital Resources

Issues of medium and long term debt are set out in Note 18 to the Financial Statements.

In 2006, there was an increase in authorised and issued share capital. On 15 March 2006, 700,000,000 Class E Preference Shares of US$1 each were authorised of which 535,000,000 were issued. On 27 November 2006, 750,000,000 Class F Preference Shares of US$1 each were authorised, all of which were issued. These shares were issued at par and fully paid in cash on application (refer to note 21).

CSi maintains an actively managed capital base to support the risks inherent in the business. At 31 December 2006, the total Risk Weighted Assets based on FSA rules were US$68billion (2005: US$50billion), and the Risk Asset Ratio was 13.5% (2005: 13.5%) on total regulatory capital.

Subsidiary Undertakings and Branches

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

Dividends

No dividends have been paid for the year ended 31 December 2006 (2005: US$49m).

Risk Management

The Groups' 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 30 to the financial statements.

Directors

The names of the directors as at the date of this report are set out on page 2. Changes in the directorate since 31 December 2005 and up to the date of this report are as follows:

Appointment:	
Simon Yates	12 December 2006
Leonhard Fischer (Chairman and CEO)	5 March 2007
Osama Abbasi (Alternate)	5 March 2007
Fawzi Kyriakos-Saad	13 March 2007
Resignation:	
David Mathers	12 December 2006
Michael Philipp (Chairman and CEO)	5 March 2007
Jeremy Bennett	5 March 2007

Gael de Boissard resigned as alternate director and was appointed as a director on 5 March 2007.

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

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

Disclosure of Information to Auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company'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 company's auditors are aware of that information.

Employee Involvement and Employment of Disabled Persons

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

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

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

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

Donations

During the year the Bank made US$35,163 (2005: US$23,568) of charitable donations. There were no political donations made by the Bank during the year (2005: US$Nil).

Auditors

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

Subsequent Events

On 25 January 2007, CSi effected a drawdown of US$200,000,000 from a subordinated loan facility of US$2,000,000,000 with Credit Suisse (International) Holding AG dated 15 March 2006.

Since the end of 2006, the total authorised capital of the Bank increased from US$4,750,000,000 to US$5,550,000,000 by the creation of a new class of shares being 800,000,000 Class G Preference Shares of US$1 each, of which US$800,000,000 were issued to Credit Suisse (International) Holding AG ('IHAG')."

By Order of the Board

Paul Hare
Company Secretary

One Cabot Square
London E14 4QJ
13 March 2007

CREDIT SUISSE INTERNATIONAL
STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

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

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

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

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CREDIT SUISSE INTERNATIONAL

We have audited the Bank and Group financial statements (the 'financial statements') of Credit Suisse International (the 'Bank') for the year ended 31 December 2006 which comprise the Group Income Statement, the Bank and Group Balance Sheets, the Bank and Group Cash Flow Statements, the Bank and Group Statements of Changes in Equity and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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

Respective Responsibilities of Directors and Auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards ('IFRS') as adopted by the EU are set out in the Statement of Directors' Responsibilities on page 6.

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 have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

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

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

Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Bank's and the Group'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 to be audited 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 2006 and of its loss for the year then ended;

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CREDIT SUISSE INTERNATIONAL

- the Bank financial statements give a true and fair view, in accordance with IFRS as adopted by the EU as applied in accordance with the provisions of the Companies Act 1985, of the state of the Bank's affairs as at 31 December 2006;

- 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
13 March 2007

CREDIT SUISSE INTERNATIONAL
CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2006

	Note	2006 US$M	2005 US$M
Interest income	5	1,884	960
Interest expense	5	(3,114)	(1,573)
Net interest expense		**(1,230)**	**(613)**
Net commissions and fees	6	(32)	(162)
Net trading revenues	7	3,543	2,418
Other charges	6	(611)	(182)
Total non interest revenues		**2,900**	**2,074**
Net operating income		**1,670**	**1,461**
Compensation and benefits	6	(859)	(713)
Impairment (charge)/reversal on loans and receivables	10	(48)	58
Other expenses	6	(919)	(763)
Total operating expenses		**(1,826)**	**(1,418)**
(Loss)/profit before tax		**(156)**	**43**
Income tax credit	8	55	38
(Loss)/profit after tax		**(101)**	**81**

All profits and losses for both 2006 and 2005 are from Continuing Operations.

The notes on pages 16 to 79 form an integral part of the Consolidated Financial Statements.

CREDIT SUISSE INTERNATIONAL
CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2006

	Note	2006 US$M	2005 US$M
Assets			
Cash and due from banks		8,296	4,860
Interest-bearing deposits with banks		530	601
Securities purchased under resale agreements and securities borrowing transactions	9	17,338	11,032
Trading assets	7	218,076	188,236
Other financial assets designated at fair value through profit and loss	7	6,052	4,815
Loans and receivables	10	13,350	8,131
Current tax assets		449	298
Deferred tax assets	11	252	199
Other assets	12	17,290	16,608
Intangible assets	14	138	87
Property, plant and equipment	16	394	359
Total assets		**282,165**	**235,226**
Liabilities			
Deposits	17	6,825	4,481
Securities sold under repurchase agreements and securities lending transactions	9	22,333	14,052
Trading liabilities	7	155,733	145,699
Other financial liabilities designated at fair value through profit and loss	7	28,600	25,948
Short term borrowings		38,633	22,097
Current tax liabilities		47	38
Long term debt	18	4,425	2,249
Other liabilities	19	20,627	16,909
Provisions	20	40	35
Total liabilities		**277,263**	**231,508**
Shareholders' equity			
Called-up share capital	21	3,242	1,957
Share premium account	21	433	433
Retained earnings		1,227	1,328
Total shareholders' equity		**4,902**	**3,718**
Total liabilities and shareholders' equity		**282,165**	**235,226**

The notes on pages 16 to 79 form an integral part of the Consolidated Financial Statements.

Approved by the Board of Directors on 13 March 2007 and signed on its behalf by:

C.P. Michaelides

Costas P Michaelides

CREDIT SUISSE INTERNATIONAL
BANK BALANCE SHEET AS AT 31 DECEMBER 2006

	Note	2006 US$M	2005 US$M
Assets			
Cash and due from banks		8,099	3,765
Interest-bearing deposits with banks		530	601
Securities purchased under resale agreements and securities borrowing transactions	9	17,338	11,032
Trading assets	7	216,691	187,725
Other financial assets designated at fair value through profit and loss	7	5,557	4,815
Loans and receivables	10	13,354	8,136
Current tax assets		449	297
Deferred tax assets	11	252	199
Other assets	12	18,256	17,634
Investments in subsidiary undertakings	15	27	27
Intangible assets	14	138	87
Property, plant and equipment	16	394	359
Total assets		**281,085**	**234,677**
Liabilities			
Deposits	17	6,826	4,302
Securities sold under resale agreements and securities lending transactions	9	22,333	15,471
Trading liabilities	7	155,722	145,652
Other financial liabilities designated at fair value through profit and loss	7	26,960	23,905
Short term borrowings		38,311	21,398
Current tax liabilities		51	42
Long term debt	18	4,425	2,249
Other liabilities	19	21,598	17,975
Provisions	20	40	35
Total liabilities		**276,266**	**231,029**
Shareholders' equity			
Called-up share capital	21	3,242	1,957
Share premium account	21	433	433
Retained earnings		1,144	1,258
Total shareholders' equity		**4,819**	**3,648**
Total liabilities and shareholders' equity		**281,085**	**234,677**

The notes on pages 16 to 79 form an integral part of the Consolidated Financial Statements.

Approved by the Board of Directors on 13 March 2007 and signed on its behalf by:

Costas P Michaelides

CREDIT SUISSE INTERNATIONAL

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

		Attributable to equity holders of the Group			
	Note	**Share Capital**	**Share Premium**	**Retained Earnings**	**Total**
		US$M	**US$M**	**US$M**	**US$M**
Balance at 1 January 2005		1,657	433	1,296	3,386
Profit for the year and total recognised income and expense for the period		-	-	81	81
Issue of shares	21	300	-	-	300
Dividends to shareholders	21	-	-	(49)	(49)
Balance at 31 December 2005		**1,957**	**433**	**1,328**	**3,718**

		Attributable to equity holders of the Group			
	Note	**Share Capital**	**Share Premium**	**Retained Earnings**	**Total**
		US$M	**US$M**	**US$M**	**US$M**
Balance at 1 January 2006		1,957	433	1,328	3,718
Loss for the year and total recognised income and expense for the period		-	-	(101)	(101)
Issue of shares	21	1,285	-	-	1,285
Balance at 31 December 2006		**3,242**	**433**	**1,227**	**4,902**

The notes on pages 16 to 79 form an integral part of the Consolidated Financial Statements.

CREDIT SUISSE INTERNATIONAL
BANK STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2006

	Note	Attributable to equity holders of the Bank			
		Share Capital	Share Premium	Retained Earnings	Total
		US$M	US$M	US$M	US$M
Balance at 1 January 2005		1,657	433	840	2,930
Profit for the year and total recognised income and expense for the period		-	-	467	467
Issue of shares	21	300	-	-	300
Dividends to shareholders	21	-	-	(49)	(49)
Balance at 31 December 2005		**1,957**	**433**	**1,258**	**3,648**

	Note	Attributable to equity holders of the Bank			
		Share Capital	Share Premium	Retained Earnings	Total
		US$M	US$M	US$M	US$M
Balance at 1 January 2006		1,957	433	1,258	3,648
Loss for the year and total recognised income and expense for the period		-	-	(114)	(114)
Issue of shares	21	1,285	-	-	1,285
Balance at 31 December 2006		**3,242**	**433**	**1,144**	**4,819**

The notes on pages 16 to 79 form an integral part of the Consolidated Financial Statements.

CREDIT SUISSE INTERNATIONAL

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2006

	Note	2006 US$M	2005 US$M
Cash flows from operating activities			
(Loss)/profit before tax for the period		(156)	43
Adjustments to reconcile net (loss)/profit to net cash provided by/(used in) operating activities			
Non-cash items included in (loss)/profit before tax and other adjustments:			
Amortisation on intangible assets	14	58	-
Depreciation on property, plant and equipment	16	73	126
Interest accrued on long term debt		106	71
Impairment charge/(reversal) on loans and receivables	10	48	(58)
Impairment of intangible assets	14	1	56
Write down and disposals of property, plant and equipment	16	2	6
Foreign exchange losses		81	8
Net (increase)/decrease in operating assets:			
Interest bearing deposits with banks		71	1,278
Securities purchased under resale agreements and securities borrowing transactions		(6,306)	593
Trading assets		(29,840)	1,621
Other financial assets designated at fair value through profit and loss		(1,237)	309
Loans and receivables		(5,267)	(3,973)
Other assets		(682)	(3)
Net increase/(decrease) in operating liabilities:			
Deposits		635	(499)
Securities sold under resale agreements and securities lending transactions		8,281	6,666
Trading liabilities		10,034	(8,269)
Other financial liabilities designated at fair value through profit and loss		2,652	3,931
Short term borrowings		16,536	(611)
Other liabilities		3,700	48
Provisions	20	5	-
Cash generated from operating activities		**(1,205)**	**1,343**
Income taxes paid		(140)	(170)
Net cash flow used in operating activities		**(1,345)**	**1,173**
Investing activities			
Capital expenditure for property, plant and equipment and intangible assets	14,16	(220)	(211)
Net cash flow used in investing activities		**(220)**	**(211)**
Financing activities			
Issue of long term debt		2,095	785
Issue of preference shares	21	1,285	300
Interest paid on long term debt		(88)	(96)
Dividends paid	21	-	(49)
Net cash flow from financing activities		**3,292**	**940**
Net increase in cash and cash equivalents		**1,727**	**1,902**
Cash and cash equivalents at the beginning of the year		3,536	1,634
Cash and cash equivalents at the end of the year		**5,263**	**3,536**
Cash and due from banks		8,296	4,860
Demand deposits	17	(3,033)	(1,324)
Cash and cash equivalents at the end of the year		**5,263**	**3,536**

The notes on pages 16 to 79 form an integral part of the Consolidated Financial Statements.

CREDIT SUISSE INTERNATIONAL
BANK CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2006

	Note	2006 US$M	2005 US$M
Cash flows from operating activities			
(Loss)/profit before tax for the period		(169)	431
Adjustments to reconcile net (loss)/profit to net cash provided by/(used in) operating activities			
Non-cash items included in (loss)/profit before tax and other adjustments:			
Amortisation on intangible assets	14	58	-
Depreciation on property, plant and equipment	16	73	126
Interest accrued on long term debt		105	71
Impairment charge/(reversal) on loans and receivables	10	48	(58)
Impairment of intangible assets	14	1	56
Write down of property, plant and equipment	16	2	6
Foreign exchange loss		81	8
Net (increase)/decrease in operating assets:			
Interest bearing deposits with banks		71	1,278
Securities purchased under resale agreements and securities borrowing transactions		(6,306)	593
Trading assets		(28,966)	2,187
Other financial assets at fair value through profit and loss		(742)	309
Loans and receivables		(5,266)	(4,121)
Other assets		(622)	(987)
Net increase/(decrease) in operating liabilities:			
Deposits		652	(880)
Securities sold under resale agreements and securities lending transactions		6,862	7,040
Trading liabilities		10,070	(8,328)
Other financial liabilities at fair value through profit and loss		3,055	3,500
Short term borrowings		16,913	(1,536)
Other liabilities		3,606	1,046
Provisions	20	5	-
Cash generated from operating Activities		**(469)**	**741**
Income taxes paid	14,16	(141)	(170)
Net cash flow used in operating activities		**(610)**	**571**
Investing activities			
Capital expenditure for property, plant and equipment and intangible assets		(220)	(211)
Repatriation of capital in subsidiary		-	736
Net cash flow from/(used in) investing activities		**(220)**	**525**
Financing activities			
Issue of long term debt		2,095	785
Issue of preference shares	21	1,285	300
Interest paid on long term debt		(88)	(96)
Dividends paid	21	-	(49)
Net cash flow from financing activities		**3,292**	**940**
Net increase in cash and cash equivalents		**2,462**	**2,036**
Cash and cash equivalents at the beginning of the year		2,603	567
Cash and cash equivalents at the end of the year		**5,065**	**2,603**
Cash and due from banks		8,099	3,765
Demand deposits	17	(3,034)	(1,162)
Cash and cash equivalents at the end of the year		**5,065**	**2,603**

The notes on pages 16 to 79 form an integral part of the Consolidated Financial Statements.

1. General

Credit Suisse International is a Bank domiciled in the United Kingdom. The address of the Bank's registered office is One Cabot Square, London, E14 4QJ. The Consolidated Financial Statements for the year ended 31 December 2006 comprise CSi (the 'Bank'), and its subsidiaries (together referred to as the 'Group').

2. Significant Accounting Policies

a) Statement of compliance

Following the adoption of Regulation EC 1606/2002 on the 19 July 2002 by the European Parliament, the Bank is required to prepare Consolidated Financial Statements in accordance with IFRS as adopted by the EU ('Adopted IFRS'), including the standards (International Accounting Standards ('IAS')/IFRS), as well as the interpretations issued by both the Standing Interpretations Committee ('SIC') and the International Financial Reporting Interpretations Committee ('IFRIC') as applicable to the Group for financial periods beginning 1 January 2005.

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

b) Basis of preparation

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

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

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 Group adopted amendments to IAS 39 'Financial Instruments: Recognition and Measurement' and IFRS 4 'Insurance Contracts' in relation to financial guarantee contracts which apply to periods commencing on or after 1 January 2006. The amendments do not have any significant impact on the financial statements for the years ended 31 December 2005 and 31 December 2006.

The Group has elected not to early adopt the provisions of IFRS 7 'Financial Instruments – Disclosures'. The new standard is a pure disclosure standard and does not change the recognition and measurement of financial instruments. Accordingly, it will have no effect on the Income Statement and Statement of Changes in Equity. The new standard requires enhanced quantitative and qualitative risk disclosures for all major categories of financial instruments in the financial statements.

The Group had also elected not to early adopt and is currently evaluating the potential impacts of the following IFRIC's, which are issued but not yet effective:

- IFRIC 7 'Applying the Restatement Approach under IAS 29 "Financial Reporting in Hyperinflationary Economies' (effective for annual periods beginning on or after 1 March 2006);
- IFRIC 8 'Scope of IFRS 2' (effective for annual periods beginning on or after 1 May 2006);
- IFRIC 9 'Reassessment of Embedded Derivatives' (effective for annual periods beginning on or after 1 June 2006);

2. Significant Accounting Policies (continued)

- IFRIC 10 'Interim Financial Reporting and Impairment' (effective for annual periods beginning on or after 1 November 2006); and
- IFRIC 11 'IFRS 2 - Group and Treasury Share Transactions' (effective for annual periods beginning on or after 1 March 2007).

The accounting policies have been applied consistently by Group entities.

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

c) Basis of consolidation

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

A subsidiary is an entity in which the Bank holds, directly or indirectly, more than 50% of the outstanding voting rights, or which it otherwise has the power to control. Control is achieved where the Bank has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. The results of subsidiaries acquired are included in the Consolidated Financial Statements from the date that control commences until the date that control ceases.

The Bank also consolidates subsidiaries when the substance of the relationship between the Bank and the subsidiary indicates that the subsidiary is controlled by the Bank in accordance with the SIC 12. Investments in subsidiaries are accounted for at cost in accordance with IAS27, in the Bank's stand alone accounts.

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

d) Foreign currency

The Group and Bank's functional currency is United States Dollars. Transactions denominated in currencies other than the functional currency of the reporting entity are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to USD 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 USD are translated to USD at foreign exchange rates ruling at the balance sheet date. The revenue and expenses of these Group companies are translated to USD 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 gain or loss on disposal.

e) Segmental reporting

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

FID provides a full range of derivatives products including forward rate agreements, interest rate and currency swaps, interest rate options, bond options, commodities and credit derivatives for the financing, risk management and investment needs of its customers.

2. Significant Accounting Policies (continued)

FID also engages in underwriting, securitising, trading and distributing a broad range of financial instruments in developed and emerging markets including US Treasury and government agency securities, US and foreign investment-grade and high yield corporate bonds, money market instruments, foreign exchange and real estate related assets.

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

Other reflects Investment Banking Division ('IBD') activities which include financial advisory services regarding mergers and acquisitions and other matters, origination and distribution of equity and fixed income securities, leveraged finance and private equity investments as well as the provision of capital raising services, in conjunction with the Equity and Fixed Income Divisions and also includes operating income that is not specifically allocated to any business divisions.

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

f) Cash and cash equivalents

For the purpose of preparation and presentation of the cash flow statement, cash and cash equivalents are defined as short-term, highly liquid instruments with original maturities of three months or less and that are held for the purpose of cash management.

g) Securities purchased or sold under resale agreements

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

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

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

h) Securities borrowing and lending transactions

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

i) Trading assets and liabilities

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

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

j) Derivative financial instruments and hedging

All freestanding derivative contracts are carried at fair value in the balance sheet regardless of whether these instruments are held for trading or risk management purposes. When derivative features embedded in certain contracts that meet the definition of a derivative are not considered clearly and closely related to the host instrument, the embedded feature will be accounted for separately at fair value, with changes in fair value recorded in the income statement unless, consistent with the provisions of IAS 39, the fair value option is elected (as described in note k below), in which case the entire instrument is to be 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. Changes in realised and unrealised gains and losses and interest flows are included in 'Net Trading Revenue'. Derivative contracts, which are both designated and qualify for hedge accounting, are reported in the balance sheet as 'Other Assets' or 'Other Liabilities' and hedge accounting is applied.

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

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

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

2. Significant Accounting Policies (continued)

- 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 Bank 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 Bank 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.

Fair value hedge accounting

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

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

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

The Group has adopted the EU endorsed Fair Value Option amendment of IAS 39 which allows an entity to designate financial assets and liabilities as held at fair value through profit and loss either at transition to Adopted IFRS on 1 January 2005 or at the inception of the trade from that date forward. Financial assets and liabilities are only designated as held at fair value through profit and loss if the instruments contain a substantive embedded derivative, or when doing so results in more relevant information, because either:

2. Significant Accounting Policies (continued)

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

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

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

l) Derecognition

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

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

m) Loans and receivables

Loans and receivables are recognised when cash is advanced to borrowers. They are initially recorded at fair value, which is the cash given to originate the loan, and are subsequently carried at amortised cost net of deferred loan origination fees and direct loan origination costs on originated loans. Interest income is accrued on the unpaid principal balance, and net deferred premiums/discounts and fees/costs are amortised on an effective yield basis on the resulting balance for all loans and receivables.

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

The Group assesses at each balance sheet date whether there is objective evidence that a loan position or a portfolio of loans is impaired. An 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.

2. Significant Accounting Policies (continued)

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 amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The amount of the loss is recognised in the income statement.

The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

An allowance for impairment is reversed only when the credit quality has improved such that there is reasonable assurance of timely collection of principal and interest in accordance with the original contractual terms of the claim agreement.

o) Netting

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

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

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

p) Income tax

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

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

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

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

2. Significant Accounting Policies (continued)

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend arises.

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

q) Intangible assets

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

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

r) Property, plant and equipment

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

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

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

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

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

s) Preference share capital

The Group classifies preference shares in accordance with the substance of the contractual arrangement. Liabilities are defined as contractual obligations to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity. A contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities is in substance part of equity.

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

2. Significant Accounting Policies (continued)

t) Retirement benefit costs

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

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

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

u) 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.

v) Contingent liabilities

Contingent liabilities are not recognised because their 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. A contingent liability is not recognised as a liability but may only be disclosed. Provisions are recognised (assuming that a reliable estimate can be made) if they are present obligations and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations.

w) Provisions

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

x) Share-based payments

The Bank has applied the requirements of IFRS 2 'Share-based Payments'. In accordance with the transitional provisions, IFRS 2 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as at 1 January 2005, of which the corresponding expense was recorded in 2004.

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

This arrangement has been classified as a cash-settled share-based payment due to the Bank's obligation to settle the liability by the delivery of an asset that is not an equity instrument of the Bank. A liability equal to the portion of the services received is recognised at the current market value determined at each balance sheet date. The expense for share-based payments is determined by treating each tranche as a separate grant of share awards unless the employee is eligible for early retirement or retirement before the end of the vesting period, in which case recognition of the expense would be accelerated over the shorter period.

2. Significant Accounting Policies (continued)

y) Interest income and expense

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

z) Commissions and fees

Fee revenue is recognised when all of the following criteria have been met: persuasive evidence of an agreement exists, services have been rendered, the price is fixed or determinable and collectability is reasonably assured.

Commissions and fees earned for investment and portfolio management, customer trading and custody services are recognised at the time or over the period, respectively, that the related service is provided. Revenues from underwriting and fees from mergers and acquisitions and other corporate finance advisory services are recorded at the time when the underlying transactions are substantially completed, as long as there are no other contingencies associated with the fees.

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.

aa) 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.

ab) Dividends

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

3. Critical Accounting Estimates and Judgements in Applying Accounting Policies

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

Fair Value

As is the normal practice in the financial services industry, the carrying values the Group reports in the consolidated financial statements with respect to financial instruments owned and financial instruments sold but not yet purchased 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.

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

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. As a result of these uncertainties, 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 76.

Litigation Contingencies

A contingency is an existing condition that involves a degree of uncertainty that will ultimately be resolved upon the occurrence of future events. From time to time, the Group is involved in a variety of legal, regulatory and arbitration matters in connection with the conduct of its businesses.

It is inherently difficult to predict the outcome of many of these matters, particularly those cases in which the matters are brought on behalf of various classes of claimants, seek damages of unspecified or indeterminate amounts or involve novel legal claims. In presenting the consolidated financial statements, management makes estimates regarding the outcome of legal, regulatory and arbitration matters and takes a charge to income when losses with respect to such matters are probable and can be reasonably estimated. Charges, other than those taken periodically for costs of defence, are not established for matters when losses cannot be reasonably estimated. Estimates, by their nature, are based on judgement and currently available information and involve a variety of factors, including but not limited to the type and nature of the litigation, claim or proceeding, the progress of the matter, the advice of legal counsel and other advisers, the Group's defences and its experience in similar cases or proceedings. According to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets', a provision shall be recognised when (a) an entity has a present obligation (legal or constructive) as a result of a past event; (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation.

Allowances and Impairment Losses on Loans and Receivables

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

Share-Based Payments

The Group uses the liability method to account for its share-based compensation plans, which requires the Group's current obligation under these plans to be recorded at estimated fair value. The parameters the Group incorporates into the valuation include both internal expectations of future performance of the CS group, which is based on management's assessment of current market conditions, as well as market expectations. 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.

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

Retirement Benefit Costs

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

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

CSS (Europe) Ltd is required to estimate the expected return on plan assets, which is then used to compute 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. The Group uses the calculated value of assets in calculating pension expense and in determining the expected rate of return.

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

Income Taxes

Deferred tax valuation

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

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 despite the belief that positions taken in tax returns are always fully supportable. Tax contingency accruals are adjusted due to changing facts and circumstances, such as case law, progress of tax authority audits or when an event occurs that requires a change to the tax contingency accruals. Management regularly assesses the appropriateness of provisions for income taxes. Management believes that it has appropriately accrued for any contingent tax liabilities.

4. Segmental Analysis

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

Primary segmental reporting

As at 31 December 2006	**Note**	**Fixed Income Division US$M**	**Equity Division US$M**	**Other US$M**	**Group US$M**
Net operating income/(expense)		1,783	(89)	(24)	1,670
Profit/(loss) before tax		493	(633)	(16)	(156)
Income tax credit	8				55
Loss after tax					**(101)**
Amortisation	14	(43)	(15)	-	(58)
Depreciation	16	(55)	(18)	-	(73)
Capital expenditure	14,16	164	56	-	220
Impairment charge on loans and receivables	10	(28)	(20)	-	(48)
Total assets		210,931	70,949	285	282,165
Total liabilities		206,870	70,376	17	277,263
Shareholders' equity					4,902
Total liabilities and shareholders' equity					**282,165**

As at 31 December 2005	**Note**	**Fixed Income Division US$M**	**Equity Division US$M**	**Other US$M**	**Group US$M**
Net operating income		1,264	149	48	1,461
Profit/(loss) before tax		306	(266)	3	43
Income tax credit	8				38
Profit after tax					**81**
Depreciation	16	(107)	(19)	-	(126)
Capital expenditure	14,16	180	31	-	211
Impairment reversal on loans and receivables	10	58	-	-	58
Total assets		200,352	34,702	172	235,226
Total liabilities		197,084	34,332	92	231,508
Shareholders' equity					3,718
Total liabilities and shareholders' equity					**235,226**

4. Segmental Analysis (continued)

Secondary segmental reporting

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

As at 31 December 2006	**Note**	**Americas US$M**	**Europe US$M**	**Asia Pacific US$M**	**Group US$M**
Net operating income		206	1,654	(190)	1,670
Capital expenditure	14,16	52	142	26	220
Total assets		66,980	182,130	33,055	282,165

As at 31 December 2005		**Americas US$M**	**Europe US$M**	**Asia Pacific US$M**	**Group US$M**
Net operating income		283	956	222	1,461
Capital expenditure	14,16	41	154	16	211
Total assets		45,494	171,680	18,052	235,226

During the year a portion of the FID business was reclassified to Equities as part of a business realignment. In addition, the primary segment allocation methodology was revised. Comparative primary segment information was reclassified for consistency.

5. Interest Income and Interest Expense

	2006 US$M	**2005 US$M**
Loans and receivables	466	183
Securities purchased under resale agreements and securities borrowing transactions	483	268
Cash collateral paid on OTC derivatives transactions	479	312
Interest income on cash, cash equivalents and loans	456	197
Total interest income	**1,884**	**960**
Deposits	(184)	(260)
Short term borrowings	(1,372)	(623)
Securities sold under resale agreements and securities lending transactions	(719)	(270)
Long term debt	(157)	(71)
Cash collateral received on OTC derivatives transactions	(682)	(349)
Total interest expense	**(3,114)**	**(1,573)**
Net interest expense	**(1,230)**	**(613)**

6. Non-Interest Revenues and Total Operating Expenses

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

	2006 US$M	2005 US$M
Commissions from lending business:		
Investment and portfolio management activities	109	77
Commissions and fees from fiduciary activities:		
Brokerage activities	2	16
Fees for other customer services	1	3
Commission and fee income	**112**	**96**
Commissions from lending business:		
Investment and portfolio management activities	(98)	(72)
Commissions and fees from fiduciary activities:		
Brokerage fees	(45)	(185)
Fees for other customer services	(1)	(1)
Commission and fee expense	**(144)**	**(258)**
Net commission and fee expense	**(32)**	**(162)**

Other charges of US$(611m) (2005: US$(182m)) principally relate to amounts allocated to CSi from other companies in the CS group mainly due to revenue sharing arrangements. US$198m of the current year charges result from a change in estimate following an internal review.

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

	2006 US$M	2005 US$M
Salaries and bonuses	772	634
Social security	68	51
Pensions	13	14
Other	6	14
Compensation and benefits	**859**	**713**

The following table sets forth the details of other expenses:

	Note	2006 US$M	2005 US$M
Occupancy expenses		14	13
IT and machinery		85	140
Amortisation expenses	14	58	-
Depreciation expenses	16	73	126
Provisions	20	36	10
Commission expenses		94	81
Travel and entertainment		14	11
Audit fees of the Bank		5	3
Professional services		79	61
Overheads allocated from other CS group entities		366	212
Other		95	106
Other expenses		**919**	**763**

7. Trading Activities

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

	2006 US$M	2005 US$M
Interest rate products	2,406	1,160
Equity/indexed-related products	654	673
Foreign exchange products	(80)	141
Credit related products	565	458
Energy trading and marketing	(3)	(4)
Other	1	(10)
Net trading revenue	**3,543**	**2,418**

For the year ended 31 December 2006, the impact to the income statement relating to financial instruments designated as held at fair value through profit and loss was a gain of US$82m (2005: US$174m). Included in this total is US$4m (2005: US$41m) of fair value changes of financial liabilities due to changes in the Group's own creditworthiness.

	Group 2006 US$M	Group 2005 US$M	Bank 2006 US$M	Bank 2005 US$M
Trading assets				
Debt instruments	41,402	20,819	35,215	20,174
Equity instruments	23,071	27,692	22,863	21,205
Positive replacement values of derivative trading positions	141,072	133,584	141,227	134,243
Other	12,531	6,141	17,386	12,103
Total trading assets	**218,076**	**188,236**	**216,691**	**187,725**
Other financial assets designated at fair value through profit and loss				
Debt instruments	4,478	3,717	3,983	3,717
Equity Instruments	316	578	316	578
Loans	1,258	520	1,258	520
Total other financial assets designated at fair value through profit and loss	**6,052**	**4,815**	**5,557**	**4,815**

Trading assets and other financial assets designated at fair value through profit and loss include US$10,814m (2005: US$6,298m) which are encumbered.

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

For loans designated at fair value through profit and loss, the maximum fair value exposure to credit risk as at 31 December 2006 was US$45m (2005: US$165m). To mitigate this credit risk, credit default swaps and securities with a fair value of US$123m (2005: US$104m) have been transacted to transfer this risk into the capital markets. The movement in fair values of loans and receivables designated at fair value during the year ended 31 December 2006 was a US$82m (2005: US$349m) increase, with a corresponding decrease in fair value of the swaps and securities in place to mitigate this risk of US$17m (2005: US$22m).

7. Trading Activities (continued)

	Group 2006 US$M	Group 2005 US$M	Bank 2006 US$M	Bank 2005 US$M
Trading liabilities				
Short positions	11,348	11,899	11,143	11,791
Negative replacement values of derivative trading positions	144,385	133,800	144,579	133,861
Total trading liabilities	**155,733**	**145,699**	**155,722**	**145,652**
Other financial liabilities designated at fair value through profit and loss				
Subordinated loans	1,771	1,754	1,771	1,754
Structured notes	22,415	22,799	20,775	20,756
Bonds	259	104	259	104
Deposits	4,155	1,291	4,155	1,291
Total other financial liabilities designated at fair value through profit and loss	**28,600**	**25,948**	**26,960**	**23,905**

The fair value valuation was calculated using a yield curve which reflected the Group's credit rating in the market. This was achieved by adjusting the relevant yield curve by the Group's credit spread, dependent on the tier of the debt, at each point in the curve to provide an own credit adjusted valuation.

Of the other financial liabilities designated at fair value through profit and loss, subordinated loans and bonds were elected to alleviate an accounting mismatch, while structured notes and deposits were elected because they are managed on a fair value basis.

The difference between the carrying amount and the amount that the Group would be contractually required to pay at maturity to the holder of these financial liabilities is US$240m (2005: US$254m).

8. Income Tax

	2006 US$M	2005 US$M
Current tax		
Current credit/(charge) on (losses)/profits for the period	35	(81)
Adjustments in respect of previous periods	(33)	85
Total current tax credit	**2**	**4**
Deferred tax		
Origination and reversal of temporary differences	16	19
Adjustments in respect of previous periods	37	19
Effect of changes in tax rate or the imposition of new taxes	-	(4)
Total deferred tax credit	**53**	**34**
Income tax credit	**55**	**38**

8. Income Tax Expense (continued)

Further information about deferred income tax is presented in Note 11. The income tax charge for the year can be reconciled to the profit per the income statement as follows:

	2006 US$M	**2005 US$M**
(Loss)/profit before tax	(156)	43
(Loss)/profit before tax multiplied by the UK statutory rate of corporation tax at the rate of 30% (2005: 30%)	47	(13)
Other permanent differences	4	(58)
Effect of different tax rates of operations/subsidiaries operating in other jurisdictions	(2)	(3)
Adjustments to current tax in respect of previous periods	(33)	85
Adjustments to deferred tax in respect of previous periods	37	19
Group relief claimed for nil consideration	-	12
Effect on deferred tax resulting from changes to tax rates	-	(4)
Other	2	-
Income tax credit	**55**	**38**

9. Securities Borrowed, Lent and Subject to Resale Agreements

The following table summarises the securities purchased/sold under agreements to resell/repurchase, at their respective carrying values:

	Group 2006 US$M	**Group 2005 US$M**	**Bank 2006 US$M**	**Bank 2005 US$M**
Securities purchased under resale agreements	12,931	10,247	12,931	10,247
Deposits paid for securities borrowed	4,407	785	4,407	785
Total	**17,338**	**11,032**	**17,338**	**11,032**

The following table summarise the securities lent or sold under agreements to repurchase, at their respective carrying values:

	Group 2006 US$M	**Group 2005 US$M**	**Bank 2006 US$M**	**Bank 2005 US$M**
Securities sold under resale agreements	17,488	7,320	17,488	7,320
Deposits received for securities lent	4,845	6,732	4,845	8,151
Total	**22,333**	**14,052**	**22,333**	**15,471**

Purchase and repurchase agreements represent collateralised financing transactions used to earn net interest income, increase liquidity or facilitate trading activity. These instruments are collateralised principally by government securities and money market instruments and generally have terms ranging from overnight to 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.

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

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.

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 Group 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 Group continues to recognise the transferred asset in its entirety or to the extent of its continuing involvement.

10. Loans and Receivables

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

	Group 2006 US$M	Group 2005 US$M	Bank 2006 US$M	Bank 2005 US$M
Banks	484	410	484	410
Customer	72	14	76	19
United Kingdom	**556**	**424**	**560**	**429**
Banks	3,534	617	3,534	617
Customer	9,340	7,122	9,340	7,122
Foreign	**12,874**	**7,739**	**12,874**	**7,739**
Loans and receivables, gross	**13,430**	**8,163**	**13,434**	**8,168**
Banks	(5)	(5)	(5)	(5)
Customer	(75)	(27)	(75)	(27)
Allowances for impairment losses on loans and receivables	**(80)**	**(32)**	**(80)**	**(32)**
Loans and receivables, net	**13,350**	**8,131**	**13,354**	**8,136**

The following table analyses gross loans by maturity:	Group 2006	Group 2005	Bank 2006	Bank 2005
Repayable	**US$M**	**US$M**	**US$M**	**US$M**
- within 3 months	4,203	2,154	4,203	2,154
- between 3 months and 1 year	3,335	1,355	3,339	1,355
- between 1 and 5 years	4,705	2,531	4,705	2,531
- greater than 5 years	1,187	2,123	1,187	2,128
Loans and receivables, gross	**13,430**	**8,163**	**13,434**	**8,168**

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

Group and Bank	**2006 US$M**	**2005 US$M**
Balance at 1 January	(32)	(42)
Amounts written back	-	(48)
Additional allowances for impairment losses	(53)	(23)
Release of allowances for impairment losses	5	81
Net (charge)/reversal to income statement	(48)	58
Balance at 31 December	**(80)**	**(32)**

10. Loans and Receivables (continued)

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

	Group 2006 US$M	Group 2005 US$M	Bank 2006 US$M	Bank 2005 US$M
United Kingdom	72	14	76	19
Africa	24	-	24	-
America	1,244	628	1,244	628
Asia Pacific	680	543	680	543
Eastern Europe	3,898	3,688	3,898	3,688
Middle East	203	47	203	47
Western Europe	3,291	2,216	3,291	2,216
Loans and receivables to customers	**9,412**	**7,136**	**9,416**	**7,141**

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

	Group 2006 US$M	Group 2005 US$M	Bank 2006 US$M	Bank 2005 US$M
United Kingdom	484	410	484	410
Africa	-	-	-	-
America	78	13	78	13
Asia Pacific	1,737	70	1,737	70
Eastern Europe	1,280	363	1,280	363
Middle East	-	-	-	-
Western Europe	439	171	439	171
Loans and receivables to banks	**4,018**	**1,027**	**4,018**	**1,027**

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

	Group 2006 US$M	Group 2005 US$M	Bank 2006 US$M	Bank 2005 US$M
Agriculture and mining	3,305	1,574	3,309	1,574
Communication	754	394	754	394
Financial services	1,829	1,246	1,829	1,251
Hotels and restaurants	11	11	11	11
Public authorities	137	407	137	407
Manufacturing	1,419	1,002	1,419	1,002
Other services	1,664	1,799	1,664	1,799
Real estate	64	65	64	65
Transportation	101	121	101	121
Wholesale and retail	39	41	39	41
Construction	75	120	75	120
Health and social services	14	356	14	356
Loans and receivables to customers	**9,412**	**7,136**	**9,416**	**7,141**

11. Deferred Taxes

Deferred taxes are calculated on all temporary differences under the liability method using an effective tax rate of 32% (2005: 32%).

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

	2006 US$M	2005 US$M
Deferred tax assets	252	199
Net position	**252**	**199**
Balance at 1 January	199	165
Credit to income for the year	53	38
Effect of change in tax rate expensed to income statement	-	(4)
At end of the year	**252**	**199**

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

Deferred tax assets **Group and Bank**	2006 US$M	2005 US$M
Derivative financial instruments	49	53
Share-based compensation	146	105
Decelerated tax depreciation	29	21
Other provisions	15	12
Other short term temporary differences	10	5
Pensions and other post-retirement benefits	1	3
Tax losses	2	-
At end of the year	**252**	**199**

The deferred tax credit in the income statement comprises the following temporary differences:

	2006 US$M	2005 US$M
Derivative financial instruments	(4)	(1)
Share-based compensation	41	39
Decelerated tax depreciation	8	(8)
Other provisions	3	(3)
Other short term temporary differences	5	4
Pensions and other post-retirement benefits	(2)	3
Tax losses	2	-
Total deferred tax credit in the income statement	**53**	**34**

At the balance sheet date, the aggregate amount of temporary differences associated with investments in subsidiaries for which deferred tax liabilities have not been provided was US$13m (2005: US$8m). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

12. Other Assets

	Group 2006 US$M	Group 2005 US$M	Bank 2006 US$M	Bank 2005 US$M
Positive replacement values of derivative instruments (held for hedging purposes) (refer to Note 25)	-	36	-	36
Brokerage receivables (refer to Note 13)	8,169	8,022	8,156	7,972
Interest and fees receivable	167	110	1,159	1,191
Cash collateral receivable	8,821	8,237	8,821	8,237
Prepaid expenses	5	1	4	1
Other	128	202	116	197
Total other assets	**17,290**	**16,608**	**18,256**	**17,634**

All other assets, other than positive replacement values of derivative instruments, are due within one year.

13. Brokerage Receivables and Brokerage Payables

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

	Group 2006 US$M	Group 2005 US$M	Bank 2006 US$M	Bank 2005 US$M
Due from customers	3,700	1,574	3,700	1,530
Due from banks, brokers and dealers	4,469	6,448	4,456	6,442
Total brokerage receivables	**8,169**	**8,022**	**8,156**	**7,972**

	Group 2006 US$M	Group 2005 US$M	Bank 2006 US$M	Bank 2005 US$M
Due to customers	1,236	339	1,236	339
Due to banks, brokers and dealers	3,627	3,872	3,626	3,872
Total brokerage payables	**4,863**	**4,211**	**4,862**	**4,211**

14. Intangible Assets

Group and Bank	Internally Developed Software 2006 US$M	Internally Developed Software 2005 US$M
Cost:		
Cost as at 1 January	87	67
Reclassified from property, plant and equipment	126	-
Additions	67	76
Impairment	(1)	(56)
Cost as at 31 December	279	87
Accumulated amortisation:		
Accumulated amortisation as at 1 January	-	-
Reclassified from property, plant and equipment	(83)	-
Charge for the period	(58)	-
Accumulated amortisation as at 31 December	(141)	-
Net book value as at 1 January	**87**	**67**
Net book value as at 31 December	**138**	**87**

Completed internally developed software, previously included in Property, Plant and Equipment in 2005, has been reclassified to Intangible Assets this year. Internally developed software in 2006 includes amounts that are still work-in-progress as well as completed.

15. Investments in Subsidiary Undertakings

Bank	2006 US$M	2005 US$M
Beginning of the year	27	722
Reclassification of loans to investments in subsidiary	-	3
Repatriation of capital by subsidiary	-	(698)
End of the year	**27**	**27**

The subsidiary undertakings, direct and indirect, of the Bank at 31 December 2006, all of which are consolidated in these financial statements, are as follows:

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

15. Investments in Subsidiary Undertakings (continued)

The repatriation of capital by subsidiary of US$698m in 2005 relates to Credit Suisse First Boston International Warrants Limited, who resolved on 30 September 2005 to redesignate 600,000,000 Authorised Redeemable Preference Shares of GB£1 each as Ordinary Shares of GB£1 each. On 13 October 2005 Credit Suisse First Boston International Warrants Limited resolved to reduce its share capital to GB£8,000,000 by cancelling 417,431,000 Ordinary Shares of GB£1 each. The effective date of the reduction was 21 October 2005. On 26 October 2005 Credit Suisse First Boston International Warrants Limited resolved to be wound up voluntarily and to appoint a liquidator.

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

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

16. Property, Plant and Equipment

Group and Bank 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	78	363	155	415	78	1,089
Reclassified from/(to) intangible assets	-	29	(155)	-	-	(126)
Additions	-	101	-	52	-	153
Disposals	-	-	-	-	(2)	(2)
Write down	-	-	-	-	-	-
Cost as at 31 December 2006	78	493	-	467	76	1,114
Accumulated depreciation:						
Accumulated depreciation as at 1 January 2006	(11)	(215)	(83)	(357)	(64)	(730)
Reclassified to intangible assets	-	-	83	-	-	83
Charge for the period	(1)	(36)	-	(33)	(3)	(73)
Disposals	-	-	-	-	-	-
Accumulated depreciation as at 31 December 2006	(12)	(251)	-	(390)	(67)	(720)
Net book value as at 1 January 2006	**67**	**148**	**72**	**58**	**14**	**359**
Net book value as at 31 December 2006	**66**	**242**	**-**	**77**	**9**	**394**

Group and Bank 2005	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 2005	78	340	123	372	67	980
Additions	-	29	52	43	11	135
Disposals	-	-	(20)	-	-	(20)
Write down	-	(6)	-	-	-	(6)
Cost as at 31 December 2005	78	363	155	415	78	1,089
Accumulated depreciation:						
Accumulated depreciation as at 1 January 2005	(9)	(184)	(48)	(323)	(60)	(624)
Charge for the period	(2)	(31)	(55)	(34)	(4)	(126)
Disposals	-	-	20	-	-	20
Accumulated depreciation as at 31 December 2005	(11)	(215)	(83)	(357)	(64)	(730)
Net book value as at 1 January 2005	**69**	**156**	**75**	**49**	**7**	**356**
Net book value as at 31 December 2005	**67**	**148**	**72**	**58**	**14**	**359**

16. Property, Plant and Equipment (continued)

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

Of the Group and Bank's depreciation charge of US$73m (2005: US$126m), US$40m (2005: US$111m) was recharged to other CS group entities, leaving a net depreciation charge for the period of US$33m (2005: US$15m).

No interest has been capitalised within property, plant and equipment (2005: US$Nil).

17. Deposits

	Group 2006 US$M	Group 2005 US$M	Bank 2006 US$M	Bank 2005 US$M
Non-interest bearing demand deposits				
from banks	260	59	249	56
from customers	6	5	6	5
Interest-bearing demand deposits				
from banks	2,766	1,252	2,778	1,095
from customers	1	8	1	6
Demand deposits	**3,033**	**1,324**	**3,034**	**1,162**
Time deposits				
from banks	3,260	3,097	3,260	3,077
from customers	532	60	532	63
Total deposits	**6,825**	**4,481**	**6,826**	**4,302**

As at 31 December 2006, the remaining maturities for time deposits were as follows:

	Group 2006 US$M	Group 2005 US$M	Bank 2006 US$M	Bank 2005 US$M
- within 3 months	-	3	-	3
- between 3 months and 1 year	3	-	3	-
- between 1 and 5 years	2	10	2	2
- greater than 5 years	3,787	3,144	3,787	3,135
Total time deposits	**3,792**	**3,157**	**3,792**	**3,140**

18. Long Term Debt

Group and Bank	2006 US$M	2005 US$M
Senior debt	1,237	185
Subordinated debt	3,188	2,064
Total long term debt	**4,425**	**2,249**

18. Long Term Debt (continued)

The following table sets out the maturity analysis for long term debt:

Group and Bank 2006	**Within 3 months US$M**	**Between 3 months and 1 year US$M**	**Between 1 and 5 years US$M**	**Greater than 5 years US$M**	**Total US$M**
Senior debt					
Fixed rate	-	810	-	-	810
Variable rate	-	-	-	427	427
Fixed interest rates (range in %)	-	5.48-6.99	-	-	
	-	**810**	**-**	**427**	**1,237**
Subordinated debt					
Variable rate	-	-	-	3,188	3,188
Total long term debt	**-**	**810**	**-**	**3,615**	**4,425**

Group and Bank 2005	**Within 3 months US$M**	**Between 3 months and 1 year US$M**	**Between 1 and 5 years US$M**	**Greater than 5 years US$M**	**Total US$M**
Senior debt					
Fixed rate	-	-	-	-	-
Variable rate	-	-	-	185	185
Fixed interest rates (range in %)	-	-	-	-	
	-	**-**	**-**	**185**	**185**
Subordinated debt					
Variable rate	-	-	-	2,064	2,064
Total long term debt	**-**	**-**	**-**	**2,249**	**2,249**

During the year the Group modified the balance sheet classification of certain debt instruments to reflect more appropriately the nature of the business giving rise to these transactions. Comparative information were reclassified for consistency which resulted in $2,925m being reclassified from long term debt to other financial liabilities designated at fair value through profit and loss.

19. Other Liabilities

	Group 2006 US$M	**Group 2005 US$M**	**Bank 2006 US$M**	**Bank 2005 US$M**
Negative replacement values of derivative instruments (held for hedging purposes) (refer to Note 25)	181	113	181	113
Brokerage payables (refer to Note 13)	4,863	4,211	4,862	4,211
Interest and fees payable	815	541	1,836	1,720
Cash collateral payable	13,783	11,426	13,897	11,426
Other	985	618	822	505
Total other liabilities	**20,627**	**16,909**	**21,598**	**17,975**

All other liabilities, other than negative replacement values of derivative instruments, are due within one year.

20. Provisions

Group and Bank	Property US$M	Litigation US$M	Total 2006 US$M	Total 2005 US$M
Balance at 1 January	25	10	35	50
Net charge to income statement	-	36	36	10
Utilised during the year	(18)	(17)	(35)	(24)
Currency translation difference	2	-	2	(1)
Other movements	2	-	2	-
Balance at the end of the year	**11**	**29**	**40**	**35**

Of the property provision, US$5m relates to surplus office space. This is expected to be utilised evenly over the next two years. The remaining property provision relates to reinstatement obligations that will be incurred when the leases expire.

The litigation provision relates to legal fees for a case that the Bank is defending. The exact timing of outflow of economic benefits cannot be ascertained at 31 December 2006.

21. Called-up Share Capital and Share Premium

Authorised:	2006 US$	2005 US$
Ordinary voting shares of US$1 each	125	125
Participating non-voting shares of US$1 each	774,999,375	774,999,375
Class A Participating non-voting shares of US$1 each	500	500
Preference Shares of US$25,000,000 each	275,000,000	275,000,000
Class A Preference Shares of US$1 each	250,000,000	250,000,000
Class B Preference Shares of US$1 each	600,000,000	600,000,000
Class C Preference Shares of US$1 each	800,000,000	800,000,000
Class D Preference Shares of US$1 each	600,000,000	600,000,000
Class E Preference Shares of US$1 each	700,000,000	-
Class F Preference Shares of US$1 each	750,000,000	-
	4,750,000,000	**3,300,000,000**

Allotted, called up and fully paid:	2006 US$	2005 US$
Ordinary voting shares of US$1 each	125	125
Participating non-voting shares of US$1 each	682,324,900	682,324,900
Class A Participating non-voting shares of US$1 each	200	200
Preference Shares of US$25,000,000 each	-	-
Class A Preference Shares of US$1 each	250,000,000	250,000,000
Class B Preference Shares of US$1 each	375,000,000	375,000,000
Class C Preference Shares of US$1 each	350,000,000	350,000,000
Class D Preference Shares of US$1 each	300,000,000	300,000,000
Class E Preference Shares of US$1 each	535,000,000	-
Class F Preference Shares of US$1 each	750,000,000	-
	3,242,325,225	**1,957,325,225**

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

The Participating non-voting shares were issued at a premium of US$432,675,000 (2005: US$432,675,000).

In 2006, there was an increase in authorised and issued share capital. On 15 March 2006, 700,000,000 Class E Preference Shares of US$1 each were authorised of which 535,000,000 were issued. On 27 November 2006, 750,000,000 Class F Preference Shares of US$1 each were authorised, all of which were issued. These shares were issued fully paid in cash at par on application for the shares.

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

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

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

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

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

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

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

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

Class B Preference shares	6.43%
Class C Preference shares	6.299%
Class D Preference shares	7%
Class E Preference shares	6.8195%
Class F Preference shares	6.6085%

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

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

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

Class B Preference shares	27 February 2009
Class C Preference shares	8 November 2009
Class D Preference shares	17 November 2010
Class E Preference shares	15 March 2011
Class F Preference shares	27 November 2011

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

Dividends	**2006 US$M**	**2006 Cents per share**	**2005 US$M**	**2005 Cents per share**
Class B Preference Shares	-	-	24	6.430
Class C Preference Shares	-	-	22	6.299
Class D Preference Shares	-	-	3	0.840
Class E Preference Shares	-	-	-	-
Class F Preference Shares	-	-	-	-
	-		**49**	

In 2005, the dividends on existing B, C and D Class Preference Shares were payable semi-annually on 30 June and 31 December. On 15 March 2006, the dividend payment date on existing B, C, and D Class Preference Shares was amended to 30 April 2007 and annually on the same date thereafter.

Stock awards

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

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

In January 2007, as part of the 2006 remuneration process, CS group has streamlined its share-based payment programs and will issue one common instrument, Incentive Share Units ('ISUs'). Previously granted awards will continue to settle under their original terms and are not affected by the ISU. The ISU award combines features of traditional share grants with a leverage component linked to the development of the Credit Suisse Group share price.

Total compensation expense for stock awards payments recognised during 2006 and 2005 was US$234m and US$233m respectively.

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

The total stock award liability recorded as at 31 December 2006 was US$429M (2005: US$252M), of which the fair value of the liability consists solely of the intrinsic value. The fair value used to calculate the stock award liability was the closing Credit Suisse Group share price as at 31 December 2006 CHF 85.45 (2005: CHF67.00). The average weighted fair value of awards granted in 2006 was CHF73.45 (2005: CHF48.90). The intrinsic value of vested share-based awards outstanding as at the year end was US$28m (2005: US$24m).

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

Stock excluding PIP units	**2006**	**2005**
	Million	**Million**
At 1 January	2.43	2.93
Granted	1.55	1.42
Delivered	(0.72)	(1.71)
Forfeited	(0.28)	(0.21)
At 31 December	**2.98**	**2.43**

PIP units	**2006**	**2005**
	Million	**Million**
At 1 January	0.59	-
Granted	0.25	0.59
Forfeited	(0.02)	-
At 31 December	**0.82**	**0.59**

Share options

No share options were outstanding during the year (2005: Nil)

Share option awards granted in or before January 2003 for service provided in prior years were fully expensed during the year of service. The Bank has cash settled the stock option liabilities with Credit Suisse Group following the year in which stock options was expensed.

22. Retirement Benefit Obligations

The following disclosures contain the balances for the entire defined benefit plan sponsored by Credit Suisse Securities (Europe) Ltd., of which the Group is one of many participants, who are all related parties under common control. The Group accounts for its share of the plan using defined contribution accounting and its share of the total plan based on employees covered by the plan is 13.29%. This is the basis on which contributions are allocated to the Group. There is no formal policy to allocate costs, contributions and deficits to different entities.

22. Retirement Benefit Obligations (continued)

Defined benefit pension

The following table shows the changes in the defined benefit obligation and the fair value of plan assets during 2006 and 2005, and the amounts included in the consolidated balance sheets for the Group's defined benefit pension and other post-retirement defined benefit plans as at 31 December, 2006 and 2005 respectively:

	Defined benefit pension plans	
	2006	**2005**
	US$M	**US$M**
Defined benefit obligation – beginning of the measurement period	1,055	978
Service costs	3	5
Interest costs	53	51
Actuarial losses – assumptions	69	192
Actuarial losses – experience	48	(52)
Benefit payments	(7)	(8)
Exchange rate gains	153	(111)
Defined benefit obligation – end of the measurement period	**1,374**	**1,055**
Fair value of plan assets – beginning of the measurement period	801	755
Actual return on plan assets	83	131
Contributions	8	8
Benefit payments	(7)	(8)
Exchange rate gains	114	(85)
Fair value of plan assets – end of the measurement period	**999**	**801**

During 2006 the bank expensed US$1m (2005: US$1m) in respect of its contributions to the UK defined benefit scheme.

CSS (Europe) Ltd is currently in discussions with the Pension Fund Trustees in respect of the valuation and funding of the UK defined benefit pension plan. These discussions are expected to be finalised by 31 March 2007 in line with the requirements set out by the UK Pensions Regulator. The Group has proposed to fund a significant majority of the fund deficit by 2009, including a payment of GB£140m (US$273m) during 2007.

Assumptions

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

	2006	**2005**
31 December	**%**	**%**
Benefit obligations		
Discount rate	5.1	4.7
Salary increases	4.6	4.25
Net periodic pension cost		
Discount rate	4.7	5.5
Salary increases	4.25	4.25
Expected long-term rate of return on plan assets	6.7	7.25

22. Retirement Benefit Obligations (continued)

The assumptions for life expectancy in the 2006 benefit obligation calculations are based on the mortality tables PXA92C2006 for current pensioners and PXA92C2026 for non-pensioners with the 'medium cohort' adjustment applied. The assumptions are that a member who retires at age 60 will live on average for a further 27 years after retirement if they are male and for a further 30 years after retirement if they are female.

Plan assets and investment strategy

The following table sets forth the weighted average asset allocation of CSG's defined benefit pension plan assets as at the measurement date:

31 December	2006 %	2005 %
Equity securities	69.3	67.7
Debt securities	17.0	18.5
Alternative investments	13.7	13.3
Liquidity	-	0.5
Total	**100.0**	**100.0**

Defined Contribution Pension Plans

The Bank also contributes to various defined contribution pensions primarily in the United Kingdom. The contributions in these plans during 2006 and 2005 were US$12m and US$13m respectively.

23. Related Party Transactions

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

The Group has significant related party balances with subsidiaries and affiliates of Credit Suisse Group. These transactions largely comprise derivative trades, as the Bank is the principal risk taker for derivatives within the CS group, as well as funding trades via the use of loans or deposits and repurchase or resale agreements. The Group is also charged for operating costs that mainly relate to employee-related services and other business expenses.

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

23. Related Party Transactions (continued)

a) Related party assets and liabilities

Group

	2006			2005		
Assets	**Parent**	**Other CS group companies**	**Total**	**Parent**	**Other CS group companies**	**Total**
	US$M	**US$M**	**US$M**	**US$M**	**US$M**	**US$M**
Cash and due from banks	-	5,167	5,167	2	2,945	2,947
Interest-bearing deposits with banks	-	399	399	-	582	582
Securities purchased under resale agreements and securities borrowing transactions	-	16,684	16,684	-	10,737	10,737
Trading assets	-	10,546	10,546	1,046	6,367	7,413
Other financial assets designated at fair value through profit and loss	-	438	438	-	351	351
Loans and receivables	-	2,739	2,739	-	551	551
Other assets	-	3,075	3,075	59	4,163	4,222
Total assets	**-**	**39,048**	**39,048**	**1,107**	**25,696**	**26,803**
Liabilities						
Deposits	-	4,097	4,097	3	3,280	3,283
Securities sold under repurchase agreements and securities lending transactions	-	15,185	15,185	-	13,906	13,906
Trading liabilities	3	9,495	9,498	500	6,897	7,397
Other financial liabilities designated at fair value through profit and loss	-	3,884	3,884	61	3,469	3,530
Short term borrowings	-	37,089	37,089	179	18,318	18,497
Long term debt	-	3,858	3,858	-	2,249	2,249
Other liabilities	2	5,876	5,878	9	3,692	3,701
Total liabilities	**5**	**79,484**	**79,489**	**752**	**51,811**	**52,563**

23. Related Party Transactions (continued)

Bank	**2006**				**2005**			
Assets	**Parent**	**Other CS group companies**	**Subsidiaries and SPEs**	**Total**	**Parent**	**Other CS group companies**	**Subsidiaries and SPEs**	**Total**
	US$M	**US$M**	**US$M**	**US$M**	**US$M**	**US$M**	**US$M**	**US$M**
Cash and due from banks	-	5,146	-	5,146	2	2,919	-	2,921
Interest-bearing deposits with banks	-	399	-	399	-	582	-	582
Securities purchased under resale agreements and securities borrowing transactions	-	16,684	-	16,684	-	10,737	-	10,737
Trading assets	-	10,546	5,863	16,409	1,046	6,367	6,092	13,505
Other financial assets designated at fair value through profit and loss	-	438	-	438	-	351	-	351
Loans and receivables	-	2,739	5	2,744	-	551	5	556
Other assets	-	3,067	1,109	4,176	59	4,167	1,102	5,328
Investments in subsidiary undertakings	-	-	29	29	-	-	27	27
Total assets	**-**	**39,019**	**7,006**	**46,025**	**1,107**	**25,674**	**7,226**	**34,007**
Liabilities								
Deposits	-	4,097	-	4,097	3	3,261		3,264
Securities sold under repurchase agreements and securities lending transactions	-	15,185	-	15,185	-	13,906	-	13,906
Trading liabilities	3	9,495	146	9,644	500	6,897	65	7,462
Other financial liabilities designated at fair value through profit and loss	-	3,874	687	4,561	61	2,968	587	3,616
Short term borrowings	-	37,079	38	37,117	179	18,308	25	18,512
Long term debt	-	3,858	-	3,858	-	2,249	-	2,249
Other liabilities	2	5,864	1,219	7,085	9	3,686	1,228	4,923
Total liabilities	**5**	**79,452**	**2,090**	**81,547**	**752**	**51,275**	**1,905**	**53,932**

23. Related Party Transactions (continued)

b) Related party off balance sheet transactions

Group	2006 Parent US$M	2006 Other CS group companies US$M	2006 Subsidiaries and SPEs US$M	2006 Total US$M	2005 Parent US$M	2005 Other CS group companies US$M	2005 Subsidiaries and SPEs US$M	2005 Total US$M
Guarantees	1,972	88,596	-	90,568	839	47,010	-	47,849
Derivatives notional amounts	42,996	900,056	-	943,052	41,535	574,642	-	616,177
Total	**44,968**	**988,652**	**-**	**1,033,620**	**42,374**	**621,652**	**-**	**664,026**

Bank	2006 Parent US$M	2006 Other CS group companies US$M	2006 Subsidiaries and SPEs US$M	2006 Total US$M	2005 Parent US$M	2005 Other CS group companies US$M	2005 Subsidiaries and SPEs US$M	2005 Total US$M
Guarantees	1,972	88,596	625	91,193	839	47,010	245	48,094
Derivatives notional amounts	42,996	900,056	3,947	946,999	41,535	574,642	2,878	619,055
Total	**44,968**	**988,652**	**4,572**	**1,038,192**	**42,374**	**621,652**	**3,123**	**667,149**

23. Related Party Transactions (continued)

c) Related party revenues and expenses

Group	2006			2005		
	Parent	Other CS group companies	Total	Parent	Other CS group companies	Total
	US$M	US$M	US$M	US$M	US$M	US$M
Interest income	-	894	894	-	471	471
Interest expense	-	(2,309)	(2,309)	-	(1,168)	(1,168)
Net interest expense	**-**	**(1,415)**	**(1,415)**	**-**	**(697)**	**(697)**
Commissions and fees	(1)	(137)	(138)	-	(238)	(238)
Other revenues	-	(611)	(611)	(21)	(163)	(184)
Total non interest revenues	**(1)**	**(748)**	**(749)**	**(21)**	**(401)**	**(422)**
Net operating income	**(1)**	**(2,163)**	**(2,164)**	**(21)**	**(1,098)**	**(1,119)**
Total operating expenses	**-**	**(360)**	**(360)**	**-**	**(389)**	**(389)**

23. Related Party Transactions (continued)

d) Related Party Averages

Group	2006 Average US$M	2005 Average US$M
Assets		
Securities purchased under resale agreements and securities borrowing transactions	12,974	11,583
Trading assets	10,015	8,856
Liabilities		
Securities sold under repurchase agreements and securities lending transactions	15,503	10,732
Trading Liabilities	9,501	8,181
Short term borrowing	27,389	18,251

Group	2006 Average US$M	2005 Average US$M
Derivative Notional	939,260	646,373
Guarantees	71,161	35,938

The averages above have been calculated using month end balances.

e) Remuneration

Remuneration of Directors

	2006 US$M	2005 US$M
Emoluments	7	6
Share-based payment compensation	8	11
Compensation for loss of office	-	3
	15	**20**
Company contributions to defined contribution plan	1	1
	16	**21**

The aggregate value of compensation provided in the accounts for 2006 for directors was US$13,473,458 (2005: US$35,190,617).

Included in share-based payment compensation for directors is US$351,072 (2005: US$1,196,596) relating to cash schemes.

The aggregate of emoluments and amounts receivable under share-based payment compensation of the highest paid director was US$3,423,400 (2005: US$6,039,188). He was a member of a defined benefits pension scheme and the accrued pension as at year end was US$31,309 (2005: US$50,864) per annum and the accrued lump sum was $52,833. During the year the highest paid director received an entitlement to shares under a long term incentive scheme.

23. Related Party Transactions (continued)

	Number of Directors 2006	Number of Directors 2005
Retirement benefits are accruing to the following number of directors under:		
Defined contribution plan	4	7
Defined benefit schemes	3	1
Both defined contribution and defined benefit	1	4
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	9	13

Remuneration of Key Management Personnel

	2006 US$M	2005 US$M
Emoluments	20	4
Share-based payment compensation	59	67
	79	**71**
Company contributions to defined contribution plan	1	4
	80	**75**

Key management personnel include Legal Executive Directors, the EMEA (Europe, Middle East and Africa) Investment Banking Committee of Credit Suisse Group and significant management responsible for Designated Investment Business.

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

f) Loans and Advances to Directors and Key Management Personnel

There were no loans outstanding to or due from directors or key management personnel of the Group at 31 December 2006 (2005: US$Nil).

24. Employees

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

Group	2006 Number	2005 Number
Front office	390	353
Back office	717	706
	1,107	1,059

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.

25. Derivatives and Hedging Activities

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

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

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

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

Trading Activities

The Bank is active in most of the principal trading markets and transacts in many popular trading and hedging products. As noted above, this includes the use of swaps, futures, options and structured products (custom transactions using combinations of derivatives) in connection with its sales and trading activities. Trading activities include market-making, positioning and arbitrage activities. The majority of the Bank's derivatives held as at 31 December 2006 were used for trading activities.

Fair Value Hedges

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

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

The following table sets forth details of fair value hedges:

Group and Bank	**2006** **US$M**	**2005** **US$M**
Net gain of the ineffective portion	-	4
Fair value of open derivative transactions used as fair value hedges	(181)	(77)

25. Derivatives and Hedging Activities (continued)

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

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

The notional amount of derivative instruments (trading and hedging) was US$19,434,988m and US$14,996,457m as at 31 December 2006 and 2005 respectively.

25. Derivatives and Hedging Activities (continued)

31 December 2005	**Trading**			**Hedging**		
Group	Notional amount	Positive replacement value	Negative replacement value	Notional amount	Positive replacement value	Negative replacement value
	US$M	**US$M**	**US$M**	**US$M**	**US$M**	**US$M**
Forward rate agreements	1,275,475	370	338			
Swaps	9,404,034	126,676	122,842	1,577	1	72
Options bought and sold (OTC)	1,609,515	16,477	18,637	-	-	-
Futures	539,444	-	-	-	-	-
Interest rate products	**12,828,468**	**143,523**	**141,817**	**1,577**	**1**	**72**
Forward rate agreements	38,649	634	1,058	-	-	-
Swaps	473,601	12,352	12,272	-	-	-
Options bought and sold (OTC)	43,259	884	1,726	-	-	-
Foreign exchange products	**555,509**	**13,870**	**15,056**	**-**	**-**	**-**
Forward rate agreements	5,350	772	902	-	-	-
Swaps	1,461	85	84	-	-	-
Options bought and sold (OTC)	4,229	376	268	-	-	-
Precious metals products	**11,040**	**1,233**	**1,254**	**-**	**-**	**-**
Swaps	115,719	1,396	2,503	-	-	-
Options bought and sold (OTC)	542,193	16,780	15,737	-	-	-
Futures	13,442	-	-	-	-	-
Equity/indexed-related products	**671,354**	**18,176**	**18,240**	**-**	**-**	**-**
Swaps	900,235	8,404	8,765	3,458	35	41
Credit products	**900,235**	**8,404**	**8,765**	**3,458**	**35**	**41**
Forward rate agreements	3,955	81	185	-	-	-
Swaps	17,007	196	188	-	-	-
Options bought and sold (OTC)	3,854	86	115	-	-	-
Other products	**24,816**	**363**	**488**	**-**	**-**	**-**
Total derivative instruments	**14,991,422**	**185,569**	**185,620**	**5,035**	**36**	**113**

	2006		**2005**	
	Positive replacement value	Negative replacement value	Positive replacement value	Negative replacement value
	US$M	**US$M**	**US$M**	**US$M**
Replacement values (trading and hedging) before netting	186,676	190,170	185,605	185,733
Replacement values (trading and hedging) after netting	141,072	144,566	133,620	133,913

25. Derivatives and Hedging Activities (continued)

The following table sets forth details of trading and hedging derivative contracts according to maturity:

	Gross positive replacement value			
	Remaining life			2006
	<1 year US$M	1-5 years US$M	>5 years US$M	Total US$M
Interest rate instruments	9,634	41,835	76,937	**128,406**
Foreign exchange	5,833	7,965	6,053	**19,851**
Precious metals	435	1,182	19	**1,636**
Equities/indices	8,822	12,950	1,198	**22,970**
Credit products	591	9,663	3,261	**13,515**
Other	220	77	1	**298**
Total	**25,535**	**73,672**	**87,469**	**186,676**

	Gross positive replacement value			
	Remaining life			2005
	<1 year US$M	1-5 years US$M	>5 years US$M	Total US$M
Interest rate instruments	7,966	45,388	90,170	**143,524**
Foreign exchange	5,089	4,707	4,074	**13,870**
Precious metals	345	784	104	**1,233**
Equities/indices	5,654	11,143	1,379	**18,176**
Credit products	335	6,149	1,955	**8,439**
Other	65	257	41	**363**
Total	**19,454**	**68,428**	**97,723**	**185,605**

	Gross negative replacement value			
	Remaining life			2006
	<1 year US$M	1-5 years US$M	>5 years US$M	Total US$M
Interest rate instruments	13,671	42,163	72,477	**128,311**
Foreign exchange	7,008	5,707	5,059	**17,774**
Precious metals	461	2,173	504	**3,138**
Equities/indices	9,980	14,532	1,553	**26,065**
Credit products	730	9,770	4,122	**14,622**
Other	70	190	-	**260**
Total	**31,920**	**74,535**	**83,715**	**190,170**

	Gross negative replacement value			
	Remaining life			2005
	<1 year US$M	1-5 years US$M	>5 years US$M	Total US$M
Interest rate instruments	10,593	43,845	87,451	**141,889**
Foreign exchange	5,271	5,228	4,557	**15,056**
Precious metals	268	890	96	**1,254**
Equities/indices	5,753	11,134	1,353	**18,240**
Credit products	357	6,240	2,209	**8,806**
Other	154	281	53	**488**
Total	**22,396**	**67,618**	**95,719**	**185,733**

25. Derivatives and Hedging Activities (continued)

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

25. Derivatives and Hedging Activities (continued)

31 December 2005	**Trading**			**Hedging**		
Bank	Notional amount	Positive replacement value	Negative replacement value	Notional amount	Positive replacement value	Negative replacement value
	US$M	**US$M**	**US$M**	**US$M**	**US$M**	**US$M**
Forward rate agreements	1,275,475	370	338	-	-	-
Swaps	9,405,101	127,319	122,903	1,577	1	72
Options bought and sold (OTC)	1,609,532	16,490	18,637	-	-	-
Futures	539,444	-	-	-	-	-
Interest rate products	**12,829,552**	**144,179**	**141,878**	**1,577**	**1**	**72**
Forward rate agreements	38,649	634	1,058	-	-	-
Swaps	473,601	12,352	12,272	-	-	-
Options bought and sold (OTC)	43,259	884	1,726	-	-	-
Foreign exchange products	**555,509**	**13,870**	**15,056**	**-**	**-**	**-**
Forward rate agreements	5,350	772	902	-	-	-
Swaps	1,461	85	84	-	-	-
Options bought and sold (OTC)	4,229	376	268	-	-	-
Precious metals products	**11,040**	**1,233**	**1,254**	**-**	**-**	**-**
Swaps	115,728	1,399	2,503	-	-	-
Options bought and sold (OTC)	542,193	16,780	15,737	-	-	-
Futures	13,442	-	-	-	-	-
Equity/indexed-related products	**671,363**	**18,179**	**18,240**	**-**	**-**	**-**
Swaps	900,248	8,404	8,765	3,458	35	41
Credit products	**900,248**	**8,404**	**8,765**	**3,458**	**35**	**41**
Forward rate agreements	3,955	81	185	-	-	-
Swaps	17,007	196	188	-	-	-
Options bought and sold (OTC)	3,854	86	115	-	-	-
Other products	**24,816**	**363**	**488**	**-**	**-**	**-**
Total derivative instruments	**14,992,528**	**186,228**	**185,681**	**5,035**	**36**	**113**

	2006		**2005**	
	Positive replacement value	Negative replacement value	Positive replacement value	Negative replacement value
	US$M	**US$M**	**US$M**	**US$M**
Replacement values (trading and hedging) before netting	186,831	190,364	186,264	185,794
Replacement values (trading and hedging) after netting	141,227	144,760	134,279	133,974

25. Derivatives and Hedging Activities (continued)

The following table sets forth details of trading and hedging derivative contracts according to maturity:

	Gross positive replacement value			
	Remaining life			2006
	<1 year	1-5 years	>5 years	Total
	US$M	US$M	US$M	US$M
Interest rate instruments	9,792	41,843	76,936	**128,571**
Foreign exchange	5,833	7,965	6,053	**19,851**
Precious metals	435	1,182	19	**1,636**
Equities/indices	8,822	12,950	1,198	**22,970**
Credit products	601	9,663	3,262	**13,526**
Other	207	69	1	**277**
Total	**25,690**	**73,672**	**87,469**	**186,831**

	Gross positive replacement value			
	Remaining life			2005
	<1 year	1-5 years	>5 years	Total
	US$M	US$M	US$M	US$M
Interest rate instruments	8,484	45,393	90,303	**144,180**
Foreign exchange	5,089	4,707	4,074	**13,870**
Precious metals	345	784	104	**1,233**
Equities/indices	5,654	11,146	1,379	**18,179**
Credit products	300	6,184	1,955	**8,439**
Other	65	257	41	**363**
Total	**19,937**	**68,471**	**97,856**	**186,264**

	Gross negative replacement value			
	Remaining life			2006
	<1 year	1-5 years	>5 years	Total
	US$M	US$M	US$M	US$M
Interest rate instruments	13,671	42,164	72,630	**128,465**
Foreign exchange	7,008	5,707	5,059	**17,774**
Precious metals	461	2,173	505	**3,139**
Equities/indices	9,980	14,532	1,553	**26,065**
Credit products	730	9,808	4,123	**14,661**
Other	70	190	-	**260**
Total	**31,920**	**74,574**	**83,870**	**190,364**

	Gross negative replacement value			
	Remaining life			2005
	<1 year	1-5 years	>5 years	Total
	US$M	US$M	US$M	US$M
Interest rate instruments	10,593	43,844	87,513	**141,950**
Foreign exchange	5,271	5,229	4,556	**15,056**
Precious metals	268	890	96	**1,254**
Equities/indices	5,753	11,134	1,353	**18,240**
Credit products	357	6,240	2,209	**8,806**
Other	154	281	53	**488**
Total	**22,396**	**67,618**	**95,780**	**185,794**

26. Guarantees and Commitments

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

Group and Bank

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

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

31 December 2005	Maturity <1 year US$M	Maturity 1-3 years US$M	Maturity 3-5 years US$M	Maturity >5 years US$M	Total gross amount US$M	Total net amount US$M	Collateral received US$M	Carrying value US$M
Credit guarantees and similar instruments	-	20	4	-	24	24	-	24
Performance guarantees and similar instruments	-	14	-	-	14	14	14	-
Derivatives	36,657	83,484	176,940	52,452	349,533	349,533	-	349,533
Total guarantees	**36,657**	**83,518**	**176,944**	**52,452**	**349,571**	**349,571**	**14**	**349,557**

31 December 2005	Maturity <1 year US$M	Maturity 1-3 years US$M	Maturity 3-5 years US$M	Maturity >5 years US$M	Total gross amount US$M	Total net amount US$M	Collateral received US$M	Carrying value US$M
Irrevocable commitments under documentary credit	109	447	130	466	1,152	1,152	364	788
Loan commitments	1,414	2,302	1,800	4,126	9,642	9,642	6,408	3,234
Total other commitments	**1,523**	**2,749**	**1,930**	**4,592**	**10,794**	**10,794**	**6,772**	**4,022**

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

26. Guarantees and Commitments (continued)

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

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

Under certain circumstances, the Group has provided to investors in private equity funds sponsored by a Group entity, guarantees of potential obligations of certain general partners to return amounts previously paid as carried interest to those general partners. To manage its exposure, the Group generally withholds a portion of carried interest distributions to cover any repayment obligations. In addition, pursuant to certain contractual arrangements, the Group is obliged to make cash payments to certain investors in certain private equity funds if specified performance thresholds are not met.

Further, as part of the Group's residential mortgage securitisation activities in the United States, the Group at times guarantees the collection by the servicer and remittance to the securitisation trust of prepayment penalties.

Securities lending indemnifications are arrangements whereby the Group agrees to indemnify securities lending customers against losses incurred in the event that security borrowers do not return securities subject to the lending agreement and the collateral held is insufficient to cover the market value of the securities borrowed.

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

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

Other guarantees include acceptances, residual value guarantees and all other guarantees that are not allocated to one of the captions above.

The Group has certain guarantees for which its maximum contingent liability cannot be quantified. These guarantees are not reflected in the table above and are discussed below.

Where the Bank enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Bank considers these to be insurance arrangements, and accounts for them as such. In this respect, the Bank treats the guarantee contract as a contingent liability until such time as it becomes probable that the Bank will be required to make a payment under the guarantee. As at 31 December 2006, the Bank does not have any such financial guarantee contracts that guarantee the indebtedness of other companies within its group (2005: Nil).

26. Guarantees and Commitments (continued)

Disposals-related contingencies

In connection with the sale of assets or businesses, the Group sometimes provides the acquirer with certain indemnification provisions. These indemnification provisions vary by counterparty in scope and duration and depend upon the type of assets or businesses sold. These indemnification provisions generally transfer the potential risk of certain unquantifiable and unknowable loss contingencies (e.g. relating to litigation, tax, intellectual property matters and adequacy of claims reserves) from the acquirer to the seller. The Group closely monitors all such contractual agreements to ensure that indemnification provisions are adequately provided for in the Group's financial statements.

Lease Commitments

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

Group and Bank

Year ended 31 December	2006 US$M
2007	93
2008	93
2009	92
2010	92
Thereafter	1,144
Future operating lease commitments	**1,514**
Less minimum non-cancellable sublease rentals	(281)
Total net future minimum lease commitments	**1,233**

Year ended 31 December	2005 US$M
2006	89
2007	89
2008	88
2009	88
Thereafter	1,213
Future operating lease commitments	**1,567**
Less minimum non-cancellable sublease rentals	(206)
Total net future minimum lease commitments	**1,361**

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

	2006 US$M	2005 US$M
Minimum rentals	94	78
Sublease rental income	(88)	(72)
Total net rental expenses	6	6

26. Guarantees and Commitments (continued)

Contingent Liabilities and Commitments

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

The Bank has granted to Morgan Guaranty Trust Company of New York, as operator of the Euroclear System, charges over cash and securities held in the account of the Bank at Euroclear. The total value of trades awaiting settlement at 31 December 2006 was US$377m (2005: US$211m).

The Bank has granted to the Bank of New York a charge over certain cash and securities against a failure of the Bank to meet certain obligations. The total value of trades awaiting settlement at 31 December 2006 was US$424m (2005: US$354m).

The Bank has granted a further charge to the Bank of New York over all principal, interest and other amounts payable by the Bank under the obligations of the trust deed between the Bank and the Bank of New York. The charge is secured to a limit of US$250m (2005: US$100m).

The Bank has granted charge to HSBC Bank Plc as settlement bank over certain receivables in respect of the Bank's membership of CREST. This is a first floating charge over all eligible stock and other sums due to the Bank against the failure of the Bank to meet its obligations under the Settlement Bank Facility agreement. The value of trades awaiting settlement is US$433m (2005: US$21m).

The Bank has granted a charge to HSBC Bank Plc over certain receivables in respect of the Bank's membership of CREST. This is a first charge over all eligible stock and other sums due to the Bank against the failure of the Bank to meet its obligations under the Settlement Bank Facility agreement with HSBC Bank Plc. The charge is secured to a set limit of GB£25m (2005: GB£25m), and unsecured limited of GB£30m (2005: GB£30m).

The Bank has granted to the International Bank for Reconstruction and Development, International Finance Corporation and Ace Capital Re Overseas Limited charges over certain cash and securities due as collateral to the charges under the terms of the credit support annexes to their respective ISDA Master Agreements. The value of the charges at 31 December 2006 was limited to US$908m (2005: US$776m).

The Bank has granted to Credit Suisse a charge over certain shares, dividends, interest and related share rights against a failure of the Bank to meet certain intra-group obligations. The charge at 31 December 2006 was US$Nil (2005: US$Nil).

The Bank has granted various fixed charges to J.P. Morgan Corporate Trustee Services Limited over all principal, interest and other amounts payable by the Bank to J.P. Morgan Corporate Trustee Services Limited under the obligations of the trust deed between the Bank and J.P. Morgan Corporate Trustee Services Limited. The charge is secured to a limit of US$695m (2005: US$250m).

The Bank has granted charges over a revolving credit facility to Credit Suisse, London Branch, against a failure of the Bank to meet certain intra-group obligations. The charge at 31 December 2006 was US$Nil (2005: US$Nil).

The Bank has granted a charge to Deutsche Trustee Company Limited over certain interests and benefits on notes. This is a first fixed charge on interest and any other amounts payable by the Bank under the loan agreement. The charge is limited to US$250m (2005: US$250).

The Bank has granted charges to the Arzteversorgung Niedersachsen Einrichtung der Arztekammer Niedersachsen Korperschaft des Offentlichen Rechts over certain property situated in the UK. This is a first fixed charge over the property and a floating charge over derivatives of the asset. The charges are secured to a limit of EUR100m (2005: EUR100m).

26. Guarantees and Commitments (continued)

During the year, the Bank granted a fixed charge to Hill Samuel Investments Limited over the Account and the Settled Debt Securities held in Euroclear or an agreed alternative. The charge at 31 December 2006 was US$Nil.

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

During the year, the Bank granted a charge and assignment of shares to OM-IP Eclipse Trading Limited over a charge account with RMF Investment Strategies SPC.

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

27. Securitisations and Special Purpose Entities

The Group is involved in the formation of Special Purpose Entities ('SPEs') primarily for the purpose of providing clients 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 Bank) in relation to SPEs is shown below.

Group	**2006** **US$M**	**2005** **US$M**
Assets		
Cash and due from banks	187	965
Securities purchased under resale agreements and securities borrowing transactions	-	1,114
Loans and receivables	567	593
Trading assets	3,907	2,559
Other financial assets	495	-
Other assets	134	34
Total assets	**5,290**	**5,265**
Liabilities		
Deposits	1,386	1,550
Trading liabilities	965	163
Short term borrowings	349	714
Long term debt	1,801	2,630
Other financial liabilities	526	-
Other liabilities	263	208
Total liabilities	**5,290**	**5,265**

28. Fair Value of Financial Instruments

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

Quoted market prices, when available, are used as the measure of fair value. In cases where quoted market prices are not available, fair values are determined using present value estimates or other valuation techniques, for example, the present value of estimated expected future cash flows using discount rates commensurate with the risks involved, option-pricing models, matrix pricing, option-adjusted spread models, and fundamental analysis. Fair value estimation techniques normally incorporate assumptions that market participants would use in their estimates of values, future revenues, and future expenses, including assumptions about interest rates, default, prepayment and volatility. Because assumptions are inherently subjective in nature, the estimated fair values cannot 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 one year, the fair value is assumed to approximate to book value, given the short term nature of these instruments. This assumption is also applied to receivables and payables from the insurance business. 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 securities and precious metals trading portfolio is carried on the balance sheet at fair value.

The fair values of positive replacement values of derivative instruments, negative replacement values of derivative instruments, financial investments from the banking business, investments from the insurance business, and non-consolidated participations are based on quoted market prices. Where these are not available, fair values are based on the quoted market prices of comparable instruments, or are estimated by discounting estimated future cash flows or using other valuation techniques.

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.

For medium term notes, bonds and mortgage-backed bonds, fair values are estimated using quoted market prices or by discounting the remaining contractual cash flows using a rate at which the Group could issue debt with a similar remaining maturity as at the balance sheet date.

28. Fair Value of Financial Instruments (continued)

Group	2006 Book value US$M	2006 Fair value US$M	2005 Book value US$M	2005 Fair value US$M
Financial Assets				
Cash and due from banks	8,296	8,296	4,860	4,860
Interest-bearing deposits with banks	530	530	601	601
Securities purchased under resale agreements and securities borrowing transactions	17,338	17,338	11,032	11,032
Trading assets	218,076	218,076	188,236	188,236
Other financial assets designated at fair value through profit and loss	6,052	6,052	4,815	4,815
Loans and receivables	13,350	13,698	8,131	8,163
Financial Liabilities				
Deposits	6,825	6,825	4,481	4,481
Securities sold under repurchase agreements and securities lending transactions	22,333	21,678	14,052	14,052
Trading liabilities	155,733	155,733	145,699	145,699
Other financial liabilities designated at fair value through profit and loss	28,600	28,600	25,948	25,948
Short term borrowings	38,633	38,633	22,097	22,097
Long term debt	4,425	4,386	2,249	2,249

Bank	2006 Book value US$M	2006 Fair value US$M	2005 Book value US$M	2005 Fair value US$M
Financial Assets				
Cash and due from banks	8,099	8,099	3,765	3,765
Interest-bearing deposits with banks	530	530	601	601
Securities purchased under resale agreements and securities borrowing transactions	17,338	17,338	11,032	11,032
Trading assets	216,691	216,691	187,725	187,725
Other financial assets designated at fair value through profit and loss	5,557	5,557	4,815	4,815
Loans and receivables	13,354	13,702	8,136	8,168
Financial Liabilities				
Deposits	6,826	6,826	4,302	4,302
Securities sold under repurchase agreements and securities lending transactions	22,333	21,678	15,471	15,471
Trading liabilities	155,722	155,722	145,652	145,652
Other financial liabilities designated at fair value through profit and loss	26,960	26,960	23,905	23,905
Short term borrowings	38,311	38,311	21,398	21,398
Long term debt	4,425	4,386	2,249	2,249

For the year ended 31 December 2006, the amount recognised in profit or loss during the period for financial instruments estimated using a valuation technique and entity specific inputs was a loss of US$1,396m (2005: US$60m). This amount was determined using methods which have been subsequently refined for the year ended 31 December 2006. The amount for the year ended 31 December 2005 has not been restated.

29. Assets Pledged or Assigned

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

Group and Bank

	2006 US$M	2005 US$M
Fair value of collateral received where there exists a right to resell or repledge	4,505	4,297
Fair value of collateral received which has been resold or repledged where the right to resell or repledge existed	1,033	1,128

As at 31 December 2006 and 2005, 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.

The following table shows other information:

Group and Bank

	2006 US$M	2005 US$M
UK banking cash reserves	7	2
Cash restricted under UK and foreign banking regulations	7	2

30. Financial Instruments Risk Position

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

Risk management principles
The prudent taking of risk is fundamental to the business of the CS group. The primary objectives of risk management are to protect the financial strength and the reputation of the CS group, while looking to ensure that capital is well deployed to maximise income and shareholder value. CS group's risk management framework is based on the following principles, which apply universally across all businesses and risk types.

- Protection of financial strength: CS group manages risk in order to limit the impact of potentially adverse events on CS group's capital and income. CS group's risk appetite is to be consistent with its financial resources.
- Protection of reputation: The value of the CS group franchise depends on its reputation. Protecting a strong reputation is both fundamental and an overriding concern for all staff members.
- Risk transparency: Risk transparency is essential so that risks are well understood by senior management and members of the CSG Board of Directors and can be balanced against business goals.
- Management accountability: CS group is organised into segments that own the comprehensive risks assumed through their operations. Management of each segment is responsible for the ongoing management of their respective risk exposures and earning a sufficient long term return for the risks taken.
- Independent oversight: Risk management is a structured process to identify, measure, monitor and report risk. The risk management, controlling and legal and compliance functions operate independently of the front office to ensure the integrity of the CS group's control processes. The risk management functions are responsible for implementing all relevant risk policies, developing tools to assist senior management to determine risk appetite and assessing the overall risk profile of CS group.

30. Financial Instruments Risk Position (continued)

Risk management oversight
Risk management oversight is performed at several levels of the organisation. Key responsibilities lie with the following management bodies and committees.

Risk management oversight at the CS group management level
- Credit Suisse Executive Management (Chief Executive Officer and Executive Board): Responsible for implementing the strategy and actively managing its portfolio of businesses and its risk profile with the objective of balancing risk and return appropriately in the prevailing market conditions.
- Credit Suisse Chief Risk Officer ('CRO'): Responsible for establishing an organisational basis to manage all risk management matters of CS group through the four primary risk functions independent of the front office (SRM, RMM, CRM, BORO), which are described below.
- Strategic Risk Management ('SRM'): SRM is responsible for assessing the overall risk profile on a CS group-wide, portfolio level and for individual businesses, and recommending corrective action where necessary.
- Risk Measurement and Management ('RMM'): RMM is responsible for the measurement and reporting of credit risk, market risk, operational risk and economic risk capital data, managing risk limits and establishing policies on market risk and economic risk capital.
- Credit Risk Management ('CRM'): CRM is headed by the Chief Credit Officer with responsibility for approving credit limits, monitoring and managing individual exposures and assessing and managing the quality of the segment and business area's credit portfolios and allowances.
- Bank Operational Risk Oversight ('BORO'): BORO is responsible for oversight of CS group's operational risk, including governance and policy aspects, development and reporting of key risk indicators as well as operational risk capital management and allocation.

Credit Suisse risk management committees
- Capital Allocation and Risk Management Committee ('CARMC') is responsible for supervising and directing the CS group 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 CS group. CARMC meetings focus on the following three topics on a rotating basis: Asset and Liability Management, Position Risk for Market and Credit Risk, and Operational Risk.
- Risk Processes and Standards Committee ('RPSC') is responsible for establishing and approving standards regarding risk management and risk measurement, including methodology and parameters.
- Credit Portfolio & Provisions Review Committee is responsible for reviewing the quality of the credit portfolio, with a focus on the development of impaired assets and the assessment of related provisions and valuation allowances.
- Reputational Risk Review Committee is responsible for setting the policy and reviewing processes regarding reputational risks within CS group.
- Divisional Risk Management Committees ('RMC'): Within the investment banking, private banking and asset management segments of CS group, the respective divisional RMCs are established to manage risk on a divisional basis.

Risk limits
A sound system of risk limits is fundamental to efficient control of the range of risks inherent in the business activities. The size of the limits reflects CS group's risk appetite given the market environment, the business strategy and the financial resources available to absorb losses.

CS group uses an Economic Risk Capital ('ERC') limit structure to limit overall position risk-taking. The level of risk incurred by the segments is further restricted by a variety of specific limits. For example, there are consolidated controls over trading exposures (Value at Risk or 'VaR'), the mismatch of interest-earning assets and interest-earning liabilities 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.

30. Financial Instruments Risk Position (continued)

Economic Risk Capital
Economic risk capital represents current market best practice for measuring and reporting all quantifiable risks. It is called 'economic' risk capital because it measures risk in terms of economic realities rather than regulatory or accounting rules. CS group uses an ERC model as a consistent and comprehensive tool for risk management, capital management and planning and performance measurement.

ERC is calculated separately for position risk, operational risk and expense risk. These three risk categories measure very different types of risk:

- Position risk ERC — the level of unexpected loss in economic value on the 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).
- Operational risk ERC — the level of loss resulting from inadequate or failed internal processes, people and systems or from external events over a one-year horizon that is exceeded with a small probability (0.03%). Estimating this type of ERC is inherently more subjective, and reflects both quantitative tools as well as senior management judgement.
- Expense risk ERC — the difference between expenses and revenues in a severe market event, exclusive of the elements captured by position risk ERC and operational risk ERC.

a. Market Risk

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

CS group devotes considerable resources to ensuring that market risk is comprehensively captured, accurately modelled and reported, and effectively managed. Trading and non-trading portfolios are managed at various organisational levels, from CS group overall down to specific business areas. CS group uses market risk measurement and management methods designed to meet or exceed industry standards. These include general tools capable of calculating comparable exposures across CS group's many activities as well as focused tools that can specifically model unique characteristics of certain business areas' functions. 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 the CS group's ERC calculations described above in the section entitled Economic Risk Capital. 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 over a given time interval under normal market conditions at a given confidence level. VaR as a concept is applicable for all financial risk types with valid regular price histories. Positions are aggregated by risk type rather than by product. For example, interest rate risk includes risk arising from money market and swap transactions, bonds, and interest rate, foreign exchange, equity and commodity options. The use of VaR allows the comparison of risk in different businesses, such as fixed income and equity, and also provides a means of aggregating and netting a variety of positions within a portfolio to reflect actual correlations and offsets between different assets.

Historical financial market rates and prices serve as a basis for the statistical VaR model underlying the potential loss estimation. CS group uses a ten-day holding period and a confidence level of 99% calculated using, in general, a rolling two-year history of market data to model the risk in its trading portfolios. These assumptions are in agreement 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.

30. Financial Instruments Risk Position (continued)

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

Assumptions
CS group uses a historical simulation model for the majority of risk types and businesses within its trading portfolios. Where insufficient data is available for such an approach, an extreme move methodology is used. The model is based on the profit and loss distribution resulting from the historical changes of market rates applied to evaluate the portfolio using, in general, a rolling two-year history. This methodology also avoids any explicit assumptions on correlation between risk factors. The VaR model uses assumptions and estimates that CS group believes are reasonable, but different assumptions or estimates could result in different estimates of VaR.

Limitations
VaR as a risk measure quantifies the potential loss on a portfolio under normal market conditions only. It is not intended to cover losses associated with unusually severe market movements (these are intended to be covered by scenario analysis). VaR also assumes that the price data from the recent past can be used to predict future events. If future market conditions differ substantially from past market conditions, then the risk predicted by VaR may be too conservative or too liberal.

Scenario analysis
CS group regularly performs scenario analysis for all of its business areas exposed to market risk to estimate the potential economic loss that could arise from extreme, but plausible, stress events. The scenario analysis calculations performed are specifically tailored towards their respective risk profile. In addition, to identify areas of risk concentration and potential vulnerability to stress events across the CS group, it has developed a set of scenarios, which are consistently applied across all business areas. Key scenarios include significant movements in 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 risk.

Assumptions
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.

Limitations
Scenario analysis estimates the loss that could arise if specific events in the economy or in financial markets were to occur. Past events seldom repeat themselves 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.

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

30. Financial Instruments Risk Position (continued)

Development of trading portfolio risks
The table below shows the trading-related market risk exposure for CSi on a consolidated basis, 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. Diversification benefit reflects the net difference between the sum of the 99th percentile loss for each individual risk type and for the total portfolio.

CSi's one-day, 99% VaR at 31 December 2006 was US$40m compared to US$41m at 31 December 2005.

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

	2006				2005			
In US$M	Min.	Max.	Average	31.12.2006	Min.	Max.	Average	31.12.2005
Interest rate & credit spread	18.0	38.3	24.8	21.5	19.4	41.5	26.3	28.6
Foreign exchange	3.9	21.2	8.0	7.4	0.6	19.3	6.8	5.8
Equity	19.9	44.0	31.2	29.7	8.4	28.9	15.2	25.3
Commodity	0.2	10.5	1.2	0.6	0.0	6.5	1.6	3.9
Diversification Benefit	2)	2)	(20.2)	(19.6)	2)	2)	(20.9)	(22.4)
Total	**31.1**	**64.4**	**45.0**	**39.6**	**19.7**	**48.4**	**29.0**	**41.2**

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

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

VaR results
Various techniques are used to assess the accuracy of the VaR model used for its trading portfolios, including backtesting. Backtesting of the trading portfolio is performed at various organisational levels, from CS group overall down to more specific business areas. The backtesting process compares daily backtesting profit and loss to VaR calculated using a one-day holding period. Backtesting profit and loss is a subset of actual trading revenue and includes only the profit and loss effects due to financial market variables such as interest rates, equity prices, foreign exchange rates and commodity prices on the previous night's positions. It excludes such items as fees, commissions, certain provisions and any trading subsequent to the previous night's positions. It is appropriate to compare this measure with VaR for backtesting purposes, since VaR assesses only the potential change in position value due to overnight movements in financial market variables. An accurate one-day, 99% VaR model should have no more than four backtesting exceptions per year. A backtesting exception occurs when the daily loss exceeds the daily VaR estimate. CSi had no backtesting exceptions in 2006.

Non-trading portfolios

Risk measurement and management
The market risks associated with the non-trading portfolios are measured, monitored and limited using several tools, including ERC, scenario analysis, sensitivity analysis and VaR. For the purpose of this disclosure, the aggregate market risks associated with the non-trading portfolios of CSi are measured using sensitivity analysis. The sensitivity analysis for the non-trading activities measures the amount of potential change in economic value. It is not a measure for the potential impact on reported earnings, since the non-trading activities generally are not marked to market through earnings. Real estate investments and foreign exchange translation risks are not included in the following analysis.

Development of non-trading portfolio risks
Equity risk on non-trading positions is measured using sensitivity analysis that estimates the potential change in value resulting from a 10% decline in the equity markets of developed nations and a 20% decline in the equity markets of emerging market nations. The estimated impact for CSi would be a decrease in the value of the non-trading portfolio of approximately US$5 million at 31 December 2006 compared to a decrease of approximately US$18 million at 31 December 2005.

30. Financial Instruments Risk Position (continued)

Interest rate risk on non-trading positions is measured 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 for CSi would be a decrease in the value of the non-trading portfolio of approximately US$30 million at 31 December 2006 compared to a decrease of approximately US$14 million at 31 December 2005.

Foreign exchange risk on non-trading positions is measured using sensitivity analysis that estimates the potential change in value resulting from a 10% strengthening of the U.S. dollar against developed nation currencies and a 20% strengthening of the U.S. dollar against emerging market nation currencies. The estimated impact for CSi would be an increase in the value of the non-trading portfolio of approximately US$58 million at 31 December 2006 compared to an increase of approximately US$62 million at 31 December 2005.

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

b. Currency Risk

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

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

c. Credit Risk

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

Definition of Counterparty Risk

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

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

Credit Risk Management Approach

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

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

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

30. Financial Instruments Risk Position (continued)

CSi evaluates credit risk through a credit request and approval process, ongoing credit and counterparty monitoring and a credit quality review process. Experienced credit officers prepare credit requests and assign internal ratings based on their analysis and evaluation of the clients' creditworthiness and the type of credit transaction. The analysis emphasises a forward looking approach, concentrating on economic trends and financial fundamentals. In addition, analysts make use of peer analysis, industry comparisons and other quantitative tools. The final rating also requires the consideration of qualitative factors relating to the counterparty, its industry and management. CSi has established a counterparty credit risk classification system with which counterparties are rated and classified on a regular basis. This system affords consistency in (i) statistical and other credit risk analysis; (ii) credit risk monitoring; (iii) risk-adjusted performance measurement; and (iv) economic risk capital usage/allocation. It is also used for certain financial accounting purposes.

Each counterparty that generates a potential or actual credit risk exposure is assigned a risk rating class. Based on the structure of each transaction, an estimate of expected loss in the event of a counterparty default is also assigned. 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 inputs allow CSi to price transactions involving credit risk more accurately, based on risk/return estimates. Pricing and the terms of the credit extension are sensitive to many of the credit risk factors described in this section, and are intended to reflect more accurately the situation of the borrower as well as CSi's interests and priorities in negotiating the extension of credit.

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

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

A rigorous credit quality review process has been established to provide 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 risk management and credit committees of CSi determine 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.

Risk mitigation

CSi actively manages its credit exposure utilising credit hedges and cash and marketable securities for risk mitigation. 'Credit hedges' represent the notional exposure that has been transferred to other market counterparties, generally through the use of credit default swaps.

30. Financial Instruments Risk Position (continued)

Counterparty Exposure pre Collateral by Rating

	2006 US$M	2006 %	2005 US$M	2005 %
AAA	4,985	11	3,393	9
AA+ to AA-	11,746	27	8,807	25
A+ to A-	9,415	21	11,517	32
BBB+ to BBB-	8,034	18	3,404	10
BB+ to BB-	5,834	13	4,076	11
B+ and below	4,602	10	4,624	13
	44,616		**35,821**	

Unsecured Exposure by Rating (including provisions)

	2006 US$M	2006 %	2005 US$M	2005 %
AAA	4,755	20	3,062	15
AA+ to AA-	5,868	24	4,722	24
A+ to A-	4,723	19	5,437	28
BBB+ to BBB-	2,961	12	1,969	10
BB+ and below	5,979	25	4,548	23
	24,286		**19,738**	

The above table includes all loans, commitments, derivatives, securities purchased and sold under resale and repurchase agreements, and short term cash trades.

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

There were no significant concentrations of credit risk by country or by industry.

d. Country Risk

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

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

e. Settlement Risk

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

30. Financial Instruments Risk Position (continued)

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

f. Legal Risk

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

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

g. Operational Risk

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

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

Within the CS group, each individual business area and management level takes responsibility for its own operational risks and provides adequate resources and procedures for the management of those risks. Each segment takes responsibility for its own operational risks and has a dedicated operational risk function. In addition, CS group has established a central team within the Chief Risk Officer function that focuses on the coordination of consistent policy, tools and practices throughout CS group for the management, measurement, monitoring and reporting of relevant operational risks. This team is responsible for the overall operational risk measurement methodology and capital calculations. Knowledge and experience are shared throughout CS group to maintain a coordinated approach.

In addition to the quarterly CS group CARMC meetings covering operational risk, regular risk committees meet at the divisional level, where operational risk exposures are discussed, with representation from senior staff in all the relevant functions. CS group utilizes 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.

30. Financial Instruments Risk Position (continued)

CS group has employed the same methodology to calculate the economic risk capital for operational risk since 2000, and plans to use a similar methodology for the Advanced Measurement Approach under the Basel II Accord. This methodology is based upon the identification of a number of key risk scenarios that describe all of the major operational risks that CS group currently faces. Groups of senior staff review each scenario and discuss how likely it is to occur and the potential severity of loss if it were to happen. Internal and external loss data, along with certain business environment and internal control factors (for example. self-assessment results, key risk indicators) are considered as part of this process. Based on the output from these meetings, CS group enters the scenario probabilities and severities into an event model that generates a loss distribution. Insurance mitigation is included in the capital assessment where appropriate, by considering the level of insurance coverage for each scenario, incorporating haircuts as appropriate. Based on the loss distribution, the level of capital required to cover operational risk can then be calculated.

h. Reputational Risk

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

i. Liquidity Risk

The Treasury department manages the day-to-day liquidity position of CS group. CSi is managed within the framework below.

Liquidity is managed centrally to ensure that sufficient funds are either on hand or readily available at short notice in the event that it experiences any impairment of its ability to borrow in the unsecured debt markets. This ensures that, even in the event of a liquidity dislocation, CS group has sufficient funds to repay maturing liabilities without requiring any balance sheet reduction. CS group's liquidity disciplines are segregated into two main funding franchises:

1. Those funds raised directly by Credit Suisse and its branches, with access to stable deposit-based core funds and the interbank markets. CSi has direct access to CS group's bank sourced funding and therefore constitutes part of this 'Bank Funding Franchise'.

2. Those funds raised by fellow subsidiaries, particularly CS (USA) Inc, the SEC registered US holding company – the 'Non-Bank Funding Franchise'.

Secondary sources of liquidity ensure availability of alternative funding to meet business plans and commercial commitments. Both funding franchises have access to different forms of secondary liquidity through their ability to access secured funding via repurchase and other secured financing markets. These markets have proved to be reliable even in high stress conditions. The liquidity position is overseen by Treasury and reported regularly to CARMC.

j. Corporate Asset And Liability Management

The CS group Treasury department also oversees corporate policy with respect to interest rate and foreign exchange exposure, as well as a range of other important policy areas including debt maturity profile, internal and external capitalisation and intercompany funding. CS group minimises interest rate and 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.

30. Financial Instruments Risk Position (continued)

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. CS 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.

Interest rate sensitivity position

Interest rate sensitivity by time bands at 31/12/2006

USD thousand gain/(loss) per basis point increase		Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
CHF	Trading	(41.0)	36.5	5.0	(103.1)	(113.9)	(216.5)
	Non-trading	(4.8)	1.0	0.2	1.7	1.6	(0.3)
USD	Trading	84.9	(523.4)	694.3	596.3	(689.5)	162.6
	Non-trading	90.2	392.3	76.4	(16.9)	4.0	546.0
EUR	Trading	(12.5)	(126.0)	302.9	(369.6)	869.0	663.8
	Non-trading	(0.1)	50.7	(39.7)	1.0	(25.7)	(13.8)
GBP	Trading	86.3	(132.5)	39.9	(110.1)	(171.8)	(288.2)
	Non-trading	0.8	(9.7)	(3.0)	3.0	4.7	(4.2)
JPY	Trading	(12.5)	62.0	(375.8)	228.4	563.4	465.5
	Non-trading	5.8	0.3	(0.3)	0.0	(0.5)	5.3
Other	Trading	(26.4)	5.0	141.0	(125.3)	364.0	358.3
	Non-trading	1.2	15.3	1.2	(0.4)	(0.7)	16.6

Interest rate sensitivity by time bands at 31/12/2005

USD thousand gain/(loss) per basis point increase		Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
CHF	Trading	(35.5)	36.2	(52.4)	205.4	(192.0)	(38.3)
	Non-trading	1.6	1.4	0.0	0.4	0.8	4.2
USD	Trading	97.3	10.4	306.5	(636.8)	1292.9	1070.3
	Non-trading	24.6	116.0	9.4	7.1	(11.7)	145.4
EUR	Trading	(21.0)	64.7	(181.5)	1043.5	41.6	947.3
	Non-trading	63.0	24.6	7.1	1.0	(1.6)	94.1
GBP	Trading	(4.3)	(51.9)	92.9	(118.4)	15.5	(66.2)
	Non-trading	5.7	5.5	(0.5)	3.1	6.1	19.9
JPY	Trading	(19.8)	(25.8)	(256.2)	983.4	(100.6)	581.0
	Non-trading	0.2	0.0	0.0	0.0	0.0	0.2
Other	Trading	(15.8)	62.8	40.8	162.8	178.3	428.9
	Non-trading	0.8	5.4	0.1	(0.1)	0.0	6.2

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