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Balance sheet, off-balance sheet and other contractual obligations

Most of our transactions are recorded on our balance sheet, however we also enter into a number of transactions that may give rise to both on- and off-balance sheet exposure. These transactions include derivative transactions, off-balance sheet arrangements and certain contractual obligations.

We enter into derivative contracts in the normal course of business for market making, positioning and arbitrage purposes, as well as for our own risk management needs, including mitigation of interest rate, foreign currency and credit risk.

We enter into off-balance sheet arrangements in the ordinary course of business. Off-balance sheet arrangements are transactions or other contractual arrangements with, or for the benefit of, an entity that is not consolidated. These transactions include guarantees and similar arrangements, retained or contingent interests in assets transferred to an unconsolidated entity, and obligations and liabilities (including contingent obligations and liabilities) under variable interests in unconsolidated entities that provide financing, liquidity, market risk or credit risk support.

The increase in our balance sheet in 2007 reflected the continued growth of our business and was impacted by the

adoption of the fair value option in accordance with SFAS 159. Total assets were CHF 1,360.7 billion as of the end of 2007, up from CHF 1,256.0 billion as of the end of 2006, driven primarily by increases in Investment Banking assets. Trading assets increased CHF 81.3 billion, reflecting an increase of CHF 45.6 billion in equity securities and CHF 40.3 billion in derivative instruments, partly offset by a decrease of CHF 5.4 billion in debt securities. Net loans increased CHF 32.4 billion, reflecting business and market developments in Investment Banking as well as business growth in Private Banking. Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions decreased CHF 22.3 billion, mainly driven by a decline in business activity.

Total liabilities were CHF 1,317.5 billion as of the end of 2007, up from CHF 1,212.4 billion as of the end of 2006. Customer deposits increased CHF 44.6 billion, mainly driven by increased time deposits. Trading liabilities increased CHF 3.4 billion, mainly due to an increase of CHF 20.5 billion in derivative instruments, partly offset by a decrease of CHF 17.1 billion in short positions.

Balance sheet summary

	2007	end of 2006	% change 07 / 06
Assets (CHF million)			
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	296,709	319,048	(7)
Trading assets	532,083	450,780	18
Net loans	240,534	208,127	16
All other assets	291,354	278,001	5
Total assets	1,360,680	1,255,956	8
Liabilities and shareholders' equity (CHF million)			
Due to banks	90,864	97,514	(7)
Customer deposits	335,505	290,864	15
Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions	300,381	288,444	4
Trading liabilities	201,809	198,422	2
Long-term debt	160,157	147,832	8
All other liabilities	228,765	189,294	21
Total liabilities	1,317,481	1,212,370	9
Total shareholders' equity	43,199	43,586	(1)
Total liabilities and shareholders' equity	1,360,680	1,255,956	8

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

Our results in 2007 reflected the turmoil in the mortgage and credit markets, which emerged from the dislocation of the US subprime mortgage market and subsequently spread to other markets and asset classes. The impact was recorded primarily in Investment Banking and Asset Management.

Investment Banking results included net valuation reductions in leveraged finance and structured products of CHF 3,187 million in 2007, including valuation reductions from the revaluing of certain ABS positions in our CDO trading business. Asset Management recorded valuation reductions of CHF 920 million in 2007 on securities purchased from our money market funds in order to address liquidity concerns caused by the US market's extreme conditions, with the intent of eliminating SIV, ABS CDO and US subprime exposures within those funds. We had no legal obligation to purchase these securities from our money market funds.

For further information relating to the impact on Investment Banking and Asset Management results, refer to II – Operating and financial review – Investment Banking and – Asset Management.

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

Leveraged finance business

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

Leveraged finance risk exposure takes the form of both funded and unfunded commitments. From the time a commitment is made to a client to extend a leveraged loan, to the time the loan is closed and funded, an unfunded commitment

exists. We typically endeavor to distribute the loan prior to the closing and funding of the loan. Once a loan has closed, whatever portion we continue to hold is a funded commitment.

Our unfunded non-investment grade loan commitments (both leveraged loan and bridge) were CHF 25.3 billion (USD 22.4 billion) as of the end of 2007. Our funded non-investment grade loans (both leveraged loan and bridge) were CHF 10.7 billion (USD 9.5 billion) as of the end of 2007. The majority of these funded and unfunded loan exposures are to large cap issuers with historically stable cash flows and substantial assets.

CMBS business

CMBS are bonds backed by a pool of mortgage loans on commercial real estate properties. Cash flows generated by the underlying pool of commercial mortgages are the primary source of repayment for the principal and interest on the bonds. Various types of income-producing properties serve as collateral for the commercial mortgages, including multi-family properties, hotels, health-care facilities, office and industrial buildings and retail properties. The collateral is typically sold to a special purpose entity (SPE) which then issues CMBS.

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

We have risk exposure to the underlying commercial loans from the time we make the loans until they are packaged as CMBS and distributed. We also have exposure that arises from any securities that we retain.

Our CMBS origination gross exposure was CHF 25.9 billion (USD 22.9 billion) as of the end of 2007. The vast majority of these loans are secured by historically stable, high-quality, income-producing real estate to a diverse range of borrowers in the US, Europe and Asia.

RMBS business

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

ious types of residential properties collateralize the related residential mortgages, including single family properties, two-to-four family properties, low and high rise condominiums, cooperative housing units and planned unit developments. Like CMBS, the collateral backing RMBS is typically sold to an SPE which then issues the RMBS. Typical RMBS transactions will include bonds with varying payment priorities and various methods of allocating any losses incurred on the underlying residential mortgages. The ratings associated with an RMBS transaction can range from AAA to non-rated. RMBS transactions include both non-agency and agency business.

Our US subprime mortgage-related trading positions consist of mortgage-related exposures arising from investments in subprime loans, from ABS that, in whole or in significant part, are backed by subprime mortgage loans and from derivatives referencing subprime mortgages or subprime RMBS.

We define a loan as subprime with reference to the credit-worthiness of the borrower. A borrower's credit history is reflected in a credit report and routinely converted into a numerical credit score often referred to as a Fair Isaac Corporation (FICO) score. Generally, a loan made to a borrower with a low FICO or other credit score has historically been considered subprime. Loans to borrowers with higher FICO scores may be subprime if the borrower has other high-risk factors including: (i) the number and type of delinquencies reported on mortgage trade lines in the immediately preceding two-year period; (ii) the number and type of bankruptcies, if any, filed by or against the borrower; (iii) the time that has elapsed since the discharge or dismissal of such bankruptcies; (iv) the number of foreclosures, if any, filed against the borrower; and (v) the number and type of open collections, judgments and/or charged-off accounts related to the borrower. We consider RMBS subprime if a significant portion of the underlying assets are subprime loans.

We have risk exposure to residential loans, including subprime loans, from the time we make or acquire the loans until they are packaged as RMBS and distributed. In addition, we have exposure to residential loans, including subprime loans, from the time we purchase such loans under master repurchase warehouse financing agreements until they are resold under such agreements. We also have exposure that arises from RMBS retained interests.

The RMBS business had net US subprime exposure of CHF 1.6 billion and other net RMBS non-agency exposure of CHF 7.1 billion as of the end of 2007. The CDO business is managed as a trading book on a net basis, and the related gross long and short positions are monitored as part of our risk management activities and price testing procedures. We are not currently originating significant levels of subprime loans.

CDO trading business

We purchase interests in RMBS and CDOs and enter into derivative contracts with ABS CDOs and other counterparties. CDOs provide credit risk exposure to a portfolio of ABS (cash CDOs) or a reference portfolio of securities (synthetic CDOs) through, for example, credit default swaps. These portfolios consist primarily of RMBS. The CDOs to which we have exposure have been structured and underwritten by third parties and by us. In addition, we have structured and underwritten CDOs in the past for which we received structuring and/or distribution fees, and, in some cases, we have retained interests in such CDOs.

Our cash CDO business includes warehouse financing of a portfolio of assets selected by clients for packaging and distribution as CDOs, where we sell the warehoused assets to the CDO vehicle for cash raised in the CDO issuance.

Our primary CDO US subprime exposure is to bonds with ratings of AAA or AA. In synthetic CDOs, we may be required under credit default swaps to make payments in the event that securities in the referenced portfolios default or experience other credit events such as rating agency downgrades. A characterization of credit default swaps as "super senior" is derived from the seniority in the capital structure of the synthetic CDO. The dislocation in the mortgage and credit markets has resulted in declines in the value of the tranches subordinated to these super senior tranches, including CDOs that were highly rated at issuance. Based on current market assumptions, these super senior tranches are now exposed to a greater portion of the expected losses of the CDO vehicle than they were at origination.

The CDO trading business had net US subprime exposure of CHF 1.6 billion as of the end of 2007, reflecting the revaluation of certain ABS positions. The CDO business is managed as a trading book on a net basis, and the related gross long and short positions are monitored as part of our risk management activities and price testing procedures. We are not currently originating significant levels of subprime CDOs.

Structured Investment Vehicles

SIVs are unconsolidated entities that issue various capital notes and debt instruments to fund the purchase of assets. We do not sponsor or serve as asset manager to any SIVs. However, Asset Management does serve as investment advisor to certain money market funds that had investments in securities issued by SIVs. In 2007, Asset Management purchased approximately CHF 5.3 billion of such securities from our money market funds at amortized cost, which resulted in valuation reductions of CHF 461 million. The fair value of purchased securities issued by SIVs still held as of December 31, 2007 was CHF 2.5 billion and these securities are recorded in

trading assets in the consolidated balance sheets. As of December 31, 2007, there were no material SIV positions in our money market funds.

Hedging

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

Involvement with Special Purpose Entities

In the normal course of business, we enter into transactions with, and make use of, SPEs. SPEs typically qualify either as qualified special purpose entities (QSPE) according to SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities" (SFAS 140) or VIEs according to FIN 46(R). At each balance sheet date, QSPEs and VIEs are reviewed for events that may trigger reassessment of the entities' classification.

The majority of our securitization activities involve mortgages and mortgage-related securities and are predominantly transacted using QSPEs. In order to qualify as a QSPE, the permitted activities of the SPE must be limited to passively holding financial assets and distributing cash flows to investors based on pre-set terms. In accordance with SFAS 140, entities that qualify as QSPEs are not consolidated at inception and the risk of subsequent consolidation is minimal.

Securitization transactions are assessed in accordance with SFAS 140 for appropriate treatment of the assets transferred by us. Our investing or financing needs, or those of our clients, determine the structure of each transaction, which in turn determines whether sales accounting and subsequent derecognition of the transferred assets under SFAS 140 applies. Certain transactions may be structured to include derivatives or other provisions that prevent sales accounting and related derecognition of the assets from consolidated balance sheets.

As a normal part of our business, we engage in various transactions that include entities which are considered VIEs and are broadly grouped into three primary categories: CDOs, CP conduits and financial intermediation. VIEs are entities which typically either lack sufficient equity to finance their activities without additional subordinated financial support or are structured such that the holders of the voting rights do not

substantively participate in the gains and losses of the entity. Such entities are required to be assessed for consolidation under FIN 46(R), which requires that the primary beneficiary consolidate the VIE. The primary beneficiary is the party that will absorb the majority of expected losses, receive the majority of the expected residual returns, or both. We consolidate all VIEs for which we are the primary beneficiary. VIEs may be sponsored by us, unrelated third parties or clients. At each balance sheet date, VIEs are reviewed for events that may trigger reassessment of the entities' classification and/or consolidation. Application of the accounting requirements for consolidation of VIEs may require the exercise of significant management judgment.

Transactions with VIEs are generally executed to facilitate securitization activities or to meet specific client needs, such as providing liquidity or investing opportunities, and, as part of these activities, we may hold interests in the VIEs. Securitization-related transactions with VIEs involve selling or purchasing assets and entering into related derivatives with those VIEs, providing liquidity, credit or other support. Other transactions with VIEs include derivative transactions in our capacity as the prime broker for entities qualifying as VIEs. We also enter into lending arrangements with VIEs for the purpose of financing client projects or the acquisition of assets. Further, we are involved with VIEs which were formed for the purpose of offering alternative investment solutions to clients. Such VIEs relate primarily to private equity investments, fund-linked vehicles or funds of funds, where we act as structurer, manager, distributor, broker, market maker or liquidity provider. The economic risks associated with VIE exposures held by us, together with all relevant risk mitigation initiatives, are included in our risk management framework.

For additional information and disclosure of our maximum exposure to loss, refer to Note 32 – Transfers and servicing of financial assets in V – Consolidated financial statements – Credit Suisse Group.

We have raised hybrid tier 1 capital through the issuance by SPEs of trust preferred securities that purchase subordinated debt securities issued by us. These SPEs have no assets or operations unrelated to the issuance, administration and repayment of the trust preferred securities and are not consolidated by us under FIN 46(R).

Derivatives

We enter into derivative contracts in the normal course of business for market-making, positioning and arbitrage purposes, as well as for our own risk management needs, including mitigation of interest rate, foreign currency and credit risk.

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

The replacement values of derivative financial instruments correspond to the fair values at the dates of the consolidated balance sheets and are those which arise from transactions for the account of customers and for our own account. Positive replacement values constitute a receivable. Negative replacement values constitute a liability. The fair value of a derivative is the amount for which that derivative could be exchanged between knowledgeable, willing parties in an arm's-length transaction. Fair value does not indicate future gains or losses, but rather the unrealized gains and losses from marking to market all derivatives at a particular point in time. The fair values of derivatives are determined using vari-

ous methodologies, including quoted market prices, where available, prevailing market rates for instruments with similar characteristics and maturities, net present value analysis or other pricing models, as appropriate.

The credit risk on derivative receivables is reduced by the use of legally enforceable netting agreements and collateral agreements. Netting agreements allow us to net the effect of derivative assets and liabilities when transacted with the same counterparty, when those netting agreements are legally enforceable and there is an intent to settle net with the counterparty. Replacement values are disclosed net of such agreements in the consolidated balance sheets. Collateral agreements are entered into with certain counterparties based upon the nature of the counterparty and/or the transaction and require the placement of cash or securities with us. Collateral received is only recognized in the consolidated balance sheets to the extent that the counterparty has defaulted in its obligation to us and is no longer entitled to have the collateral returned.

Balance sheet, off-balance sheet and other contractual obligations

Trading and hedging of derivative instruments – Group

	Trading			Hedging		
	Notional amount	Positive replacement value	Negative replacement value	Notional amount	Positive replacement value	Negative replacement value
end of 2007						
Derivative instruments (CHF billion)						
Forwards and forward rate agreements	4,369.4	4.5	4.5	0.0	0.0	0.0
Swaps	18,767.7	203.5	197.9	40.1	0.9	0.1
Options bought and sold (OTC)	2,824.5	27.9	30.1	0.0	0.0	0.0
Futures	1,585.8	0.0	0.0	0.0	0.0	0.0
Options bought and sold (traded)	3,383.9	0.3	0.2	0.0	0.0	0.0
Interest rate products	30,931.3	236.2	232.7	40.1	0.9	0.1
Forwards	1,559.9	17.2	17.2	39.7	0.2	0.0
Swaps	810.7	30.2	23.1	0.0	0.0	0.0
Options bought and sold (OTC)	860.4	13.4	14.7	0.0	0.0	0.0
Futures	19.4	0.0	0.0	0.0	0.0	0.0
Options bought and sold (traded)	24.8	0.0	0.2	0.0	0.0	0.0
Foreign exchange products	3,275.2	60.8	55.2	39.7	0.2	0.0
Forwards	9.5	1.4	2.9	0.0	0.0	0.0
Swaps	1.4	0.0	0.0	0.0	0.0	0.0
Options bought and sold (OTC)	19.0	1.0	0.9	0.0	0.0	0.0
Futures	0.7	0.0	0.0	0.0	0.0	0.0
Precious metals products	30.6	2.4	3.8	0.0	0.0	0.0
Forwards	22.9	5.1	0.0	0.0	0.0	0.0
Swaps	315.9	8.0	8.4	0.0	0.0	0.0
Options bought and sold (OTC)	516.6	31.5	34.0	0.0	0.0	0.0
Futures	101.5	0.1	0.0	0.0	0.0	0.0
Options bought and sold (traded)	567.6	2.3	2.2	0.0	0.0	0.0
Equity/index-related products	1,524.5	47.0	44.6	0.0	0.0	0.0
Credit derivatives	3,760.1	80.8	72.2	0.0	0.0	0.0
Forwards	44.6	1.2	1.1	0.0	0.0	0.0
Swaps	270.8	9.6	10.0	0.0	0.0	0.0
Options bought and sold (OTC)	226.1	5.4	4.6	0.0	0.0	0.0
Futures	136.8	0.0	0.0	0.0	0.0	0.0
Options bought and sold (traded)	33.3	1.3	1.1	0.0	0.0	0.0
Other products	711.6	17.5	16.8	0.0	0.0	0.0
Total derivative instruments	40,233.3	444.7	425.3	79.8	1.1	0.1

The notional amount for derivative instruments (trading and hedging) was CHF 40,313.1 billion and CHF 29,167.4 billion as of December 31, 2007 and 2006, respectively.

	2007		2006	
	Positive re- placement value	Negative re- placement value	Positive re- placement value	Negative re- placement value
end of				
Derivatives (CHF billion)				
Replacement values (trading and hedging) before netting	445.8	425.4	270.4	270.1
Replacement values (trading and hedging) after netting	99.5	79.1	60.3	59.9

The following tables summarize the Bank's derivatives exposure. The use of trading and hedging derivatives by the Bank is substantially the same as the Group.

Trading and hedging of derivative instruments – Bank

end of 2007	Trading			Hedging		
	Notional amount	Positive replacement value	Negative replacement value	Notional amount	Positive replacement value	Negative replacement value
Derivative instruments (CHF billion)						
Interest rate products	30,933.3	236.4	232.7	38.3	0.8	0.1
Foreign exchange products	3,251.9	59.8	55.3	39.7	0.2	0.0
Precious metals products	29.9	2.4	3.8	0.0	0.0	0.0
Equity/index-related products	1,514.6	46.9	43.7	0.0	0.0	0.0
Credit derivatives	3,760.1	80.8	72.2	0.0	0.0	0.0
Other products	711.5	17.5	16.8	0.0	0.0	0.0
Total derivative instruments	40,201.3	443.8	424.5	78.0	1.0	0.1

The notional amount for derivative instruments (trading and hedging) was CHF 40,279.3 billion and CHF 29,149.2 billion as of December 31, 2007 and 2006, respectively.

end of	2007		2006	
	Positive re- placement value	Negative re- placement value	Positive re- placement value	Negative re- placement value
Derivatives (CHF billion)				
Replacement values (trading and hedging) before netting	444.8	424.6	269.5	269.5
Replacement values (trading and hedging) after netting	98.2	78.0	59.2	59.2

Freestanding derivative instruments

A description of the key features of freestanding derivative instruments and the key objectives of holding or issuing these instruments is set out below.

Swaps

Our swap agreements consist primarily of interest rate, equity and credit default swaps. We enter into swap agreements for trading and risk management purposes. Interest rate swaps are contractual agreements to exchange interest rate payments based on agreed upon notional amounts and maturities. Equity swaps are contractual agreements to receive the appreciation or depreciation in value based on a specific strike price on an equity instrument in exchange for paying another rate, which is usually based on an index or interest rate movements. Credit default swaps are contractual agreements in which the buyer of the swap pays a periodic fee in return for a contingent payment by the seller of the swap following a credit event of a reference entity. A credit event is commonly defined as

bankruptcy, insolvency, receivership, material adverse restructuring of debt or failure to meet payment obligations when due.

Options

We write option contracts specifically designed to meet the needs of customers and for trading purposes. These written options do not expose us to the credit risk of the customer because we, not our counterparty, are obligated to perform. At the beginning of the contract period, we receive a cash premium. During the contract period, we bear the risk of unfavorable changes in the value of the financial instruments underlying the options. To manage this market risk, we purchase or sell cash or derivative financial instruments on a proprietary basis. Such purchases and sales may include debt and equity securities, forward and futures contracts, swaps and options.

We also purchase options to meet customer needs, for trading purposes and for hedging purposes. For purchased options, we obtain the right to buy or sell the underlying instru-

Balance sheet, off-balance sheet and other contractual obligations

ment at a fixed price on or before a specified date. During the contract period, our risk is limited to the premium paid. The underlying instruments for these options typically include fixed income and equity securities, foreign currencies and interest rate instruments or indices. Counterparties to these option contracts are regularly reviewed in order to assess creditworthiness.

Forwards and futures

We enter into forward purchase and sale contracts for mortgage-backed securities, foreign currencies and commitments to buy or sell commercial and residential mortgages. In addition, we enter into futures contracts on equity-based indices and other financial instruments, as well as options on futures contracts. These contracts are typically entered into to meet the needs of customers, for trading purposes and for hedging purposes.

Forward contracts expose us to the credit risk of the counterparty. To mitigate this credit risk, we limit transactions with specific counterparties, regularly review credit limits and adhere to internally established credit extension policies.

For futures contracts and options on futures contracts, the change in the market value is settled with a clearing broker in cash each day. As a result, the credit risk with the clearing broker is limited to the net positive change in the market value for a single day.

Risk management

We use derivatives to meet our own risk management needs, including mitigation of interest rate, foreign currency and credit risk. For additional information and a description of our hedging activities, refer to Note 30 – Derivatives and hedging activities in V – Consolidated financial statements – Credit Suisse Group.

Over-the-counter derivatives

Our positions in derivatives include both OTC and exchange-traded derivatives. OTC derivatives include forwards, swaps and options on foreign exchange, interest rates, equity securities and credit instruments.

Exposure with respect to OTC derivative receivables by maturity

	Group							Bank
	Less than 1 year	1 to 5 years	More than 5 years	Positive replacement value	Less than 1 year	1 to 5 years	More than 5 years	Positive replacement value
end of 2007, due within								
Derivative instruments, net positive replacement value (CHF billion)								
Interest rate products	22.3	76.3	138.2	236.8	22.3	76.3	138.3	236.9
Foreign exchange products	33.5	17.3	10.2	61.0	33.2	16.9	9.9	60.0
Precious metals products	1.4	0.9	0.1	2.4	1.4	0.9	0.1	2.4
Equity/index-related products	19.6	21.2	3.8	44.6	19.6	21.2	3.8	44.6
Credit derivatives	0.8	39.6	40.4	80.8	0.8	39.6	40.4	80.8
Other products	8.6	7.4	0.2	16.2	8.6	7.4	0.2	16.2
Total derivative instruments	86.2	162.7	192.9	441.8	85.9	162.3	192.7	440.9
Netting agreements ¹				(346.3)				(346.6)
Total derivative instruments, net positive replacement value				95.5				94.3

¹ Taking into account legally enforceable netting agreements.

Exposure with respect to OTC derivatives by counterparty credit rating

end of 2007	Group	Bank
Net positive replacement value (CHF billion)		
AAA	12.5	12.4
AA	42.8	42.1
A	21.1	21.1
BBB	9.4	9.2
BB or lower	9.7	9.5
Total derivative instruments, net positive replacement value	95.5	94.3

The credit ratings displayed in the table are determined by external rating agencies or by equivalent ratings used by our internal credit department. For further information on derivatives and hedging activities, refer to Note 30 – Derivatives and hedging activities in V – Consolidated financial statements – Credit Suisse Group.

Guarantees

In the ordinary course of business, guarantees and indemnifications are provided that contingently obligate Credit Suisse to make payments to the guaranteed or indemnified party based on changes in an asset, liability or equity security of the guaranteed or indemnified party. We may be contingently obligated to make payments to a guaranteed party based on another entity's failure to perform, or we may have an indirect guarantee of the indebtedness of others. Guarantees provided include customary indemnifications to purchasers in connection with the sale of assets or businesses; to investors in private equity funds sponsored by the Group regarding potential obligations of its employees to return amounts previously paid as carried interest; to investors in Group securities and other arrangements to provide "gross up" payments if there is a withholding or deduction because of a tax assessment or other governmental charge; and to counterparties in connection with securities lending arrangements.

In connection with the sale of assets or businesses, we sometimes provide 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 shift the potential risk of certain unquantifiable and unknowable loss contingencies (for example, relating to litigation,

tax and intellectual property matters). We closely monitor all such contractual agreements to ensure that indemnification provisions are adequately provided for in our consolidated financial statements.

FIN No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" (FIN 45), requires disclosure of our maximum potential payment obligations under certain guarantees to the extent that it is possible to estimate them and requires recognition of a liability for the fair value of obligations undertaken for guarantees issued or amended after December 31, 2002. For disclosure of our estimable maximum payment obligations under certain guarantees and related information, refer to Note 31 – Guarantees and commitments in V – Consolidated financial statements – Credit Suisse Group.

Contractual obligations and other commercial commitments

In connection with our operating activities, we enter into certain contractual obligations and commitments to fund certain assets. Total obligations increased CHF 12.1 billion in 2007 to CHF 168.7 billion, primarily reflecting an increase in long-term debt obligations of CHF 12.3 billion to CHF 160.2 billion. The increase in long-term debt reflected primarily the issuance of structured notes. For further information on long-term debt and the related interest commitments, refer to Note 24 – Long-term debt in V – Consolidated financial statements – Credit Suisse Group.

For further information on commitments, refer to Note 31 – Guarantees and commitments in V – Consolidated financial statements – Credit Suisse Group.

Contractual obligations and other commercial commitments – Group

Payments due within	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years	Total
Obligations (CHF million)					
Long-term debt obligations ¹	30,919	54,767	34,552	39,919	160,157
Capital lease obligations	6	12	21	186	225
Operating lease obligations	642	1,084	881	4,732	7,339
Purchase obligations	455	407	130	0	992
Total obligations ²	32,022	56,270	35,584	44,837	168,713

¹ For further information on long-term debt obligations, refer to Treasury management and Note 24 – Long-term debt in V – Consolidated financial statements – Credit Suisse Group. ² Excludes total accrued benefit liability for pension and other post-retirement benefit plans of CHF 331 million as of December 31, 2007, recorded in other liabilities in the consolidated balance sheets, as the accrued liability does not represent expected liquidity needs. For further information on pension and other post-retirement benefits, refer to Note 29 – Pension and other post-retirement benefits in V – Consolidated financial statements – Credit Suisse Group.

end of	2007	2006
Short-term obligations (CHF million)		
Deposits	426,369	388,378
Short-term borrowings	19,390	21,556
Brokerage payables	55,808	33,185
Trading account liabilities	201,809	198,422
Total short-term obligations	703,376	641,541

Contractual obligations and other commercial commitments – Bank

Payments due within	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years	Total
Obligations (CHF million)					
Long-term debt obligations ¹	29,851	52,011	37,893	37,527	157,282
Capital lease obligations	6	12	21	186	225
Operating lease obligations	629	1,072	872	4,592	7,165
Purchase obligations	451	403	130	0	984
Total obligations	30,937	53,498	38,916	42,305	165,656

¹ For further information on long-term debt obligations, refer to Treasury management and Note 22 – Long-term debt in VII – Consolidated financial statements – Credit Suisse (Bank).

end of	2007	2006
Short-term obligations (CHF million)		
Deposits	414,577	384,924
Short-term borrowings	14,398	16,287
Brokerage payables	55,823	33,196
Trading account liabilities	200,575	197,936
Total short-term obligations	685,373	632,343

Treasury management

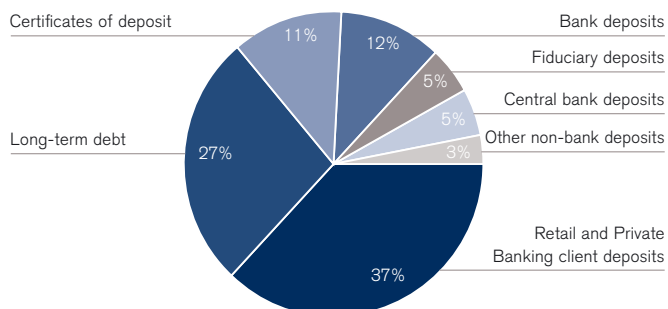
Funding, liquidity, capital and foreign exchange exposures are managed on a centralized basis through Global Treasury. Oversight of these activities is provided by the Capital Allocation and Risk Management Committee (CARMC), a committee that includes the CEOs of the Group and the divisions, the CFO, the CROs of the Group and the Bank, the COO and the Global Treasurer. It is CARMC's responsibility to review the capital situation, balance sheet development, current and prospective funding and foreign exchange exposure and to define and monitor adherence to internal Treasury risk limits.

Liquidity and funding management

Following approval from the SFBC, we strengthened our funding and liquidity model by centralizing debt issuance and the funding of our subsidiaries. As a result, securities for funding and capital purposes are issued primarily by the Bank, our principal operating subsidiary and a US registrant. The consolidation of these functions was a logical step forward in view of the efforts to focus expertise and resources to maximize efficiency within the integrated bank organization. The Bank lends funds to its operating subsidiaries and affiliates on both a senior and subordinated basis, as needed, the latter typically to meet capital requirements, or as desired by management to support business initiatives.

Unsecured funding distribution

as of December 31, 2007



Funding sources and uses

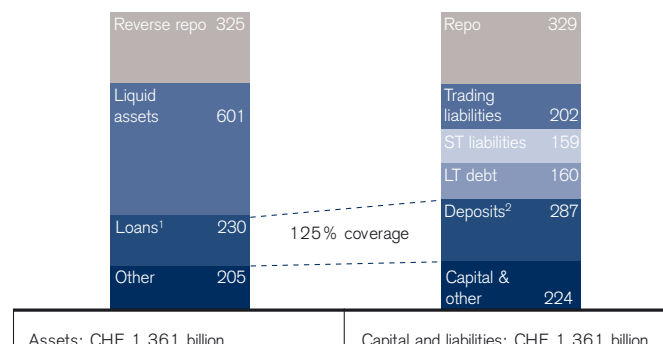
Despite the liquidity squeeze in some credit and money markets during the second half of 2007, our liquidity and funding management and strong capital base helped us to maintain a comfortable liquidity profile. Our centralized funding provided for a controlled and flexible response to the volatile market conditions. Representatives from the secured and unsecured funding desks met on a daily basis to ensure optimal communication of market developments and served as a focal point for the management of all funding issues.

As a global bank, we have access to multiple markets worldwide and have major funding operations in Zurich, New York, London, Singapore and Tokyo. We use a wide range of products and currencies to ensure that our funding is efficient and well diversified across markets and investor types. Unsecured funding sources include private and corporate and retail banking client deposits, which have proved extremely stable even in stressed markets, long-term debt, certificates of deposit, bank deposits, fiduciary deposits, central bank deposits and other non-bank deposits. The chart below provides an overview of the distribution of our unsecured funding as of the end of 2007.

Global Treasury is responsible for the development and execution of our unsecured funding plan which reflects projected business growth, development of the balance sheet and future funding needs and maturity profiles. The funding plan incorporates short-term funding (mainly certificates of deposits and, to a lesser extent, CP) and senior and subordinated long-

Funding by asset category

as of December 31, 2007



¹ Excluding loans with banks. ² Excluding deposits with banks and certificates of deposit.

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

For more information on the maturity profile of our long-term debt refer to Note 24 – Long-term debt in V – Consolidated financial statements – Credit Suisse Group.

A substantial part of our assets, principally trading inventories that support the institutional securities business, are liquid, consisting of securities inventories and collateralized receivables, which fluctuate depending on the levels of proprietary trading and customer business. We also maintain a portfolio of high-quality and very liquid assets readily available for additional funding needs. As of the end of 2007, our liquid assets included CHF 60 billion of securities and similar assets accepted by central banks. These liquid assets are managed to provide for emergency liquidity needs and are maintained at a level well beyond regulatory requirements. Collateralized receivables consist primarily of securities purchased under agreements to resell and securities borrowed, both of which are primarily secured by government and agency securities, and corporate debt and equity securities. In addition, we have significant receivables from customers and broker-dealers, which turn over frequently. We have historically been able to access significant liquidity through the secured lending markets, including through our broker-dealer subsidiaries. To meet client needs as a securities dealer, we may carry significant levels of trading inventories.

As part of our private and corporate and retail banking business, we provide residential and commercial mortgages and secured and unsecured advances to a wide range of borrowers, including individuals, small and medium-sized corporate entities and utilities in Switzerland, Swiss public entities and local and regional governments. These assets are generally in the form of fixed-term loans and loans callable on demand after a contractual notice period. These assets are well diversified by geography, customer type and instrument. Other assets include loans to corporate and other institutional clients, money market holdings and foreign exchange positions. As of the end of 2007, client deposits, a particularly stable source of funds, covered 125% of total loans outstanding.

Our other assets include less-liquid assets such as certain mortgage whole loans, distressed securities, high-yield debt securities, ABS and private equity and other long-term investments. These assets may be relatively illiquid at times, especially during periods of market stress. We generally fund a significant portion of less liquid assets with long-term debt and shareholders' equity.

We try to ensure that loans to subsidiaries and affiliates have maturities equal to or shorter than the maturities of our capital market borrowings.

Liquidity and funding policy

Our liquidity and funding policy is designed to ensure that funding is available to meet all obligations in times of stress, whether caused by market events or issues specific to Credit Suisse. The targeted funding profile is designed to enable us to continue to pursue "business as usual" activities for an extended period of time without changing business plans during times of stress. The principal measure used to monitor our liquidity position is the "liquidity barometer," which allows us to manage the time horizon over which the adjusted market value of unencumbered assets (including cash) exceeds the aggregate value of maturing unsecured liabilities plus a conservative forecast of anticipated contingent commitments. CARMC reviews the methodology and assumptions of the liquidity risk framework and determines the liquidity horizon to be maintained by Global Treasury in order to ensure that the liquidity profile is managed at a sufficient level such that, in the event that we are unable to access unsecured funding, we will have sufficient liquidity for a period of 120 days. We apply best practices in managing liquidity. There is no quantitative standard on liquidity management, stress assumptions and funding horizons, limiting the comparability among financial institutions.

Our liquidity risk parameters reflect various liquidity stress assumptions which are reviewed periodically and updated as needed.

The stress assumptions used to determine the conservative funding profile for our balance sheet include:

- Retail and private banking client deposits will suffer heavy withdrawals;
- Capital markets, as well as certificates of deposit and CP markets, will not be available;
- Other money market access will be significantly reduced;
- A two-notch downgrade in the Bank's long-term debt credit ratings, which will require additional funding as a result of certain contingent off-balance sheet obligations, including a CP conduit and draw-downs on unfunded bank liabilities, as well as increased collateral to support derivatives contracts; and
- Secured funding, whether in the fixed income or equities markets, will only be available subject to significant over-collateralization and many asset classes, including real estate loans and emerging market securities, will not be eligible for secured funding.

Our liquidity contingency plan focuses on the specific actions that would be taken in the event of a crisis, including a detailed communication plan for creditors, investors and customers. The plan, which is regularly updated, sets out a three-stage process of the specific actions that would be taken:

- Stage I – Market disruption or Group/Bank event
- Stage II – Unsecured markets partially inaccessible
- Stage III – Unsecured funding totally inaccessible

In the event of a liquidity crisis, a meeting of the Liquidity Crisis Committee would be convened by Global Treasury to activate the contingency plan. The Liquidity Crisis Committee's membership includes senior business line, funding and finance department management. This committee would meet frequently throughout the crisis to ensure that the plan is executed. Following the severe dislocation in the credit markets in the second half of 2007, we introduced additional liquidity stress assumptions to address systemic liquidity risk inherent in the current market environment and increased our liquid assets and short-term funding profile for scenarios in which the dislocation in the credit markets worsens.

Debt issuances

Our capital markets debt issuance includes issues of senior and subordinated debt in US registered offerings and medium-term note programs, euro market medium-term note programs and a samurai shelf registration statement in Japan.

Our long-term debt increased CHF 12.3 billion from the end of 2006, primarily reflecting issuance of senior structured and vanilla debt securities. Vanilla debt is comprised of debt issuances managed by Global Treasury that do not contain derivative features. In 2007, we issued approximately CHF 10.3 billion of senior debt securities and CHF 3.2 billion of subordinated debt securities, and CHF 4.9 billion of senior debt securities and CHF 2.5 billion of subordinated debt securities matured or were redeemed. Effective January 1, 2007, certain long-term debt is carried at fair value. For further information on fair value, refer to Note 33 – Financial Instruments in V – Consolidated financial statements – Credit Suisse Group.

Interest expense on long-term debt, excluding structured notes, is monitored and managed relative to certain indices, such as London Interbank Offered Rate (LIBOR), that are relevant to the financial services industry. This approach to term funding best reflects the sensitivity of both our liabilities and our assets to changes in interest rates. During the latter half of 2007 and early 2008, funding spreads relative to such indices generally widened for borrowers including Credit Suisse. We work to minimize these funding spreads through careful management of our liability maturity mix and oppor-

tunistic issuance of debt, however, we anticipate that the average spread on our term funding portfolio may be wider in subsequent years than in 2007. The effect of wider spreads on interest expense will depend on many market factors, including the absolute level of the indices upon which our funding is based.

We diversify our funding sources by issuing structured notes, which are debt securities on which the return is linked to commodities, stocks, indices or currencies or other assets. We generally hedge structured notes with positions in the underlying assets and/or derivatives. Our liquidity planning includes settlement of structured notes. We had CHF 75.9 billion of structured notes outstanding as of the end of 2007.

Our primary sources of liquidity are through consolidated entities, and funding through non-consolidated SPEs and asset securitization activity is immaterial.

Funds transfer pricing

The Bank maintains an internal funds transfer-pricing system based on market rates which aims at providing the right incentives for the businesses. It charges out the cost of long- and short-term funding to users of liquidity and provides credit for providers of long-term stable funding.

Cash flows from operating, investing and financing activities

As a global financial institution, our cash flows are complex and interrelated and bear little relation to our net earnings and net assets. Consequently, we believe that traditional cash flow analysis is less meaningful in evaluating our liquidity position than the funding and liquidity policies described above. Cash flow analysis may, however, be helpful in highlighting certain macro trends in our business.

For the year ended December 31, 2007, net cash used in operating activities was CHF 57.9 billion. The increase primarily reflected the impact of the deteriorating market conditions on our trading strategy. This resulted in a decrease in cash generated from trading assets and liabilities of CHF 39.6 billion, as offsetting long and short positions were unwound. This was partially offset by an increase in accrued expenses and other liabilities of CHF 32.4 billion due to increased customer margin balances and cash collateral amidst the deteriorating market conditions. Our operating assets and liabilities vary significantly in the normal course of business due to the amount and timing of cash flows. Management believes cash flows from operations, available cash balances and short-term and long-term borrowings will be sufficient to fund our operating liquidity needs.

Our investing activities primarily include originating loans to be held to maturity, other receivables and the investment

securities portfolio. For the year ended December 31, 2007, net cash of CHF 28.5 billion was used in investing activities, primarily due to the origination of loans and investments in subsidiaries and other investments.

Our financing activities primarily include the issuance of debt and receipt of customer deposits. We pay annual dividends on our common stock and have an ongoing stock buy-back program. In 2007, net cash provided by financing activities was CHF 97.1 billion due to growth in deposits, reflecting the ongoing expansion of the private and retail banking deposit distribution network, the flight to quality, higher business volumes and net new issuances of long-term debt and structured notes, offset partially by the payment of cash dividends and share repurchases.

Credit ratings

Our access to the debt capital markets and our borrowing costs depend significantly on our credit ratings. Rating agencies take many factors into consideration in determining a company's rating, including such factors as earnings performance, business mix, market position, ownership, financial strategy, level of capital, risk management policies and practices, management team and the broader outlook for the financial services industry. The rating agencies may raise, lower or withdraw their ratings, or publicly announce an intention to raise or lower their ratings, at any time.

Although retail and private bank deposits are generally less sensitive to changes in a bank's credit ratings, the cost and availability of other sources of unsecured external funding is generally a function of credit ratings. Credit ratings are especially important to us when competing in certain markets and when seeking to engage in longer-term transactions, including OTC derivatives.

A downgrade in credit ratings could reduce our access to capital markets, increase our borrowing costs, require us to post additional collateral or allow counterparties to terminate

transactions under certain of our trading and collateralized financing contracts. This, in turn, could reduce our liquidity and negatively impact our operating results and financial position. Our liquidity barometer takes into consideration these contingent events associated with a two notch downgrade in our credit ratings. The impact of a one or two notch downgrade in the Bank's long-term debt ratings would not be material to our liquidity and funding.

For more information on our credit ratings refer to X – Investor information.

Capital management

The capital management framework is intended to ensure that there is sufficient capital to support our underlying risks and to achieve management's regulatory and credit rating objectives. Capital is required to cover risks (economic and regulatory) on various asset classes, including, but not limited to, securities inventories, loans and other credit products, private equity investments and investments in fixed assets. Capital is allocated to the divisions taking into account factors such as regulatory capital requirements, utilized economic capital and expected return on capital. Our overall capital needs are continually reviewed to ensure that our capital base can appropriately support the anticipated needs of our business and the regulatory capital requirements of our activities. Capital plans and multi-year projections are prepared for the Group as well as for the major subsidiaries. These plans are subjected to various stress tests, reflecting both macro-economic and specific risk scenarios. Capital contingency plans that are developed in connection with these stress tests are discussed with the SFBC and approved by CARMC. Based on these analyses, we believe that our capital base is adequate for current operating levels. Excess capital is returned to shareholders through dividend payments and share buybacks.

Shareholders' equity

	Group			Bank		
	end of		% change	end of		% change
	2007	2006	07 / 06	2007	2006	07 / 06
Shares outstanding (million)						
Common shares issued	1,162.4	1,214.9	(4)	44.0	44.0	0
Second trading line treasury shares	(46.1) ¹	(42.4) ¹	9	–	–	–
Other treasury shares	(95.7)	(110.0)	(13)	–	–	–
Treasury shares	(141.8)	(152.4)	(7)	–	–	–
Shares outstanding	1,020.6	1,062.5	(4)	44.0	44.0	0
Par value (CHF)						
Par value	0.04 ²	0.50	(92)	100.00	100.00	0
Shareholders' equity (CHF million)						
Common shares	46	607	(92)	4,400	4,400	0
Additional paid-in capital	24,553	24,817	(1)	20,849	19,593	6
Retained earnings	33,670	32,306	4	15,872	11,652	36
Second trading line treasury shares, at cost	(3,918)	(3,077)	27	–	–	–
Other treasury shares, at cost	(5,460)	(6,034)	(10)	(5,497) ³	(6,149) ³	(11)
Treasury shares, at cost	(9,378)	(9,111)	3	(5,497)	(6,149)	(11)
Accumulated other comprehensive income	(5,692)	(5,033)	13	(4,290)	(3,451)	24
Total shareholders' equity	43,199	43,586	(1)	31,334	26,045	20
Goodwill	(10,882)	(11,023)	(1)	(9,746)	(9,889)	(1)
Other intangible assets	(444)	(476)	(7)	(421)	(475)	(11)
Tangible shareholders' equity ⁴	31,873	32,087	(1)	21,167	15,681	35
Book value per share (CHF)						
Total book value per share	42.33	41.02	3	712.14	591.93	20
Goodwill per share	(10.66)	(10.37)	3	(221.50)	(224.75)	(1)
Other intangible assets per share	(0.44)	(0.45)	(3)	(9.57)	(10.79)	(11)
Tangible book value per share	31.23	30.20	3	481.07	356.39	35

¹ These shares are repurchased in connection with our share buyback program and will be subsequently cancelled, subject to shareholder approval. ² On May 4, 2007, the shareholders of Credit Suisse Group approved a par value reduction of CHF 0.46 per share which was paid out on July 18, 2007. ³ Reflects Credit Suisse Group shares held to economically hedge share award obligations. ⁴ Tangible shareholders' equity is calculated by deducting goodwill and other intangible assets from total shareholders' equity. Management believes that the return on tangible shareholders' equity is meaningful as it allows consistent measurement of the performance of businesses without regard to whether the businesses were acquired.

Shareholders' equity

The Group's shareholders' equity decreased from CHF 43.6 billion as of the end of 2006 to CHF 43.2 billion as of the end of 2007, primarily due to deduction for shares repurchased through our share buyback program and the payment of dividends, partially offset by 2007 net income. Other comprehensive income reflected the negative effect of foreign exchange-related movements on cumulative translation adjustments, partly offset by pension actuarial gains.

The Bank's shareholder's equity increased from CHF 26.0 billion as of the end of 2006 to CHF 31.3 billion as of the end of 2007, primarily due to 2007 net income and the effect of share-based compensation. Other comprehensive income reflected the negative effect of foreign exchange rate changes

on cumulative translation adjustments, partly offset by pension actuarial gains.

Share repurchase activities

Swiss law limits a corporation's ability to hold or repurchase its own shares. We may only repurchase shares if we have sufficient free reserves to pay the purchase price, and if the aggregate nominal value of the repurchased shares does not exceed 10% of our nominal share capital. Furthermore, we must create a special reserve in our consolidated balance sheets in the amount of the purchase price of the acquired shares. Shares repurchased by us do not carry any voting rights at shareholders' meetings.

We repurchase shares as part of our market-making commitments, for the purpose of satisfying our obligations under our employee benefit plans or for cancellation. Shares repurchased for the purpose of cancellation are done through a so-called "second trading line," while all other repurchases take place through the ordinary "first trading line." Of the total number of shares purchased in 2007, 449.8 million were purchased on the first trading line and 57.5 million were purchased on the second trading line.

In March 2007, we completed the share buyback program approved by the shareholders at the AGM in 2005. Under this program, we repurchased a total of 87.8 million common shares in the amount of CHF 6.0 billion, of which 11.4 million common shares in the amount of CHF 1.0 billion were repurchased during 2007. We cancelled 53.8 million common

shares from this share buyback program, which did not impact total shareholders' equity, as the reduction in common shares, additional paid-in capital and retained earnings were offset in full by a reduced balance of treasury shares.

At the AGM in May 2007, the shareholders approved a new share repurchase program of up to CHF 8.0 billion, to last for a maximum of three years. During 2007, we repurchased 46.1 million common shares in the amount of CHF 3.9 billion under the new share buyback program. As of March 7, 2008, we had repurchased a total of CHF 4.1 billion, or 52%, of the approved CHF 8.0 billion. As a result of the challenging operating environment, we reduced our share buyback activity beginning in the second half of 2007. Our ability to complete the share buyback program in 2008 is dependent on market conditions.

Purchases of common shares

Period	2005-2007 buyback program		2007-2010 buyback program		Other share re- purchases	Total	
	Total number of shares purchased	Maximum value of shares in CHF that may yet be purchased under the program	Total number of shares purchased	Maximum value of shares in CHF that may yet be purchased under the program	Total number of shares purchased	Average price paid per share in CHF	Total number of shares purchased
In million, except where indicated							
January 1 to January 31, 2007	2.7	749.5	-	-	50.3	85.81	53.0
February 1 to February 28, 2007	4.0	397.0	-	-	35.9	88.93	39.9
March 1 to March 31, 2007	4.7	-	-	-	41.6	83.60	46.3
April 1 to April 30, 2007	-	-	-	-	22.7	91.24	22.7
May 1 to May 31, 2007	-	-	3.1	7,709.0	31.9	91.25	35.0
June 1 to June 30, 2007	-	-	11.6	6,675.2	24.6	86.60	36.2
July 1 to July 31, 2007	-	-	12.8	5,543.6	43.0	86.13	55.8
August 1 to August 31, 2007	-	-	12.8	4,513.7	49.6	83.65	62.4
September 1 to September 30, 2007	-	-	2.0	4,359.2	40.9	79.07	42.9
October 1 to October 31, 2007	-	-	1.2	4,260.6	29.9	79.17	31.1
November 1 to November 30, 2007	-	-	1.9	4,133.7	56.3	68.44	58.2
December 1 to December 31, 2007	-	-	0.7	4,082.4	23.1	69.46	23.8
Total shares repurchased during the period	11.4	-	46.1	-	449.8	-	507.3
Total shares sold or re-issued during the period	-	-	-	-	-	-	441.9

Dividends and dividend policy

Under Swiss law, dividends may be paid out only if and to the extent the corporation has distributable profits from previous business years, or if the free reserves of the corporation are sufficient to allow distribution of a dividend. In addition, at least 5% of the annual net profits must be retained and

booked as general legal reserves for so long as these reserves amount to less than 20% of the paid-in share capital. Our reserves currently exceed this 20% threshold. Furthermore, dividends may be paid out only after approval at the shareholders' meeting. The Board of Directors may propose that a dividend be paid out, but cannot itself set the dividend. The audi-

tors must confirm that the dividend proposal of the Board of Directors conforms to statutory law. In practice, the shareholders usually approve the dividend proposal of the Board of Directors. Dividends are usually due and payable after the shareholders' resolution relating to the allocation of profits has been passed. Under Swiss law, the statute of limitations in respect of claims for declaring dividend payments is five years.

Our dividend payment policy seeks to provide investors with a stable and efficient form of capital distribution. Dividend payments in 2007, for 2006, were comprised of a regular dividend of CHF 2.24 per share as well as a par value reduction of CHF 0.46 per share. The par value reduction was part of the measures taken to deploy the capital generated following the sale of Winterthur in December 2006.

For 2007, our Board of Directors will propose a cash dividend of CHF 2.50 per share to the shareholders at the AGM on April 25, 2008. The distribution is subject to approval at the AGM.

The subsidiaries of the Group are generally subject to legal restrictions on the amount of dividends they can pay. For example, Article 675, in conjunction with Article 671, of the Swiss Code of Obligations provides that our Swiss subsidiaries may pay dividends only if and to the extent: (i) they have earned a profit during a given financial year or have previously established reserves for the payment of dividends; (ii) the required portion of their annual profit has been allocated to reserves as prescribed by law, the articles of association or a resolution of the general meeting of shareholders; and (iii) allocation and payment of the dividends has been approved at the general meeting of shareholders. We do not believe that legal or regulatory restrictions constitute a material limitation on the ability of our subsidiaries to pay dividends to the Group. The amount of dividends paid by operating subsidiaries is determined after consideration of the expectations for future results and growth of the operating businesses.

Dividend per ordinary share

end of	USD ¹	CHF
Dividend per ordinary share		
2006 ²	2.16	2.70
2005	1.61	2.00
2004	1.20	1.50
2003 ³	0.40	0.50
2002	0.07	0.10

¹ For details of the exchange rates used, refer to IX – Additional information. ² Distribution consisted of a dividend of CHF 2.24 and a par value reduction of CHF 0.46 as approved on May 4, 2007 for the financial year 2006. ³ Repayment out of share capital as approved on April 30, 2004, in lieu of a dividend for financial year 2003.

Regulatory capital

Overview

Both the Group on a consolidated basis, and the Bank, as a Swiss bank, are subject to regulation by the SFBC. These regulations include risk-based capital guidelines set forth in the Implementing Ordinance. The Group and Bank also adhere to the BIS risk-based capital guidelines. These guidelines take into consideration the credit and market risk associated with balance sheet assets and certain off-balance sheet transactions. The SFBC has advised the Group and the Bank that the Group and the Bank may continue to include as tier 1 capital CHF 1.8 billion and CHF 4.8 billion, respectively, of equity from special purpose entities which are deconsolidated under FIN 46(R).

For further information on our risk-based capital guidelines, refer to I – Information on the company – Regulation and

supervision. For further information on the components of our consolidated capital structure, refer to Note 35 – Capital adequacy in V – Consolidated financial statements – Credit Suisse Group.

From time to time, the SFBC and BIS propose amendments to, and issue interpretations of, risk-based capital guidelines and reporting regulations. Such proposals or interpretations could, if implemented in the future, affect our capital ratios and the measurement of our risk-weighted assets.

In addition, various subsidiaries engaged in banking and broker-dealer activities are regulated by the local regulators in the jurisdictions in which they operate. Certain broker-dealer subsidiaries are subject to capital adequacy requirements. As of December 31, 2007, the Group, the Bank and its subsidiaries complied with all applicable regulatory capital adequacy requirements.

BIS statistics

	Group			Bank		
	end of		% change	end of		% change
	2007	2006	07 / 06	2007	2006	07 / 06
Risk-weighted assets (CHF million)						
Risk-weighted positions	277,528	240,095	16	259,915	219,927	18
Market risk equivalents	34,540 ¹	13,581	154	33,680 ¹	12,746	164
Risk-weighted assets	312,068	253,676	23	293,595	232,673	26
Capital (CHF million)						
Total shareholders' equity	43,199	43,586	(1)	31,334	26,045	20
Goodwill	(10,882)	(11,023)	(1)	(9,746)	(9,889)	(1)
Investments in insurance entities (50%)	(71)	(22)	223	(71)	(22)	223
Non-cumulative perpetual preferred securities and capital notes	4,136	2,167	91	3,514	1,065	230
Other adjustments	(1,645)	439	–	7,223	9,401	(23)
Tier 1 capital	34,737 ²	35,147 ²	(1)	32,254 ³	26,600 ³	21
Upper tier 2	2,860	4,733	(40)	3,759	6,140	(39)
Lower tier 2	8,565	8,587	0	9,345	7,440	26
Tier 2 capital	11,425	13,320	(14)	13,104	13,580	(4)
Investments in non-consolidated banking and finance participations and credit enhancements	(989)	(1,681)	(41)	(969)	(1,717)	(44)
Investments in insurance entities (50%)	(71)	(22)	223	(71)	(22)	223
Total capital	45,102	46,764	(4)	44,318	38,441	15
Capital ratios (%)						
Tier 1 ratio	11.1	13.9	–	11.0	11.4	–
Total capital ratio	14.5	18.4	–	15.1	16.5	–

¹ Does not reflect the valuation reductions from revaluing certain ABS positions in our CDO trading business, as we do not consider the impact of these valuation reductions to be material to our economic capital, position risk, VaR or related trends. For further information, refer to Risk management – Revaluation impact on risk metrics. ² The SFBC has advised that Credit Suisse Group may continue to include as tier 1 capital CHF 1.8 billion and CHF 2.2 billion in 2007 and 2006, respectively, of equity from special purpose entities that are deconsolidated under FIN 46(R). ³ The SFBC has advised that the Bank may continue to include as tier 1 capital CHF 4.8 billion and CHF 6.2 billion in 2007 and 2006, respectively, of equity from special purpose entities that are deconsolidated under FIN 46(R).

Group

Our consolidated BIS tier 1 ratio was 11.1% as of the end of 2007, a decrease from 13.9% as of the end of 2006. The decrease was driven primarily by the increase in risk-weighted assets.

Our tier 1 capital decreased from CHF 35.1 billion as of the end of 2006 to CHF 34.7 billion as of the end of 2007. The decrease of CHF 0.4 billion, or 1%, was related to the decrease in total shareholders' equity and other adjustments, which reflected additional dividend accruals and the reversal of the pension actuarial gains recorded in total shareholders' equity, partially offset by the issuance of USD 2 billion of capital notes and the redemption of JPY 17 billion and USD 125 million capital notes. Our consolidated total capital decreased from CHF 46.8 billion as of the end of 2006 to CHF 45.1 billion as of the end of 2007, and the total capital ratio was 14.5% as of the end of 2007, a decrease from 18.4% as of the end of 2006. The decrease in the total capital ratio was

primarily related to the increase in risk-weighted assets and the decrease of tier 2 capital.

Risk-weighted assets increased CHF 58.4 billion, or 23%, from 2006 due to increases in risk-weighted positions and market risk equivalents. Market risk equivalents reflected the increase in market volatility, the recalibration of our VaR model implemented in 3Q07 and incremental capital requirements from the related VaR backtesting exceptions. 2007 market risk equivalents do not reflect the valuation reductions from revaluing certain ABS positions in our CDO trading business. For additional information, refer to Risk management – Revaluation impact on risk metrics.

Bank

The Bank's consolidated BIS tier 1 ratio was 11.0% as of the end of 2007, a decrease from 11.4% as of the end of 2006. The decrease was due to an increase in risk-weighted assets mostly offset by an increase in tier 1 capital.

The Bank's tier 1 capital increased from CHF 26.6 billion as of the end of 2006 to CHF 32.3 billion as of the end of 2007. The increase of CHF 5.7 billion, or 21%, was primarily related to the increase in total shareholder's equity, the issuance of USD 2 billion of capital notes, restructuring to include JPY 30.5 billion as capital notes, the redemption of USD 125 million capital notes and the net injection of USD 2 billion of capital from the Group into the Bank, partly offset by dividend accruals. The Bank's consolidated total capital increased from CHF 38.4 billion as of the end of 2006 to CHF 44.3 billion as of the end of 2007, and the total capital ratio was 15.1% as of the end of 2007, a decrease from 16.5% as of the end of 2006. The decrease in the total capital ratio was primarily related to the increase in risk-weighted assets partly offset by the increase in tier 1 capital.

Risk-weighted assets increased CHF 60.9 billion, or 26%, from 2006 due to increases in risk-weighted positions and market risk equivalents. Market risk equivalents reflected the increase in market volatility, the recalibration of our VaR model implemented in 3Q07 and incremental capital requirements from the related VaR backtesting exceptions. 2007 market risk equivalents do not reflect the valuation reductions from revaluing certain ABS positions in our CDO trading business. For additional information, refer to Risk management – Revaluation impact on risk metrics.

Basel II

The Basel Committee introduced significant changes to existing international capital adequacy standards known as Basel II. The Group's target BIS tier 1 ratio under Basel II remains at 10%. As of the end of 2007, the BIS tier 1 ratio under Basel II would have been approximately 120 basis points less than the BIS tier 1 ratio under Basel I for the Group.

Economic capital

Overview

Economic capital is used as a consistent and comprehensive tool for risk management, capital management and performance measurement. It is called economic capital because it measures risks in terms of economic realities rather than regulatory or accounting rules. Economic capital is the estimated capital needed to remain solvent and in business, even under extreme market, business and operational conditions, given the institution's target financial strength (i.e., long-term credit rating).

Under Pillar II of the Basel II framework (also referred to as the Supervisory Review Process), banks are required to implement a robust and comprehensive framework for assessing capital adequacy, defining internal capital targets and ensuring that these capital targets are consistent with their overall risk profile and the current operating environment. Our economic capital framework has an important role under Pillar II, as it represents our internal view of the amount of capital required to support our business activities.

Economic capital is calculated separately for position risk, operational risk and other risks. These three risks are used to determine our utilized economic capital and are defined as follows:

- Position risk: the level of unexpected loss in economic value on our portfolio of positions over a one-year horizon which is exceeded with a given, small probability (1% for risk management purposes; 0.03% for capital management purposes);
- Operational risk: the level of loss resulting from inadequate or failed internal processes, people and systems or from external events over a one-year horizon which is exceeded with a given, small probability (0.03%). Estimating this type of economic capital is inherently more subjective, and reflects both quantitative tools as well as senior management judgment; and
- Other risks: the risk not captured by the above, for example, expense risk and owned real estate risk. Expense risk is defined as the difference between expenses and revenues in a severe market event, exclusive of the elements captured by position risk and operational risk. Owned real estate risk is defined as the risk associated with the buildings we own.

The economic capital methodology is regularly reviewed in order to ensure that the model remains relevant as markets and business strategies evolve. In 2007, a number of enhancements were implemented to refine the modeling of the components of economic capital. This included refinement of the modeling for private banking corporate and retail lending, international lending and commercial real estate loan origination risks, the recalibration of asset-backed and residential real estate parameters to reflect the market volatility in the third quarter of 2007 and the recalibration of emerging market risk category parameters. Prior-period balances have been restated for methodology changes in order to show consistent trends and comparisons through time. The total impact of the methodology changes on 2006 economic capital was an increase of approximately CHF 2,938 million, or 12%.

Economic capital

	Group			Bank ¹		
	end of	% change		end of	% change	
	2007	2006	07 / 06	2007	2006	07 / 06
Economic capital resources (CHF million)						
Tier 1 capital	34,737	35,147	(1)	32,254	26,600	21
Economic adjustments	4,768	4,971	(4)	3,996	1,514	164
Economic capital resources	39,505	40,118	(2)	36,250	28,114	29
Utilized economic capital (CHF million)						
Position risk (99.97% confidence level)	21,660	22,548	(4)	21,062	22,115	(5)
Operational risk	2,469	2,567	(4)	2,469	2,567	(4)
Other risks ²	1,040	1,648	(37)	696	525	33
Utilized economic capital	25,169 ³	26,763	(6)	24,227 ³	25,207	(4)
Economic capital coverage ratio (%)						
Economic capital coverage ratio	157.0 ³	149.9	–	149.6 ³	111.5	–

¹ The major difference between economic capital of the Group and the Bank relates to the risks within Clariden Leu, Neue Aargauer Bank, BANK-now and Corporate Center. These risks include position and other risks. ² Includes owned real estate, expense risk and diversification benefit. ³ Does not reflect the valuation reductions from revaluing certain ABS positions in our CDO trading business, as we do not consider the impact of these valuation reductions to be material to our economic capital, position risk, VaR or related trends. For further information, refer to Risk management – Revaluation impact on risk metrics.

Economic capital by segment

	in / end of		% change
	2007	2006	
	07 / 06		
Utilized economic capital by segment (CHF million)			
Wealth Management	1,755	1,431	23
Corporate & Retail Banking	3,083	3,249	(5)
Private Banking	4,838	4,680	3
Investment Banking	17,951 ¹	19,366	(7)
Asset Management	2,025	1,485	36
Corporate Center	358	1,297	(72)
Utilized economic capital – Group ²	25,169 ¹	26,763	(6)
Utilized economic capital – Bank ³	24,227 ¹	25,207	(4)
Average utilized economic capital by segment (CHF million)			
Wealth Management	1,592	1,709	(7)
Corporate & Retail Banking	3,076	3,463	(11)
Private Banking	4,668	5,172	(10)
Investment Banking	18,940 ¹	18,026	5
Asset Management	1,677	1,479	13
Corporate Center	899	1,574	(43)
Average utilized economic capital – Group ⁴	26,156 ¹	25,994	1
Average utilized economic capital – Bank ³	24,769 ¹	24,403	1

¹ Does not reflect the valuation reductions from revaluing certain ABS positions in our CDO trading business, as we do not consider the impact of these valuation reductions to be material to our economic capital, position risk, VaR or related trends. For further information, refer to Risk management – Revaluation impact on risk metrics. ² Includes a diversification benefit of CHF 3 million and CHF 65 million in 2007 and 2006, respectively. ³ The major difference between economic capital of the Group and the Bank relates to the risks within Clariden Leu, Neue Aargauer Bank, BANK-now and Corporate Center. These risks include position and other risks. ⁴ Includes a diversification benefit of CHF 28 million and CHF 257 million in 2007 and 2006, respectively.

Utilized economic capital trends

Over the course of 2007, our utilized economic capital fell 6% due to a decrease in position risk. For Investment Banking, utilized economic capital decreased 7%, mainly driven by reductions in real estate and structured assets and fixed income trading exposures. The decrease in real estate and structured assets risk was mainly due to reduced ABS and residential mortgage exposures. Fixed income trading risk was down as a result of reduced credit spread and interest rate exposures, partially offset by increases in energy and other commodity exposures.

The utilized economic capital for Wealth Management increased 23% due to increased residential mortgage loan exposures, while Corporate & Retail Banking decreased 5% due to a decline in private banking corporate and retail lending risk from the Clock Finance No. 1 synthetic collateralized loan obligation transaction, partially offset by increases in trade finance emerging markets exposures.

For Asset Management, utilized economic capital increased 36% as a result of increased private equity and hedge fund exposures. Corporate Center utilized economic capital decreased 72%, due to reduced foreign exchange risk between available and utilized economic capital.

Economic capital coverage ratio

We use the economic capital framework to provide a reference point for a structured internal assessment of our solvency. Our solvency assessment is performed by comparing the economic capital required to support the current risk profile (utilized economic capital) with the amount of economic capital available to absorb losses (economic capital resources). We define economic capital coverage ratio as the ratio between economic capital resources and utilized economic capital. Economic capital resources are defined as reported capital (e.g. tier 1 capital) net of adjustments required to provide consistency with economic capital. Our economic capital resources represent a bridge between accounting-based capital measures (e.g. tier 1 capital) and the economic-based economic capital framework, allowing for meaningful comparison between capital needs and resources.

We have established economic capital coverage ratio targets to provide a structured escalation process for potential discrepancies between overall risk-taking levels and capital resources. Our current target band is from 100% to 140%.

Capital adequacy trends

The economic capital coverage ratio improved 7 percentage points from 150% to 157% during 2007, due to decreases in utilized economic capital. 2007 economic capital does not reflect the valuation reductions from revaluing certain ABS

positions in our CDO trading business. For additional information, refer to Risk management. Our coverage ratio remained above our target band of 100% to 140%.

Allocation of capital to divisions

We use a framework for strategic allocation of capital to optimize capital efficiency by ensuring adequate capital for businesses with strong financial performance and a high strategic priority. This framework utilizes various tools and measures integrated into a comprehensive process overseen by senior management. The capital allocation process consists of a review at three levels. The first level is a long-term strategic view on capital allocation, part of the ongoing assessment for organic growth and acquisitions. The second level is a mid-term perspective, a component of the strategic planning process, designed to support organic growth and maintain market position for existing businesses. The third level of capital allocation review reflects analysis of business performance.

Within each level of analysis, various criteria are applied to the individual businesses to assess strategic implications and financial performance. The weighting of the criteria is adapted to the term and level of the capital allocation. Decisions relating to business direction and portfolio composition are considered with quantitative criteria to determine optimal strategic capital allocation.

The strategic planning process includes a detailed assessment of the efficiency of allocated economic and regulatory capital at the individual business level. Business-level strategic plans are reviewed to ensure sufficient returns on capital and alignment with our strategy and business expectations. Capital efficiency measures and strategic assessment at the business level are included in the Board of Directors and Executive Board approval of the strategic business plans.

Allocation of economic and regulatory capital to the divisions is also reviewed quarterly by CARMC to ensure allocations are aligned with our strategy and that businesses with the highest profitability have access to sufficient levels of capital. Profitability per capital measures used by CARMC reporting include the return on utilized economic capital at an individual business level.

Foreign exchange exposure and interest rate management

Foreign exchange risk related to accrued net income and net assets is centrally managed with a focus on risk reduction and diversification. Currency risk of accrued profit and losses in currencies other than the functional currency is managed through systematic sell down. On the Bank level, we manage

foreign exchange volatility through hedging of foreign currency net assets and cash flow hedging of certain revenues and expenses.

Additional activities at the Group level are aimed at diversifying our returns on invested capital into foreign currencies. These activities need CARMC approval and are made with various considerations in mind, such as changes to our tier 1 ratio from foreign exchange-related movements.

Interest rate risk inherent in banking book activities, such as lending and deposit taking, is transferred from the divisions

to Global Treasury, which centrally manages the interest rate exposures. Global Treasury also develops and maintains the models needed to determine interest rate risks of products that do not have a defined maturity, such as demand and savings accounts. For this purpose, a replicating methodology is applied in close coordination with Risk Management to maximize stability and sustainability of spread revenues at the divisions. Further, Global Treasury manages the interest exposure of the Bank's equity to targets agreed with senior management.

Risk management

During 2007, our overall 99% position risk, measured on the basis of our economic capital model, decreased 4% compared to 2006. Average one-day, 99% VaR for our trading books increased 44% to CHF 115 million, primarily reflecting increased market volatility. We reported a net new provision for credit losses of CHF 240 million in 2007.

Risk management oversight

Risk governance

The prudent taking of risk in line with our strategic priorities is fundamental to our business as a leading global bank. To meet the challenges in a fast-changing industry with new market players and innovative and complex products, we established and continuously strengthen our risk function, which is independent of, but closely interacts with, the sales and trading functions to ensure appropriate flow of information. Our risk management framework is based on transparency, management accountability and independent oversight. As a consequence of the increased complexity of risks, we have defined our risk perspective broadly. Risk management plays an important role in our business planning process and is strongly supported by senior management and the Board of Directors. The primary objectives of risk management are to protect our financial strength and reputation, while ensuring that capital is well deployed to support business activities and grow shareholder value. Although we have implemented comprehensive risk management processes and sophisticated control systems, we work to limit the impact of negative developments by carefully managing concentrations of risks. Further, the business mix of Private Banking, Investment Banking and Asset Management provides a certain amount of natural risk diversification. In our Investment Banking business, a buy and sell business model has generally mitigated risks and limited our exposure, but the dislocation in the structured and credit markets, beginning in the second half of 2007, has affected our ability to reduce risk exposures. When deemed necessary, risk mitigation is supported by hedging activities. We believe this approach to risk management helped us to limit losses in the difficult market environment of 2007.

Risk organization

Risks arise in all of our business activities and cannot be completely eliminated, but we work to manage risk in our internal control environment. Our risk management organization reflects the specific nature of the various risks in order to ensure that risks are managed within limits set in a transparent

and timely manner. At the level of the Boards of Directors, this includes the following responsibilities:

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

Overall risk limits are set by the Board of Directors and its Risk Committee. On a monthly basis, CARMC reviews all risk exposures, concentration risks and risk-related activities. CARMC is responsible for supervising and directing our risk profile on a consolidated basis, recommending risk limits to the Board of Directors and its Risk Committee and for establishing and allocating risk limits within the various businesses. CARMC meetings focus on the following three areas on a rotating basis: asset and liability management/liquidity; market and credit risk; and operational risk/legal and compliance.

Committees are implemented at a senior management level to support risk management. The Risk Processes and Standards Committee is responsible for establishing and approving standards regarding risk management and risk measurement, including methodology and parameters. The

Credit Portfolio and Provisions Review Committee reviews the quality of the credit portfolio with a focus on the development of impaired assets and the assessment of related provisions and valuation allowances. The Reputational Risk and Sustainability Committee sets policies and reviews processes relating to reputational risks. There are also divisional risk management committees, which are closer to the daily business and established to manage risk on a divisional basis.

The risk committees are further supported by Global Treasury, which is responsible for the management of our balance sheet, capital management, liquidity and related hedging policies. The risk management function, which is independent of the business, includes:

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

The CRO area is responsible for providing risk management oversight and for establishing an organizational basis to manage all risk management matters through four primary risk functions: SRM assesses the overall risk profile on a bank-wide, portfolio level and for individual businesses, and recommends corrective action where necessary; RMM is responsible

for the measurement and reporting of credit risk, market risk and economic capital, managing risk limits and establishing policies on market risk and economic capital; CRM is headed by the Chief Credit Officer and has responsibility for approving credit limits, monitoring and managing individual exposures and assessing and managing the quality of credit portfolios and allowances; and BORO acts as the central hub for the divisional operational risk functions. Finally, we also address critical risk areas such as business continuity and reputational risk management.

Risk types

Within our risk framework, we have defined the following types of risk:

Management risks:

- Strategy risk: outcome of strategic decisions or developments; and
- Reputational risk: damage to our standing in the market.

Chosen risks:

- Market risk: changes in market factors such as prices, volatilities and correlations;
- Credit risk: changes in the creditworthiness of other entities; and
- Expense risk: difference between operating expenses and income in a crisis.

Key management bodies and committees

Group / Bank		
Board of Directors		
Audit Committee Risk Committee		
Chief Executive Officer		
Executive Board		
Capital Allocation & Risk Management Committee (CARMC)		
ALM ¹ / Capital / Funding / Liquidity	Position Risks	OpRisk / LCD ²
Risk Processes & Standards Committee	Credit Portfolio & Provisions Review Committee	Reputational Risk & Sustainability Committee
Divisions		
PB RMC	IB RMC	AM RMC

¹ Asset and Liability Management ² Legal and Compliance Department

Consequential risks:

- Operational risk: inadequate or failed internal processes, people and systems or external events; and
- Liquidity risk: inability to fund assets or meet obligations at a reasonable price.

Management risks are difficult to quantify. While management of strategy risk is at the Executive Board level, a process has been implemented to capture reputational risk. Chosen risks are, in general, highly quantifiable, but are challenging in complexity and scale, especially when aggregating them across all positions and types of financial instruments. Additionally, the traditional boundaries between market risks and credit risk have become blurred. For operational risk management, we have primarily set up processes on divisional and regional levels and liquidity management is centralized with Global Treasury.

Risk limits

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

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

Revaluation impact on risk metrics

In connection with ongoing control processes, we identified mismarks and pricing errors by a small number of traders in certain ABS positions in our CDO trading business in Investment Banking. We have not revised 2007 position risk or VaR for the CHF 1,177 million valuation reductions on these ABS positions, as we do not consider the impact of these valuation reductions to be material to our economic capital, position risk, VaR or related trends. For further information, refer to II – Operating and financial review – Credit Suisse – Revaluing of certain asset-backed securities.

Economic capital and position risk

Concept

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

We use economic capital as a consistent and comprehensive tool for risk management, capital management and planning and performance measurement. It provides us with a robust framework for managing our risk profile on a consolidated basis and for the assessment of aggregate risk appetite in relation to financial resources. We also consider other factors that are outside the scope of the economic capital framework (for example, strategy, economic and competitive environment and external constraints such as those imposed by regulators or rating agencies). By providing a common terminology for risk across the Group, economic capital increases risk transparency and improves knowledge-sharing.

Position risk, which is a component of the economic capital framework, represents a core top-level risk management tool and is used to assess, monitor and report risk exposures throughout the Group. Position risk is the level of unexpected loss in economic value on our portfolio of positions over a one-year horizon which is exceeded with a given small probability (1% for risk management purposes; 0.03% for capital management purposes). For further details of the economic capital framework, refer to Treasury management – Economic capital.

The economic capital methodology is regularly reviewed in order to ensure that the model remains relevant as markets and business strategies evolve. In 2007, a number of enhancements were implemented to refine the modeling of the 99% position risk component of economic capital. These included refinement of the modeling for private banking corporate and retail lending, international lending and commercial real estate loan origination risks and the recalibration of asset-backed and residential real estate parameters to reflect market volatility. Prior-period balances have been restated for methodology changes in order to show consistent trends and comparisons through time. The total impact of the methodology changes on the year-end 2006 99% position risk was an increase of approximately CHF 528 million, or 4.4%.

Limit management

Position risk is managed through a system of integrated risk limits to control the range of risks inherent in business activi-

ties. The limit structure restricts overall risk-taking capacity and triggers senior management risk discussions in case of substantial changes in our overall risk profile. The calibration of limits is performed in conjunction with the annual planning process in order to ensure our risk appetite is in line with our financial resources.

The Board of Directors and senior management are regularly provided with economic capital results, trends and ratios, together with supporting explanations to provide risk transparency and to facilitate the decision-making process of the firm.

Key position risk trends

Compared to 2006, our 99% position risk decreased 4%, mainly driven by reductions in real estate and structured

assets and fixed income trading exposures, partially offset by increases in international lending and counterparty, equity trading and investments and emerging markets exposures.

The decrease in real estate and structured assets risk was due to reduced ABS and residential mortgage exposures. Fixed income trading risk was down due to reduced credit spread and interest rate exposures, partially offset by increases in energy and other commodity exposures. International lending and counterparty exposures were up due to increased derivatives exposures within Investment Banking. Equity trading and investments were higher due to increased private equity and hedge fund exposures. We increased emerging markets exposures primarily in Eastern Europe and South America.

Group position risk

	end of			% change	
	2007 ¹	2006	2005	07 / 06	06 / 05
Position risk (CHF million)					
Fixed income trading ²	2,280	2,692	1,935	(15)	39
Equity trading and investments	2,911	2,522	2,514	15	0
Private banking corporate and retail lending	2,286	2,174	2,558	5	(15)
International lending and counterparty exposures	3,870	3,417	3,121	13	9
Emerging markets	2,040	1,775	1,403	15	27
Real estate and structured assets ³	3,252	4,738	3,149	(31)	50
Simple sum across risk categories	16,639	17,318	14,680	(4)	18
Diversification benefit	(4,682)	(4,801)	(3,913)	(2)	23
Position risk (99% confidence level for risk management purposes)	11,957	12,517	10,767	(4)	16
Position risk (99.97% confidence level for capital management purposes)	21,660	22,548	19,383	(4)	16

Prior balances have been restated for methodology changes in order to show meaningful trends. The position risk (99% confidence level for risk management purposes) for the Bank was CHF 11,630 million as of the end of 2007. The major difference between position risk of the Group and the Bank relates to the risks within Clariden Leu, Neue Aargauer Bank, BANK-nov and Corporate Center.

¹ Does not reflect the valuation reductions from revaluing certain ABS positions in our CDO trading business, as we do not consider the impact of these valuation reductions to be material to our economic capital, position risk, VaR or related trends. For further information, refer to Revaluation impact on risk metrics. ² This category comprises fixed income trading, foreign exchange and commodity exposures. ³ This category comprises the real estate investments of the Group, commercial and residential real estate, ABS exposure and real estate acquired at auction.

Market risk

Market risk is the risk of loss arising from adverse changes in interest rates, foreign currency exchange rates, equity prices, commodity prices and other relevant market parameters, such as market volatilities. We define our 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.

We devote considerable resources to ensure that market risk is comprehensively captured, accurately modeled and reported and effectively managed. Trading and non-trading portfolios are managed at various organizational levels, from the overall risk positions at the Group level down to specific portfolios. We use market risk measurement and management methods designed to meet or exceed industry standards. These include both general tools capable of calculating comparable exposures across our many activities as well as

focused tools that can specifically model unique characteristics of certain instruments or portfolios. The tools are used for internal market risk management, internal market risk reporting and external disclosure purposes. The principal measurement methodologies are VaR and scenario analysis. Additionally, the market risk exposures are also reflected in our economic capital calculations. The risk management techniques and policies are regularly reviewed to ensure that they remain appropriate.

Value-at-Risk

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

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

Credit Suisse has approval from the SFBC, as well as from certain other regulators of our subsidiaries, to use our VaR model in the calculation of trading book market risk capital requirements. We continue to receive regulatory approval for ongoing enhancements to the methodology, and the model is subject to regular reviews by regulators and auditors.

We use a historical simulation model for the majority of risk types and businesses within our trading portfolios. Where insufficient data is available for such an approach, an "extreme-move" methodology is used. The model is based on the profit and loss distribution resulting from the historical changes of market rates, prices and volatilities applied to evaluate the portfolio. This methodology also avoids any explicit assumptions on correlation between risk factors. During 2007, we increased the length of the historical time series dataset used to calculate VaR from two to approximately three years to

capture a wider range of historical events. The VaR model uses assumptions and estimates that we believe are reasonable, but different assumptions or estimates could result in different estimates of VaR.

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

Scenario analysis

We regularly perform scenario analysis for all of our businesses exposed to market risk to estimate the potential economic loss that could arise from extreme, but plausible, stress events. The scenario analysis calculations performed are specifically tailored towards their respective risk profile. In addition, to identify areas of risk concentration and potential vulnerability to stress events across the Group, we have developed a set of scenarios which are consistently applied across all businesses. Key scenarios include significant movements in credit markets, interest rates, equity prices and exchange rates, as well as adverse changes in counterparty default rates. The scenario analysis framework also considers the impact of various scenarios on key capital adequacy measures such as regulatory capital and economic capital ratios. The Board of Directors and senior management are regularly provided with scenario analysis estimates, scenario analysis trend information and supporting explanations to create transparency on key risk exposures and to support senior management in managing risks.

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

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

The scenario analysis framework is periodically reviewed to help ensure that it remains relevant given changes in portfolio composition and market conditions. During the financial market turbulence experienced in the second half of 2007, the

scenario analysis framework helped management to identify and quantify the impact of material changes in market values on our portfolio. Given the speed and severity of the collapse in US subprime mortgage values in the second half of 2007, the parameters for various ABS and RMBS were updated at the end of the third quarter of 2007.

Trading portfolios

Risk measurement and management

We assume market risk in our trading portfolios primarily through the trading activities of the Investment Banking segment. Our other segments also engage in trading activities, but to a much lesser extent.

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

We are active in most of the principal trading markets of the world, using the majority of the common trading and hedging products, including derivatives such as swaps, futures, options and structured products (some of which are customized transactions using combinations of derivatives and executed to meet specific client or proprietary needs). As a result of our broad participation in products and markets, our trading strategies are correspondingly diverse and exposures are generally spread across a diversified range of risk factors and locations.

As part of our overall risk management, we hold a portfolio of hedges. Hedges are impacted by market movements, simi-

lar to other trading securities, and may result in gains or losses on the hedges which offset losses or gains on the portfolios they were designed to hedge.

Development of trading portfolio risks

The table entitled "One-day, 99% VaR" shows our trading-related market risk exposure, as measured by scaled one-day, 99% VaR. As we measure trading book VaR for internal risk management purposes using the US dollar as the base currency, the VaR figures were translated into Swiss francs using the respective daily currency translation rates. VaR estimates are computed separately for each risk type and for the whole portfolio using the historical simulation methodology. The diversification benefit reflects the net difference between the sum of the 99th percentile loss for each individual risk type and for the total portfolio.

Our one-day, 99% VaR as of December 31, 2007, was CHF 216 million, compared to CHF 89 million as of December 31, 2006. The average VaR was CHF 115 million for 2007, compared to CHF 80 million for 2006. The changes in VaR were caused primarily by the inclusion of increased market volatility in the data used to calculate VaR, the recalibration of the VaR model during 3Q07 to account for the increase in observed correlations across risk categories and increased equity, foreign exchange and commodity exposures. If the recalibration of the VaR model had been in place as of the end of 2006, it is estimated that the end-of-period one-day, 99% VaR would have been CHF 112 million rather than CHF 89 million. 2007 VaR does not reflect the valuation reductions from revaluing certain ABS positions in our CDO trading business.

One-day, 99% VaR

in / end of period	Interest rate and credit spread	Foreign exchange	Commodity	Equity	Diversi- fication benefit	Total
2007 (CHF million)						
Average ¹	74	25	17	79	(80)	115
Minimum ¹	46	8	8	51	- ²	56
Maximum ¹	131	58	36	126	- ²	216
End of period ¹	124	48	31	91	(78)	216
2006 (CHF million)						
Average	57	19	10	59	(65)	80
Minimum	42	9	6	44	- ²	53
Maximum	82	38	20	90	- ²	124
End of period	62	24	15	57	(69)	89
2005 (CHF million)						
Average	61	13	6	41	(55)	66
Minimum	36	6	1	23	- ²	49
Maximum	78	30	16	63	- ²	88
End of period	69	11	11	57	(61)	87

¹ Does not reflect the valuation reductions from revaluing certain ABS positions in our CDO trading business, as we do not consider the impact of these valuation reductions to be material to our economic capital, position risk, VaR or related trends. For further information, refer to Revaluation impact on risk metrics. ² As the maximum and minimum occur on different days for different risk types, it is not meaningful to calculate a portfolio diversification benefit.

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

We had nine backtesting exceptions in 2007, compared with two backtesting exceptions in 2006. The backtesting exceptions in 2007 were primarily driven by a sharp increase in market volatility in the second half of 2007, as the effects from the dislocation of the US subprime mortgage market spilled over into the wider credit, equity, interest rate and foreign exchange markets. We had 15 backtesting exceptions using backtesting profit and loss, a subset of actual daily trading revenues, which includes only the impact of daily movements in financial market variables, such as interest rates, equity prices and foreign exchange rates on the previous night's positions. The VaR model is subject to regular assessment and evaluation to seek to maintain accuracy given current market conditions and positions. In response to the backtesting performance, we made a change to the methodology to take account of the increase in observed correlations between risk categories.

The histogram entitled "Actual daily trading revenues" compares the actual trading revenues for 2007 with those for

2006. The dispersion of trading revenues indicates the day-to-day volatility in our trading activities.

Banking portfolios

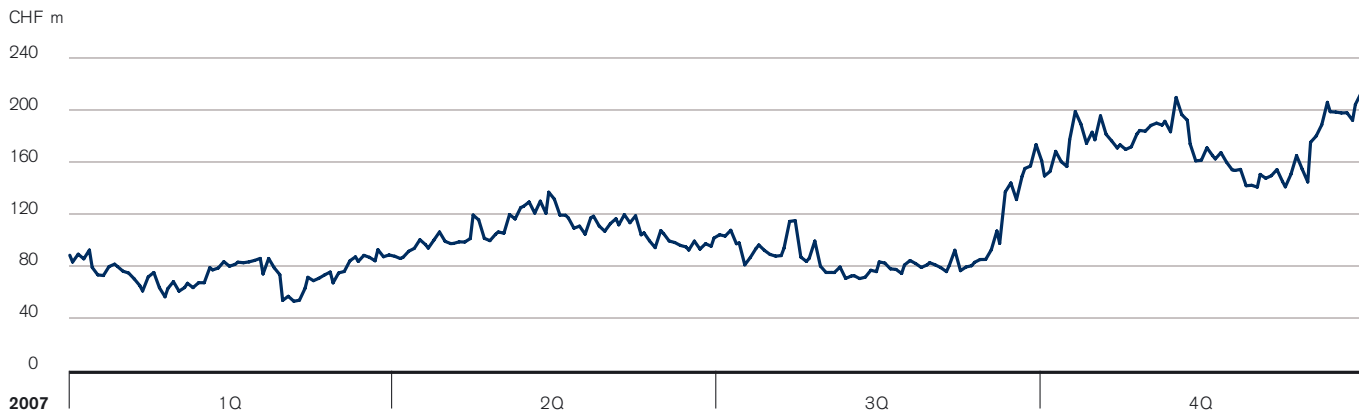
Risk measurement and management

The market risks associated with our non-trading portfolios primarily relate to asset and liability mismatch exposures, equity instrument participations and investments in bonds and money market instruments. All of our businesses and the Corporate Center have non-trading portfolios that carry some market risks.

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

The majority of our real estate positions are held in our trading book and included in the VaR disclosure presented above. These primarily comprise US and certain European res-

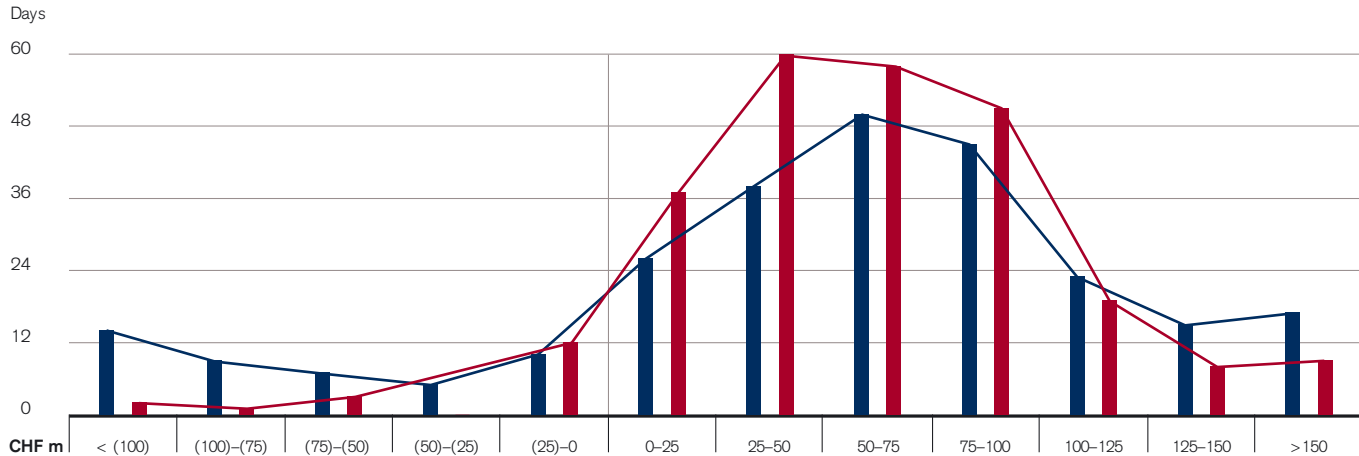
Daily VaR



■ One-day VaR (99%)

Does not reflect the valuation reductions from revaluing certain ABS positions in our CDO trading business, as we do not consider the impact of these valuation reductions to be material to our economic capital, position risk, VaR or related trends. For further information, refer to Revaluation on risk metrics.

Actual daily trading revenues



■ in 2007 ■ in 2006

Excludes Clariden Leu and Neue Aargauer Bank

Does not reflect the valuation reductions from revaluing certain ABS positions in our CDO trading business, as we do not consider the impact of these valuation reductions to be material to our economic capital, position risk, VaR or related trends. For further information, refer to Revaluation on risk metrics.

idential and commercial mortgage exposures, whether held directly or as part of structured products. In addition, we also hold certain real estate-related risks, such as certain Swiss and Asian mortgages, in our non-trading portfolio. For details of our overall exposure to real estate risks, refer to Economic capital and position risk.

Development of non-trading portfolio risks

We assume non-trading interest rate risks through interest rate-sensitive positions originated by Private Banking and risk-transferred to Global Treasury, money market and funding activities by Global Treasury and the deployment of our consolidated equity as well as other activities, including market-making and trading activities involving banking book positions at the divisions. Savings accounts and many other retail banking products have no contractual maturity date or direct market-

linked interest rate and are risk-transferred from Private Banking to Global Treasury on a pooled basis using replicating portfolios (approximating the repricing behavior of the underlying product). Global Treasury and other desks running interest rate risk positions actively manage the positions within approved limits. The impact of a one-basis-point parallel change of yield curves on the fair value of interest rate-sensitive non-trading book positions would have amounted to CHF 4.4 million as of December 31, 2007, compared to CHF 3.6 million, as of December 31, 2006. The change is mainly due to the longer duration of our deployed equity. Non-trading interest rate risk is assessed using other measures including the potential value change resulting from a significant change in yield curves in relation to the total eligible regulatory capital, which is regularly assessed on a consolidated and standalone basis for the major legal entities. As of December 31, 2007, the fair value impacts of an adverse 200-basis-point move in yield curves and of a statistical one-year, 99% adverse change in yield curves in relation to the total eligible regulatory capital were 2.0% and 1.9%, respectively, which are significantly below the 20% threshold used by regulators to identify banks that potentially run excessive levels of non-trading interest rate risk.

Our non-trading equity portfolio includes positions in hedge funds, private equity and other instruments that may not be strongly correlated with general equity markets. Equity risk on non-trading positions is measured using sensitivity analysis that estimates the potential change in value resulting from a 10% decline in the equity markets of developed nations and a 20% decline in the equity markets of emerging market nations. The estimated impact of this scenario would be a decrease of approximately CHF 483 million in the value of the non-trading portfolio as of December 31, 2007, compared to a decrease of approximately CHF 454 million in the value of the non-trading portfolio as of December 31, 2006. The main reason for the change is an increase in private equity and hedge fund exposures.

We assume limited commodity risk in our non-trading portfolio. Commodity risk on non-trading positions is measured using sensitivity analysis that estimates the potential change in value resulting from a 20% weakening in commodity prices. The estimated impact of this scenario would be a decrease of approximately CHF 1 million in the value of the non-trading portfolio as of December 31, 2007 and December 31, 2006.

For details of the exposure to foreign exchange risk in our non-trading portfolio, refer to Treasury management – Foreign exchange exposure and interest rate management.

Credit risk

Definition of credit risk

Credit risk is the possibility of a loss being incurred as the 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.

The majority of our credit risk is concentrated in Private Banking and Investment Banking. Credit risk exists within lending products, commitments and letters of credit, and results from counterparty exposure arising from derivatives, 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 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 recognizing credit impairment.

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

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

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

Counterparty and transaction rating

For the purposes of internal ratings, we have developed a set of credit rating models tailored for different client segments in both Private Banking and Investment Banking (e.g. international corporates, financial institutions, asset finance, small and medium-sized entities, commodity traders, residential mortgages, etc.). The models are built from statistical data

and then subject to a thorough business review before implementation. Each credit rating model is validated independently prior to implementation and on a regular basis. At the time of initial credit approval and review, relevant quantitative data (e.g., financial statements, financial projections, etc.) as well as qualitative factors relating to the counterparty are used in the models and result in the assignment of a credit rating or probability of default, which measures the counterparty's risk of default over a one-year period.

Additionally, an estimate of expected loss in the event of a counterparty default is assigned based on the structure of each transaction. The counterparty credit rating is used in combination with credit (or credit equivalent) exposure and the loss given default (LGD) assumption to estimate the potential credit loss. These credit risk estimates are used consistently for the purposes of business and credit portfolio steering, credit policy, approval and monitoring, management reporting, risk-adjusted performance measurement, economic capital measurement and allocation and certain financial accounting purposes. In 2007, the overall internal credit rating system received approval by the SFBC for application under the Basel II Advanced Internal Ratings Based (A-IRB) approach. This approach also allows us to price transactions involving credit risk more accurately, based on risk/return estimates.

Credit approval process and provisioning

Senior credit managers make credit decisions on a transaction-by-transaction basis, at authority levels reflecting the amount and complexity of the transactions, and the overall exposures to counterparties and their related entities. These approval authority levels are set by each legal entity.

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

A rigorous credit quality review process provides an early identification of possible changes in the creditworthiness of clients and includes regular asset and collateral quality reviews, business and financial statement analysis and relevant economic and industry studies. Other key factors considered in the review process include current and projected business and economic conditions, historical experience,

regulatory requirements and concentrations of credit by industry, country, product and counterparty rating. Regularly updated watch-lists and review meetings are used for the identification of counterparties where adverse changes in creditworthiness could occur due to events such as announced mergers, earnings weaknesses and lawsuits.

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

Loans

Compared to the end of 2006, gross loans increased CHF 32.2 billion, or 15%, reflecting business and market developments in Investment Banking as well as business growth in Private Banking. During 2007, gross loans in Investment Banking increased from CHF 44.6 billion to CHF 65.3 billion, mainly due to increases in commercial and industrial loans and loans to financial institutions. In Private Banking, gross loans increased from CHF 164.8 billion to CHF 176.4 billion, reflecting growth in nearly all businesses.

Ratings and risk mitigation

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

Risk mitigation

We actively manage our credit exposure utilizing credit hedges and collateral (cash and marketable securities). Credit hedges represent the notional exposure that has been transferred to other market counterparties, generally through the use of credit default swaps. While credit hedges are not available for many of Private Banking's counterparties, a large portion of its lending portfolio is secured with collateral that can be readily liquidated, primarily cash and marketable securities. The following risk mitigation tables for Private Banking and Invest-

ment Banking illustrate the effects of risk mitigation on loans and undrawn irrevocable credit facilities.

Risk mitigation impact for Private Banking

end of 2007	Gross exposure ¹	Cash and marketable securities	Net exposure ¹
Internal ratings (CHF million)			
AAA	1,057	(12)	1,045
AA	4,432	(24)	4,408
A	14,206	(785)	13,421
BBB	212,437	(113,102)	99,335
BB	71,572	(4,332)	67,240
B	4,374	(67)	4,307
CCC	283	0	283
CC	0	0	0
C	0	0	0
D	1,538	(17)	1,521
Total	309,899	(118,339)	191,560

¹ Includes loans and undrawn irrevocable credit facilities.

Risk mitigation impact for Investment Banking

end of 2007	Gross exposure ¹	Credit hedges	Cash and marketable securities	Net exposure ¹
Internal ratings (CHF million)				
AAA	8,928	0	(337)	8,591
AA	18,096	(2,614)	(51)	15,431
A	37,290	(7,265)	(4,205)	25,820
BBB	42,789	(15,625)	(631)	26,533
BB	20,366	(3,356)	(595)	16,415
B	42,296	(4,248)	(2,367)	35,681
CCC	5,724	(526)	(153)	5,045
CC	541	(301)	0	240
C	340	0	0	340
D	2,024	(1)	0	2,023
Total	178,394	(33,936)	(8,339)	136,119

Excludes non-rated positions of CHF 688 million representing unsettled positions in non-broker dealer entities.

¹ Includes loans and undrawn irrevocable credit facilities.

Loss given default

The tables below present our loans, net of risk mitigation, across LGD buckets. LGD represents the expected loss on a transaction should default occur and takes into account structure, collateral, seniority of the claim and, in certain areas, the type of counterparty. LGD estimates have been developed separately by Private Banking and Investment Banking, based

on historical experience. The Private Banking LGD measurement system takes into account collateral pledged against the exposure and guarantees received. The LGD measurement system is validated independently on a regular basis and has been approved by the regulatory authorities for application in the Basel II A-IRB approach. The concentration in BBB and BB rated counterparties with low LGD exposure largely

reflects the Private Banking residential mortgage business, which is highly collateralized. In Investment Banking, the LGD measurement is primarily determined by the seniority ranking of the exposure, with the exposure adjusted for risk mitigation

and guarantees received. A majority of net loans in Investment Banking are senior unsecured loans, which have an expected LGD of 55%.

Loss given default for Private Banking

end of 2007	Funded net exposure	Loss given default buckets					
		0-10%	11-20%	21-40%	41-60%	61-80%	81-100%
Internal ratings (CHF million)							
AAA	277	46	116	57	36	2	20
AA	2,666	803	515	538	361	368	81
A	8,300	2,850	2,832	1,939	304	339	36
BBB	71,496	31,490	14,085	17,849	6,590	1,202	280
BB	52,102	15,986	12,162	16,121	4,230	927	2,676
B	3,384	1,267	577	1,134	331	62	13
CCC	108	42	14	19	33	0	0
CC	0	0	0	0	0	0	0
C	0	0	0	0	0	0	0
D	1,411	62	184	277	507	126	255
Total	139,744	52,546	30,485	37,934	12,392	3,026	3,361

Loss given default for Investment Banking

end of 2007	Funded net exposure	Loss given default buckets					
		0-10%	11-20%	21-40%	41-60%	61-80%	81-100%
Internal ratings (CHF million)							
AAA	1,540	4	0	0	1,536	0	0
AA	3,628	319	0	239	3,070	0	0
A	3,907	1	0	136	3,770	0	0
BBB	9,116	0	0	5,196	3,613	288	19
BB	5,727	137	0	3,829	1,753	8	0
B	13,821	390	0	10,814	2,158	387	72
CCC	4,502	17	0	3,140	1,144	50	151
CC	214	162	0	28	24	0	0
C	340	0	0	220	120	0	0
D	350	120	0	53	177	0	0
Total	43,145	1,150	0	23,655	17,365	733	242

Excludes non-rated positions of CHF 688 million representing unsettled positions in non-broker dealer entities.

Impaired exposure and allowances

Non-performing loans

A loan is considered impaired when we believe it is probable that we will be unable to collect all amounts due in accordance with the contractual terms of the loan agreement. A loan is classified as non-performing when the contractual payments

of principal and/or interest are in arrears for 90 days. A loan can also be classified as non-performing if the contractual payments of principal and/or interest are less than 90 days past due. We continue to accrue interest for collection purposes; however, a corresponding provision against the accrual is booked through the consolidated statements of income. In

Loans

end of	Wealth Management		Corporate & Retail Banking	
	2007	2006	2007	2006
Loans (CHF million)				
Mortgages	31,450	29,505	48,128	46,435
Loans collateralized by securities	23,267	20,372	202	465
Other loans	916	558	3,786	3,087
Consumer loans	55,633	50,435	52,116	49,987
Real estate	4,996	3,975	15,888	14,825
Commercial and industrial loans	10,661	7,986	27,910	27,123
Loans to financial institutions	4,970	6,812	2,803	2,246
Governments and public institutions	67	16	1,349	1,415
Corporate loans	20,694	18,789	47,950	45,609
Gross loans	76,327	69,224	100,066	95,596
Net (unearned income) / deferred expenses	12	10	40	68
Allowance for loan losses ²	(74)	(78)	(865)	(1,150)
Net loans ³	76,265	69,156	99,241	94,514
Impaired loans (CHF million)				
Non-performing loans	101	147	638	748
Non-interest-earning loans	31	19	346	524
Total non-performing loans	132	166	984	1,272
Restructured loans	0	0	7	22
Potential problem loans	6	19	366	464
Total other impaired loans	6	19	373	486
Gross impaired loans	138	185	1,357	1,758
of which with a specific allowance	137	177	1,182	1,437
of which without a specific allowance	1	8	175	321
Allowance for loan losses (CHF million)				
Balance at beginning of period	78	126	1,150	1,600
Change in accounting	0	0	0	0
Discontinued operations	0	0	0	0
Net additions charged to statements of income	4	(15)	(62)	(55)
Gross write-offs	(6)	(49)	(267)	(444)
Recoveries	0	17	64	53
Net write-offs	(6)	(32)	(203)	(391)
Provisions for interest	(1)	0	(16)	2
Foreign currency translation impact and other adjustments, net	(1)	(1)	(4)	(6)
Balance at end of period ²	74	78	865	1,150
of which a specific allowance	50	56	731	1,007
of which an inherent credit loss allowance	24	22	134	143
Loan metrics (%)				
Total non-performing loans / gross loans	0.2	0.2	1.0	1.3
Total other impaired loans / gross loans	0.0	0.0	0.4	0.5
Gross impaired loans / gross loans	0.2	0.3	1.4	1.8
Allowance for loan losses / total non-performing loans	56.1	47.0	87.9	90.4
Allowance for loan losses / total other impaired loans	–	410.5	231.9	236.6
Allowance for loan losses / gross impaired loans	53.6	42.2	63.7	65.4

The disclosure presents our lending exposure from a risk management perspective.

¹ Includes Asset Management and Corporate Center. ² Allowance for loan losses reflects allowances on loans which are not carried at fair value. ³ Loans carried at fair value amounted to CHF 31,047 million as of the end of 2007.

	Private Banking		Investment Banking		Other ¹		Credit Suisse	
	2007	2006	2007	2006	2007	2006	2007	2006
	79,578	75,940	0	0	0	0	79,578	75,940
	23,469	20,837	0	0	0	0	23,469	20,837
	4,702	3,645	1,017	1,110	0	0	5,719	4,755
	107,749	100,422	1,017	1,110	0	0	108,766	101,532
	20,884	18,800	2,213	1,491	0	0	23,097	20,291
	38,571	35,109	34,661	22,616	11	172	73,243	57,897
	7,773	9,058	25,909	18,658	125	0	33,807	27,716
	1,416	1,431	1,459	736	0	0	2,875	2,167
	68,644	64,398	64,242	43,501	136	172	133,022	108,071
	176,393	164,820	65,259	44,611	136	172	241,788	209,603
	52	78	(72)	(71)	0	1	(20)	8
	(939)	(1,228)	(295)	(255)	0	(1)	(1,234)	(1,484)
	175,506	163,670	64,892	44,285	136	172	240,534	208,127
	739	895	234	152	0	0	973	1,047
	377	543	0	2	0	0	377	545
	1,116	1,438	234	154	0	0	1,350	1,592
	7	22	42	0	0	0	49	22
	372	483	175	34	0	0	547	517
	379	505	217	34	0	0	596	539
	1,495	1,943	451	188	0	0	1,946	2,131
	1,319	1,614	244	188	0	0	1,563	1,802
	176	329	207	0	0	0	383	329
	1,228	1,726	255	465	1	50	1,484	2,241
	0	0	(61)	0	0	0	(61)	0
	0	0	0	0	0	(51)	0	(51)
	(58)	(70)	99	(60)	(1)	2	40	(128)
	(273)	(493)	(22)	(237)	0	(1)	(295)	(731)
	64	70	29	70	0	1	93	141
	(209)	(423)	7	(167)	0	0	(202)	(590)
	(17)	2	16	46	2	0	1	48
	(5)	(7)	(21)	(29)	(2)	0	(28)	(36)
	939	1,228	295	255	0	1	1,234	1,484
	781	1,063	68	28	1	0	850	1,091
	158	165	227	227	(1)	1	384	393
	0.6	0.9	0.4	0.3	-	-	0.6	0.8
	0.2	0.3	0.3	0.1	-	-	0.2	0.3
	0.8	1.2	0.7	0.4	-	-	0.8	1.0
	84.1	85.4	126.1	165.6	-	-	91.4	93.2
	247.8	243.2	135.9	750.0	-	-	207.0	275.3
	62.8	63.2	65.4	135.6	-	-	63.4	69.6

addition, for any accrued but unpaid interest at the date the loan is deemed non-performing, a corresponding provision is booked against the accrual through the consolidated statements of income. At the time a loan is deemed non-performing and on a periodic basis, the remaining principal is evaluated for collectibility and an allowance is established for any shortfall between the net recoverable amount and the remaining principal balance.

A loan can be further downgraded to non-interest-earning when the collection of interest is in such a doubtful state that further accrual of interest is deemed inappropriate. At that time and on a periodic basis going forward, any unreserved remaining principal balance is evaluated for collectibility and an additional provision is established as required. A write-off of a loan occurs when it is determined that there is no possibility to recover the principal. Write-offs also occur due to sales, settlements or restructurings of loans or when uncertainty as to the repayment of either principal or accrued interest exists.

Generally, a loan may be restored to performing status when all delinquent principal and interest payments become current in accordance with the terms of the loan agreement and certain performance criteria are met.

Total gross impaired loans declined CHF 185 million in 2007, as total non-performing loans declined CHF 242 million, offset in part by total other impaired loans which increased CHF 57 million. This was as a result of the credit environment, which remained fundamentally favorable in 2007, and continued settlements and recoveries during the year.

Potential problem loans

As of December 31, 2007, we had potential problem loans of CHF 547 million, an increase of CHF 30 million from the end of 2006. These loans are considered potential problem loans because, although interest payments are being made, doubt exists as to the timing and/or certainty of the repayment of contractual principal. These loans are classified as impaired.

Restructured loans

As of December 31, 2007, we had restructured loans of CHF 49 million, an increase of CHF 27 million from the end of 2006. A loan is considered a restructured loan when the current conditions are based on concessions to the counterparty, but we have received all repayments and interest during the last year. After this one-year period, the loan remains a restructured loan if the current conditions are below the refinancing costs.

Credit provisions

We maintain valuation allowances on loans that are not fair valued and which we consider adequate to absorb losses arising from the existing credit portfolio. Valuation allowances are deducted from total assets, while provisions are included in total liabilities. We provide for credit losses based on a regular and detailed analysis of all counterparties, taking collateral value into consideration. If uncertainty exists as to the repayment of either principal or interest, a valuation allowance is either created or adjusted accordingly. Credit provisions are reviewed on a quarterly basis by senior management.

In determining the amount of the credit provisions, loans are assessed on a case-by-case basis, and the following factors are considered:

- the financial standing of a customer based on financial and business information, including a realistic assessment of the likelihood of repayment of the loan within an acceptable period of time considering the net present value of future cash flows;
- the extent of other commitments to the same customer;
- the realizable fair value of any collateral for the loans;
- the recovery rate; and
- the costs associated with obtaining repayment and realization of any such collateral.

Judgment is exercised in determining the extent of the valuation allowance and is based on management's evaluation of the risk in the portfolio, current economic conditions, recent loss experience, and credit and geographic concentration trends. Vulnerable sectors continue to be tracked and monitored closely, with active management leading to the requirement of collateral, the purchase of credit protection facilities and/or the tightening of credit terms or maturities where appropriate.

Loan valuation allowances and provisions for inherent credit losses

In accordance with SFAS 5, the inherent loss allowance is estimated for all loans not specifically identified as impaired, which, on a portfolio basis, are considered to contain probable inherent loss. Inherent losses in the Private Banking lending portfolio are determined based on current risk ratings, collateral and exposure structure, applying historical default and loss experience in the ratings and loss parameters. In Investment Banking, loans are segregated by risk, industry or country rating in order to estimate the inherent losses. Inherent losses on loans and lending-related commitments are estimated based on historical loss and recovery experience and recorded in valuation allowances and provisions. A provision for inherent loss for off-balance sheet lending-related expo-

sure (contingent liabilities and irrevocable commitments) is also determined, using a methodology similar to that used for the loan portfolio.

Provision for credit loss

Net additions charged to the income statement in 2007 were CHF 240 million, compared to net reductions of CHF 111 million in 2006 and CHF 144 million in 2005. Net additions of loan valuation allowances in 2007 were mainly a result of fewer releases of valuation allowances and higher provisions mainly relating to a guarantee provided in a prior year to a third party bank in Investment Banking.

Operational risk

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

Operational risk is inherent in most aspects of our activities and is comprised of 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. We, therefore, manage operational risk differently from market and credit risk. We believe that effective management of operational risks requires a common bank-wide framework with ownership residing with the management responsible for the relevant business process. Additionally, we have established a central team within the CRO function that focuses on the coordination of consistent policy, tools and practices throughout the Group for the management, measurement, monitoring and reporting of relevant operational risks. This team is also responsible for the overall operational risk framework, measurement methodology and capital calculations. Knowledge and experience are shared throughout the Group to maintain a coordinated approach.

Each individual business and management level takes responsibility for its own operational risks and the provision of adequate resources and procedures for the management of those risks. Operational risk is thus controlled through a network of controls, procedures, reports and responsibilities. In addition to the quarterly firm-level CARMC meetings covering operational risk, operational risk exposures are discussed at

divisional risk management committees, which have senior staff representatives from all the relevant functions. We utilize a number of firm-wide tools for the management, measurement, monitoring and reporting of operational risk. These include: self-assessments; the collection, reporting and analysis of internal and external loss data; and key risk indicator reporting.

We have employed the same methodology to calculate economic capital for operational risk since 2000, and have approval from the SFBC to use a similar methodology for the Advanced Measurement Approach (AMA) under the Basel II Accord. The economic capital/AMA methodology is based upon the identification of a number of key risk scenarios that describe all of the major operational risks that we face. Groups of senior staff review each scenario and discuss the likelihood of occurrence and the potential severity of loss. Internal and external loss data, along with certain business environment and internal control factors (for example, self-assessment results and key risk indicators) are considered as part of this process. Based on the output from these meetings, we enter 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.

In connection with ongoing internal control processes, we identified mismarks and pricing errors by a small number of traders in certain ABS positions in our CDO trading business in Investment Banking and immediately undertook an internal review of this business. Our Executive Board continues to assign the highest priority to the prompt remediation of the related material weakness and reports regularly on these remediation efforts to the Audit Committee and Board of Directors. For further information, refer to II – Operating and financial review – Credit Suisse – Revaluing of certain asset-backed securities positions.

Reputational risk

Our policy is to avoid any action or transaction that brings with it the risk of a potentially unacceptable level of damage to our reputation.

Reputational risks 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, the potentially controversial environmental or social impacts of a trans-

action or significant public attention surrounding the transaction itself. Where the presence of these or other factors gives rise to potential reputational risk, the relevant business proposal is required to be submitted through the reputational risk review process. This involves a vetting of the proposal by senior management and its subsequent referral to one of the regional reputational risk approvers, each of whom is independent of the business segments and who has authority to

approve, reject, or impose conditions on our participation. In order to inform our stakeholders about how we manage some of the environmental and social risks inherent to the banking business, we publish our Corporate Citizenship Report, in which we also describe our efforts to conduct our operations in a manner that is environmentally and socially responsible and broadly contributes to society.

Reputational risk process

Responsible	Tasks
<div style="display: flex; align-items: center;"> <div style="writing-mode: vertical-rl; transform: rotate(180deg); font-weight: bold; margin-right: 5px;">Policy</div> <div style="background-color: #4a7c9d; color: white; padding: 5px;">Global Reputational Risk Committee</div> </div>	<ul style="list-style-type: none"> ■ Representation on Executive Board ■ Sets policy, reviews key issues, can overrule a rejection
<div style="display: flex; align-items: center;"> <div style="writing-mode: vertical-rl; transform: rotate(180deg); font-weight: bold; margin-right: 5px;">Veto</div> <div style="background-color: #4a7c9d; color: white; padding: 5px;">Regional CEO</div> </div>	<ul style="list-style-type: none"> ■ Can veto an approval but cannot overrule a rejection
<div style="display: flex; align-items: center;"> <div style="writing-mode: vertical-rl; transform: rotate(180deg); font-weight: bold; margin-right: 5px;">Approval</div> <div style="background-color: #4a7c9d; color: white; padding: 5px;">Reputational Risk Approver</div> </div> <div style="background-color: #4a7c9d; color: white; padding: 5px; margin-top: 5px;">Business area head or designee</div> <div style="background-color: #4a7c9d; color: white; padding: 5px; margin-top: 5px;">Originator (any employee)</div>	<ul style="list-style-type: none"> ■ Reviews, approves, rejects or modifies a submission ■ Endorses submission ■ Initiates approval process