2009520

CREDIT SUISSE (UK) LIMITED

ANNUAL REPORT 2007

CREDIT SUISSE (UK) LIMITED

Board of Directors

Maya Salzmann (Chairperson)

Jeremy Marshall (CEO)

Mark E M Noms

Gary J Tntton

Jonathan R Davie (Non Executive)

Stephen B Dainton (Non Executive)

Company Secretary

Paul E Hare

COMPANY REGISTRATION NUMBER: 2009520

CREDIT SUISSE (UK) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2007

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

International Financial Reporting Standards

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

Business Review

Profile

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

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

Credit Suisse group, a leading financial services provider, is committed to delivering its combined financial experience and expertise to corporate, institutional and government clients and high-net-worth individuals worldwide, as well as to retail clients in Switzerland Credit Suisse group serves its diverse clients through three divisions, Investment Banking, Private Banking and Asset Management, which cooperate closely to provide holistic financial solutions based on innovative products and specially tailored advice Founded in 1856, Credit Suisse group has a truly global reach today, with operations in over 50 countries and a team of more than 44,000 employees from approximately 100 different nations

Global banking divisions

- Through its Investment Banking division, Credit Suisse group supplies investment banking and securities products and services to corporate, institutional and government clients around the world Its products and services include debt and equity underwriting, sales and trading, mergers and acquisitions (M&A), divestitures, corporate sales, restructuring and investment research

- Through its Private Banking division, Credit Suisse group offers comprehensive advice and a broad range of wealth management solutions, including pension planning, life insurance products, tax planning and wealth and inheritance advice, which is tailored to the needs of high-net-worth individuals worldwide In Switzerland, it supplies banking products and services to high-net-worth, corporate and retail clients

- Through its Asset Management division, Credit Suisse group supplies products from the full range of investment classes – money market, fixed income, equities, balanced and alternative investments – to meet the needs of institutional, government and private clients globally

These global divisions are supported by Shared Services, which provides corporate services and business support

Credit Suisse (UK) Limited ('the Bank') is a wholly owned subsidiary of Credit Suisse, Zurich, part of the Credit Suisse group It forms part of the Private Banking division and is authorised and regulated by the Financial Services Authority (FSA)

CREDIT SUISSE (UK) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2007

The pnncipal activities of the Bank are the provision of advice relating to advisory and discretionary investment services, banking services including secured lending facilities and financial planning advice The product offering includes cash solutions, bond and equity products, advisory and discretionary hedge fund portfolios, structured products, tax efficient products, treasury, credit and other investment consulting solutions

Strategy

The strategic goal of the Bank is to significantly increase assets under management over the next few years and build a significant presence in the extremely fragmented, highly competitive UK private banking market place

Significant growth in both onshore and offshore client acquisition is based on targeting key prospects in private market segments with a natural affinity to Credit Suisse, sophisticated products and services, access to global markets and a leading brand name

Performance

The Bank's net operating income for 2007 was £57 9m (2006 £41 2m) Total operating expenses for 2007 were £52 2m (2006 £42 9m) The profit attributable to shareholders for the year was £3 6m (2006 loss £1 6m) As at 31 December 2007, the Bank had total assets of £2,525m (2006 £1,510m) and total shareholders' equity of £92m (2006 £89m)

Capital resources

In 2007 there was no change in either the authorised or issued share capital (2006 £21 6m issued)

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

In 2006 a £40m subordinated debt facility was put in place with CSFB Finance BV This facility has not yet been used for additional capital in the Bank

Dividends

No dividends were paid or are proposed for 2007 (2006 £Nil)

Risk Management

The Bank's financial risk management objectives and policies and the exposure of the Bank to credit risk, liquidity risk and cash flow risk are outlined in Note 28 to the financial statements

Directors

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

CREDIT SUISSE (UK) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2007

Appointments:

Gary J Tritton	17 January 2007
Mark E M Norris	5 June 2007
Stephen B Dainton (Non Executive)	19 March 2008

Resignations:

Richard A Hambro (Non Executive)	17 January 2007
Roy McGregor	17 January 2007
Paul A Rayner	15 March 2007
Philip K Ryan (Non Executive)	19 March 2008

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

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

Shareholders' Equity

The capital contribution reserve has remained unchanged and consists of a capital injection received from the parent entity Credit Suisse Zurich

There have been no changes to authorised or issued share capital during 2007

Disclosure of Information to Auditors

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Bank's auditor is unaware, and each Director has taken all the steps that he / she ought to have taken as a Director to make him / herself aware of any relevant audit information and to establish that the Bank's auditor is aware of that information

Employee Involvement and Employment of Disabled Persons

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

The Credit Suisse group has a Disability Interest Forum in place in the UK as a initiative This forum

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

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

CREDIT SUISSE (UK) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2007

Donations

During the year the Bank did not make any political or charitable donations (2006 Nil)

Auditor

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

By Order of the Board

Paul E Hare
Company Secretary

One Cabot Square
London E14 4QJ
19 March 2008

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare financial statements for each financial year Under that law, they have elected to prepare the financial statements in accordance with IFRSs as adopted by the EU and applicable laws.

The financial statements are required by law to present fairly the financial position and performance of the Bank, the Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation

In preparing these financial statements, the Directors are required to
- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether they have been prepared in accordance with IFRSs as adopted by the EU, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Bank will continue in business

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

Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

CREDIT SUISSE (UK) LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CREDIT SUISSE (UK) LIMITED

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

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

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Directors' Report, and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU are set out in the Statement of Directors' Responsibilities on page 7

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

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985 We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements

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

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it

Basis of audit opinion

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

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

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the Bank's affairs as at 31 December 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Director's Report is consistent with the financial statements

KPMG Audit Plc

KPMG Audit Plc

Chartered Accountants

Registered Auditor

London

19 March 2008

CREDIT SUISSE (UK) LIMITED

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2007

	Note	2007 £000	2006 £000
Interest income	4	118,456	85,174
Interest expense	4	(105,115)	(74,031)
Net interest income		**13,341**	**11,143**
Net commissions and fees	5	33,198	26,165
Other operating income	5	11,321	3,877
Total non-interest income		**44,519**	**30,042**
Net operating income		**57,860**	**41,185**
Compensation and benefits	5	(39,762)	(28,911)
Other expenses	5	(12,450)	(13,975)
Total operating expenses		**(52,212)**	**(42,886)**
Profit / (Loss) before tax		**5,648**	**(1,701)**
Income tax (charge) / benefit	6	(2,066)	57
Profit / (Loss) after tax		**3,582**	**(1,645)**

The notes on pages 13 to 55 form an integral part of these financial statements

CREDIT SUISSE (UK) LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2007

	Note	2007 £000	2006 £000
Assets			
Cash and due from banks		5,817	14,380
Interest-bearing deposits with banks		1,050,274	129,449
Securities purchased under resale agreements	7	942,840	920,979
Trading assets	8	13,126	12,349
Loans and receivables	9	487,138	413,962
Deferred tax assets	11	5,622	7,011
Other assets	12	20,477	10,845
Intangible assets	14	108	817
Property, plant and equipment	15	54	17
Total assets		**2,525,456**	**1,509,809**
Liabilities			
Deposits	16	2,365,906	1,362,973
Trading liabilities	8	12,807	12,069
Other liabilities	17	50,890	39,221
Provisions	18	3,767	7,042
Total liabilities		**2,433,370**	**1,421,305**
Shareholders' equity			
Called-up share capital	19	102,300	102,300
Retained earnings		(18,714)	(22,296)
Capital contribution reserve		8,500	8,500
Total shareholders' equity		**92,086**	**88,504**
Total liabilities and shareholders' equity		**2,525,456**	**1,509,809**

The notes on pages 13 to 55 form an integral part of these financial statements

Approved by the Board of Directors on 19 March 2008 and signed on its behalf by

Jeremy Marshall

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

	Share Capital	Capital Contribution Reserve	Retained Earnings	Total Shareholders' Equity
	£000	£000	£000	£000
Balance as at 1 January 2006	80,700	8,500	(20,651)	68,549
Net loss for the year	-	-	(1,645)	(1,645)
Increase in share capital	21,600	-	-	21,600
Balance as at 31 December 2006	102,300	8,500	(22,296)	88,504

	Share Capital	Capital Contribution Reserve	Retained Earnings	Total Shareholders' equity
	£000	£000	£000	£000
Balance as at 1 January 2007	102,300	8,500	(22,296)	88,504
Net profit for the year	-	-	3,582	3,582
Balance as at 31 December 2007	102,300	8,500	(18,714)	92,086

There were no dividends proposed or paid in 2007 (2006 Nil)

The notes on pages 13 to 55 form an integral part of these financial statements

CREDIT SUISSE (UK) LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2007

	2007 £000	2006 £000
Cash flows from operating activities		
Profit / (Loss) before tax for the year	5,648	(1,701)
Adjustments to reconcile net income to net cash used in operating activities		
Non-cash items included in profit / (loss) before tax and other adjustments		
Depreciation and amortisation on plant, equipment and intangible assets	719	993
Net (increase) / decrease in operating assets		
Securities purchased under resale agreements	(21,861)	(5,181)
Trading assets	(777)	(5,203)
Loans and receivables	(73,176)	(43,331)
Interest bearing deposits with banks	(920,825)	8,054
Other assets	(10,614)	(2,328)
Net increase / (decrease) in operating liabilities		
Deposits	1,002,933	35,316
Trading liabilities	738	5,191
Other liabilities and provisions	8,394	(4,722)
Cash used in operations	**(8,821)**	**(12,912)**
Income taxes received / (paid)	305	(1,592)
Net cash flow used in operating activities	**(8,516)**	**(14,504)**
Investing activities		
Capital expenditures for plant, equipment and intangible assets	(47)	(20)
Net cash flow used in investing activities	**(47)**	**(20)**
Financing activities		
Increase in share capital	-	21,600
Net cash flow from financing activities	**-**	**21,600**
Net (decrease) / increase in cash and cash equivalents	**(8,563)**	**7,076**
Cash and cash equivalents at the beginning of the year	14,380	7,304
Cash and cash equivalents at the end of the year	**5,817**	**14,380**

The notes on pages 13 to 55 form an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

1 General

The Bank is incorporated in the United Kingdom The address of the Bank's registered office is One Cabot Square, London, E14 4QJ

The Financial Statements were authorised for issue on 19 March 2008

2. Significant accounting policies

a) Statement of compliance

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

b) Basis of preparation

The financial statements are presented in pounds sterling (GBP), rounded to the nearest thousand They are prepared on the historical cost basis except that derivative financial instruments are stated at their fair value

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

The estimates and underlying assumptions are reviewed on an ongoing basis Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision has a significant effect on both current and future periods

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

The Bank adopted IFRIC 7 'Applying the Restatement Approach under IAS 29 'Financial Reporting in Hyperinflationary Economies', IFRIC 8 'Scope of IFRS 2', IFRIC 9 'Reassessment of Embedded Derivatives' and IFRIC 10 'Interim Financial Reporting and Impairment'

The Bank has elected not to early adopt the provisions of IFRS 8 'Operating Segments', which replaces IAS 14 'Segment Reporting', and was issued on 30 November 2006 and is effective for annual periods beginning on or after 1 January 2009 This standard specifies how an entity should report information about its operating segments, based on information about the components of the entity that management uses to make operating decisions The Bank's financial statements would not be materially impacted by the adoption of IFRS 8 and expects to adopt IFRS 8 with effect from 1 January 2009

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

2. Significant accounting policies (continued)

b) Basis of preparation (continued)

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

- IFRIC 11 'IFRS 2 - Group and Treasury Share Transactions' (effective for annual periods beginning on or after 1 March 2007),
- IFRIC 12 'Service Concession Arrangements' (effective for annual periods beginning on or after 1 January 2008),
- IFRIC 13 'Customer Loyalty Programmes' (effective for annual periods beginning on or after 1 July 2008), and
- IFRIC 14 'The Limits on a Defined Benefit Asset Minimum Funding Requirements and their Interaction' (effective for annual periods beginning on or after 1 January 2008)

The below accounting policies have been applied consistently by the Bank

c) Basis of consolidation

The Bank has two subsidiaries
Buckmore Nominees Limited acts as a nominee company The net assets and results of this subsidiary have not been consolidated into the Bank, as the entity is a non-trading and not considered material
Credit Suisse London Nominees Limited acts as a nominee company The net assets and results of this subsidiary have not been consolidated into the Bank, as the entity is non-trading and not considered material
Details of the undertakings of both subsidiaries are given in Note 10

d) Foreign currency

Transactions denominated in currencies other than GBP are translated at the foreign exchange rate ruling at the date of the transaction Monetary assets and liabilities denominated in foreign currencies at balance sheet date are translated to GBP at the foreign exchange rate ruling at that date Foreign exchange differences arising from translation are recognised in the Income Statement Non-monetary assets and liabilities denominated in foreign currencies at balance sheet date are not revalued for movements in foreign exchange rates

e) Cash and due from banks

For the purpose of preparation and presentation of the Balance Sheet and Cash Flow Statement, cash and cash equivalents are defined as short-term, highly liquid instruments with original maturities of three months or less and that are held for cash management purposes

f) Securities purchased under resale agreements

Securities purchased under resale agreements are treated as collateralised financing transactions The cash advanced, including accrued interest, is recognised on the Balance Sheet as an asset

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

2 Significant accounting policies (continued)

g) Trading assets and liabilities

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

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

h) Derivative financial instruments

All freestanding derivative contracts are carried at fair value on the Balance Sheet regardless of whether these instruments are held for trading or risk management purposes

Derivatives classified as trading assets and liabilities are those held for trading purposes Derivatives held for trading purposes arise from customer-based activity

Fair value recorded for derivative instruments does not indicate future gains or losses, but rather the unrealised gains and losses from valuing all derivatives at a particular point in time The fair value of exchange-traded derivatives is typically derived from observable market prices and / or observable market parameters

i) Derecognition

The Bank enters into transactions where it transfers assets recognised on its Balance Sheet, but retains either all risks and rewards of the transferred assets or a portion of them If all or substantially all risks and rewards are retained, the transferred assets are not derecognised from the Balance Sheet In transactions where the Bank does not retain or transfer substantially all of the risks and rewards of ownership of a financial asset, it derecognises the asset if control over the asset is lost The rights and obligations retained in the transfer are recognised separately as assets and liabilities as appropriate In transfers where control over the asset is retained, the Bank continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset

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

j) Loans and receivables and impairment losses on loans and receivables

Loans and receivables are recognised when cash is advanced to borrowers They are initially recorded at fair value, which is the cash given to originate the loan, and are subsequently carried at amortised cost Interest income is accrued on the unpaid principal balance

2. Significant accounting policies (continued)

j) Loans and receivables and impairment losses on loans and receivables (continued)

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

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

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

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

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

k) Netting

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

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

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

The Bank currently has no legal netting agreements with non related parties

l) Income taxes

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

2. Significant accounting policies (continued)

l) Income taxes (continued)

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

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

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

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

Information as to the calculation of income tax on the profit or loss for the periods presented is included in Note 6

m) Intangible assets

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

Intangible assets are stated at cost less accumulated amortisation and impairment losses and are amortised over an estimated useful life of three years using the straight line method The amortisation of the intangible fixed assets is included in the 'Other expenses' line item in the Income Statement

n) Property, plant and equipment

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

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

Computer equipment	3 - 7 years

CREDIT SUISSE (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

2. Significant Accounting Policies (continued)

n) Property, plant and equipment (continued)

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

Gains and losses on disposals are determined by comparing proceeds with carrying amount These are included in the Income Statement

o) Retirement benefit costs

The Bank has only defined contribution pension plans The defined benefit plans are group schemes, in which the Bank is not the sponsoring entity Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred

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

p) Contingent liabilities

Contingent liabilities are not recognised because their existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity A contingent liability is not recognised as a liability in the Balance Sheet but only disclosed in the Notes to the Financial Statements However, provisions are recognised (assuming that a reliable estimate can be made) if they are current obligations and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations

q) Share based payments

The Bank grants shares in its ultimate parent CSG to certain employees The Bank purchases CSG shares from Credit Suisse (International) Holding AG, another Credit Suisse group company, upon settlement and then transfers those shares to its employees

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

2 Significant Accounting Policies (continued)

r) Interest income and expense

Interest income and expense includes interest income and expense on the Bank's financial instruments owned, financial instruments sold not yet purchased and reverse repurchases Interest income and expense also includes interest flows on the Bank's trading derivatives, which are recorded using the effective interest rates of the financial assets or financial liabilities to which they relate

s) Commissions and fees

Fee revenue is recognised when all of the following criteria have been met persuasive evidence of an agreement exists, services have been rendered, the price is fixed or determinable and collectability is reasonably assured Commissions and fees earned for investment and portfolio management, customer trading and custody services are recognised at the time or over the period, respectively, that the related service is provided
Incremental costs, that are directly attributable to securing investment management contracts, are recognised as an asset if they can be identified separately and measured reliably and if it is probable that they will be recovered These assets are amortised as the entity recognises the related revenue

t) Operating leases

The leases entered into by the Bank are primarily operating leases The total payments made under operating leases are charged to the Income Statement on a straight-line basis over the period of the lease When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor is recognised as an expense in the period in which termination takes place

u) Dividends

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

v) Provisions

Specific provision is made in respect of known material costs and liabilities that are likely to occur, such as legal and property costs These provisions are reviewed annually by management and adjusted accordingly

The Bank reports an onerous lease provision, which is made for the future rental and related costs of leasehold property where it is vacant, surplus to the Bank's requirements or where the leasehold property has been sublet at a loss

3. Critical accounting estimates and judgements in applying accounting policies

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

3 Critical accounting estimates and judgements in applying accounting policies (continued)

Fair value

As is the normal practice in the industry, the values the Bank reports in the financial statements with respect to financial instruments owned and financial instruments sold not yet purchased are in most cases based on fair value, with related unrealised and realised gains or losses included in the Income Statement Fair value may be objective, as is the case for exchange-traded instruments, for which quoted prices in price-efficient and liquid markets generally exist, or as is the case where a financial instrument's fair value is derived from actively quoted prices or pricing parameters or alternative pricing sources with a reasonable level of price transparency For financial instruments that trade infrequently and have little price transparency, fair value may be subjective and require varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument

Uncertainty of pricing assumptions and liquidity are features of both derivative and non-derivative transactions These features have been considered as part of the valuation process As a result of these uncertainties, the Bank does not recognise a dealer profit or unrealised gain or loss at the inception of a derivative or non-derivative transaction unless the valuation underlying the unrealised gain or loss is evidenced by quoted market prices in an active market, observable prices of other current market transactions or other observable data supporting a valuation technique in accordance with IAS 39 'Financial Instruments Recognition and Measurement' AG 76 The principles of IAS 39 'Financial Instruments Recognition and Measurement' AG 76 have been applied to all the Bank's transactions

Litigation contingencies

A contingency is an existing condition that involves a degree of uncertainty that will ultimately be resolved upon the occurrence of future events From time to time, the Bank is involved in a variety of legal, regulatory and arbitration matters in connection with the conduct of our businesses It is inherently difficult to predict the outcome of many of these matters, particularly those cases in which the matters are brought on behalf of various classes of claimants, seek damages of unspecified or indeterminate amounts or involve novel legal claims In presenting the financial statements, management makes estimates regarding the outcome of legal, regulatory and arbitration matters and takes a charge to income when losses with respect to such matters are probable and can be reasonably estimated

Charges, other than those taken periodically for costs of defence, are not established for matters when losses cannot be reasonably estimated Estimates, by their nature, are based on judgment and currently available information and involve a variety of factors, including but not limited to the type and nature of the litigation, claim or proceeding, the progress of the matter, the advice of legal counsel and other advisers, the Bank's defences and experience in similar cases or proceedings According to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets', a provision shall be recognised when (a) an entity has a present obligation (legal or constructive) as a result of a past event, (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and (c) a reliable estimate can be made of the amount of the obligation

Income taxes

Deferred tax valuation

Deferred tax assets and liabilities are recognised to reflect the estimated amounts of income tax recoverable / payable in future periods in respect of temporary differences and unused carry forward of tax losses and credits For temporary differences, a deferred tax asset is recognised to the extent that it is probable that taxable income will be available against which the deductible temporary difference can be utilised Similarly, a deferred tax asset is recognised on unused carry forward tax losses and credits to the extent that it is probable that future taxable profits will be available against which the unused carry forward tax losses and credits can be utilised Periodically, management evaluates the probability that taxable profits will be available against which the deductible temporary differences and unused carry forward tax losses and credits can be utilised Within this evaluation process, management also considers tax-planning strategies The evaluation process requires significant management judgement, primarily with respect to projecting future taxable profits

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

Retirement benefit costs

The following relates to the assumptions Credit Suisse Securities (Europe) Ltd , the sponsor of the defined benefit plan, has made in arriving at the valuations of the various components of the defined benefit plan, of which the Bank is a

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

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

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

Tax contingencies

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

Share based payments

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

4. Net interest income

	2007	2006
	£000	£000
Interest income on loans	44,881	40,940
Securities purchased under resale agreements	53,675	38,767
Interest income on cash and cash equivalents	19,900	5,467
Total interest income	**118,456**	**85,174**
Interest expense on deposits	(104,712)	(73,662)
Other	(403)	(369)
Total interest expense	**(105,115)**	**(74,031)**
Net interest income	**13,341**	**11,143**

5. Non-interest income and total operating expenses

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

	2007	2006
Commissions from lending business	£000	£000
Investment and portfolio management fees	16,489	17,003
Commissions for other securities business	11,446	5,678
Fees for other customer services	5,860	3,702
Commission and fee income	**33,795**	**26,383**
Commissions from lending business		
Commissions for other securities business	(597)	(218)
Commission and fee expense	**(597)**	**(218)**
Net commission and fees	**33,198**	**26,165**

The following table sets forth the details other operating income

	2007	2006
	£000	£000
Net foreign exchange gain	2,601	3,425
Net referral income from other Credit Suisse group undertakings	8,720	452
Other operating income	**11,321**	**3,877**

During the year the Bank referred business transactions to other Credit Suisse group companies, which executed and legally booked all the resulting revenues Accordingly an arm's length service fee was required to be paid to the Bank, determined to be equal to 25% of the gross revenues of each transaction

The following table sets forth the details of compensation and benefits

	2007	2006
	£000	£000
Salaries and bonuses	(28,083)	(22,151)
Social security	(4,412)	(4,005)
Pension cost	(5,971)	(2,025)
Other	(1,296)	(730)
Compensation and benefits	**(39,762)**	**(28,911)**

5. Non-interest revenues and total operating expenses (continued)

The following table sets forth the details of other expenses·

	2007	2006
	£000	£000
Occupancy expenses	(1,119)	(1,380)
IT and machinery expenses	(113)	(414)
Depreciation and amortisation expenses	(719)	(987)
Provisions and losses	(940)	(2,375)
Travel and entertainment	(1,431)	(1,534)
Audit fees	(49)	(49)
Professional services	(4,987)	(3,594)
Overhead allocation expenses	(199)	(2,044)
Market information expenses	(511)	(581)
VAT expenses	(1,170)	(644)
Other	(1,212)	(373)
Other expenses	**(12,450)**	**(13,975)**

6. Income tax

	2007	2006
Current tax	**£000**	**£000**
Current tax on losses of the period	1,447	1,522
Adjustments in respect of previous periods	(769)	118
Total current tax	**678**	**1,640**
Deferred tax		
Origination and reversal of temporary differences	339	(1,837)
Adjustments in respect of previous periods	648	140
Effect of changes in tax rate	401	-
Total deferred tax	**1,388**	**(1,697)**
Income tax charge / (benefit)	**2,066**	**(57)**

No current tax nor deferred tax was credited directly to equity (2006 £nil)

6 Income tax expense (continued)

An explanation of the relationship between tax expense and the accounting profit / (loss)

Further information about deferred income tax is presented in Note 11

The income tax charge / (benefit) for the year can be reconciled to the profit / (loss) per the Income Statement as follows

	2007	2006
	£000	£000
Profit / (Loss) before tax	5,648	(1,701)
Profit / (Loss) before tax multiplied by UK statutory rate of corporation tax at the rate of 30% (2006 30%)	1,694	(510)
Other permanent differences	92	195
Adjustments to current tax in respect of previous periods	(769)	118
Adjustments to deferred tax in respect of previous periods	648	140
Effect on deferred tax resulting from changes to tax rates	401	-
Income tax charge / (benefit)	**2,066**	**(57)**

With effect from 1 April 2008, the rate of UK corporation tax is 28% The deferred tax balances reflect the impact of the new rate of UK corporation tax Consequently, £401,582 was charged to the profit and loss account in 2007 (2006 £Nil)

7. Securities purchased under resale agreements

The following table summarises the securities borrowed or purchased under agreements to resell, at their respective carrying values

	2007	2006
	£000	£000
Securities purchased under resale agreements	942,840	920,979
Total	**942,840**	**920,979**

The agreement above, with Credit Suisse Securities (Europe) Ltd represents a collateralised financing transaction used to earn net interest income It is collateralised principally by government securities and money market instruments and has terms ranging from overnight to payable on demand The Bank monitors the fair value of securities received and requests additional securities or the return of a portion of the cash disbursed when appropriate in response to a decline in the market value of the securities received Similarly, the return of excess securities or additional cash is requested by Credit Suisse Securities (Europe) Ltd when appropriate in response to an increase in the market value of securities sold under the repurchase agreement

8 Trading activities

The following table summarises the details of trading assets and liabilities:

	2007	2006
	£000	£000
Positive replacement values of derivative trading positions	13,126	12,349
Trading assets	**13,126**	**12,349**
Negative replacement values of derivative trading positions	12,807	12,069
Trading liabilities	**12,807**	**12,069**

9. Loans and receivables

The following table sets forth details of the domestic (United Kingdom) and foreign loan portfolio

	2007	2006
	£000	£000
Commercial	81,269	52,040
Consumer	15,105	17,832
United Kingdom	**96,374**	**69,872**
Banks	-	3,817
Commercial	205,640	259,932
Consumer	185,243	80,341
Foreign	**390,883**	**344,090**
Allowances for impairment losses on loans and receivables	(119)	-
Total loans and receivables	**487,138**	**413,962**

The following table analyses total loans by maturity

	2007	2006
	£000	£000
Due within one month	228,027	164,407
One month to three months	171,467	168,165
Three months to one year	85,527	81,390
One to five years	2,236	-
Allowances for impairment losses on loans and receivables	(119)	-
Total loans and receivables	**487,138**	**413,962**

10 Investments in subsidiaries

The Bank has two subsidiaries, Buckmore Nominees Limited (non-trading) and Credit Suisse London Nominees Limited (non-trading)

Buckmore Nominees Limited

The wholly owned company is incorporated and operates in the United Kingdom and is registered in England and Wales

The Company has not been consolidated into the statutory accounts of the Bank for the year ended 31 December 2007, as the net worth of the entity is £2 (2006 £2), which is not considered material

Credit Suisse London Nominees Limited

The wholly owned company is incorporated and operates in the United Kingdom and is registered in England and Wales

The Company has not been consolidated into the statutory accounts of the Bank for the year ended 31 December 2007, as the net worth of the entity is £100 (2006 £100), which is not considered material

11. Deferred tax assets

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

The movement for the year on the deferred tax account is as follows

	2007	**2006**
	£000	**£000**
At beginning of the year	7,011	5,314
(Credit) / Debit to income for the year	(988)	1,697
Effect of change in tax rate	(401)	-
At end of year	**5,622**	**7,011**

Deferred tax assets are attributable to the following items

	2007	**2006**
	£000	**£000**
Provisions	939	1,904
Decelerated tax depreciation	1,528	2,283
Stock based compensation	3,155	2,639
Other short term temporary differences	-	185
At end of year	**5,622**	**7,011**

11. Deferred tax assets (continued)

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

	2007 £000	2006 £000
Provisions	(965)	98
Decelerated tax depreciation	(754)	219
Stock based compensation	516	1,196
Other short term temporary differences	(185)	184
Total deferred tax credit in the income statement	**(1,388)**	**1,697**

With effect from 1 April 2008, the rate of UK corporation tax is 28% The deferred tax balances reflect the impact of the new rate of UK corporation tax Consequently, £305,106 was charged to the profit and loss account in 2007 (2006 £Nil)

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

12. Other assets

	2007 £000	2006 £000
Brokerage receivables (Note 13)	474	27
Interest and fees receivable	5,223	3,925
Amounts owed by Credit Suisse group undertakings	12,472	4,176
Group relief from Credit Suisse group undertakings	-	982
Other	2,308	1,735
Total other assets	**20,477**	**10,845**

13 Brokerage receivables and brokerage payables

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

All brokerage payables and receivables balances are short-term

13 Brokerage receivables and brokerage payables (continued)

	2007	2006
	£000	£000
Due from banks, brokers and dealers	474	27
Total brokerage receivables	**474**	**27**

	2007	2006
	£000	£000
Due to customers	(474)	(27)
Total brokerage payables	**(474)**	**(27)**

14. Intangible assets

	2007	2006
Cost	£000	£000
As at 1 January	2,935	2,929
Additions	-	6
Disposals	(6)	-
As at 31 December	2,929	2,935
Accumulated amortisation		
As at 1 January	(2,118)	(1,142)
Charge for the year	(703)	(976)
As at 31 December	(2,821)	(2,118)
Net book value as at 31 December	**108**	**817**

15. Property, plant and equipment

	Computer equipment 2007	Computer equipment 2006
Cost	£000	£000
As at 1 January	85	71
Additions	53	14
As at 31 December	138	85
Accumulated depreciation		
As at 1 January	(68)	(50)
Charge for the year	(16)	(18)
As at 31 December	(84)	(68)
Net book value as at 31 December	**54**	**17**

16. Deposits

	2007	2006
	£000	£000
Interest-bearing demand deposits	226,654	203,783
Savings deposits	1,135	3,005
Time deposits	2,138,117	1,156,185
Total deposits	**2,365,906**	**1,362,973**

As at 31 December 2007, the remaining maturities for time deposits were as follows

	2007	2006
	£000	£000
Up to 1 month	1,829,494	863,304
From 1 month to 3 months	217,371	196,146
From 3 months to 1 year	89,029	96,735
From 1 year to 5 years	2,223	-
Total time deposits	**2,138,117**	**1,156,185**

17. Other liabilities

	2007	2006
	£000	£000
Brokerage payables (Note 13)	474	27
Amounts owed to Credit Suisse group undertakings	16,281	11,715
Group charge from Credit Suisse group undertakings	1,451	-
Employee incentive bonus cash component	12,132	9,600
Share award obligations	11,267	8,955
Other	9,285	8,924
Total other liabilities	**50,890**	**39,221**

18. Provisions

	Banking	Property	Litigation	Total 2007	Total 2006
	£000	£000	£000	£000	£000
Balance at beginning of year	-	6,348	694	7,042	6,023
Increase in provisions	259	531	150	940	2,421
Utilised during the year	-	(3,524)	(774)	(4,298)	(1,292)
Changes in discount rate and passage of time	-	-	-	-	(8)
Changes in foreign exchange rates	3	-	80	83	(102)
Balance at the end of the year	**262**	**3,355**	**150**	**3,767**	**7,042**

At the year end a provision exists for the future rental and related costs of leasehold property of £3,354,611 (2006 £6,347,661) where it is vacant, surplus to the Bank's requirement or where the leasehold property has been sublet at a loss The original provision was created in 1997 for £8 5 million The lease is due to expire in September 2015

19. Called-up share capital

Authorised	**2007**	**2006**
	£000	**£000**
Equity		
Ordinary shares of £1 each	150,000	150,000
Total authorised share capital	150,000	150,000
Allotted, called up and fully paid		
Balance at the beginning of the year	102,300	80,700
Issued during the year	-	21,600
Balance at the end of the year	**102,300**	**102,300**

On 31 May 2006 a £40 million subordinated debt facility was granted to the Bank by Credit Suisse First Boston Finance BV maturing 31 May 2031 As at 31 December 2007, this facility was undrawn

20. Stock awards

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

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

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

Total compensation expense for stock awards payments recognised during 2007 and 2006 was £2,126,761 and £5,065,285 respectively

The total stock award liability recorded as at 31 December 2007 was £11,266,773 (2006 £8,955,065) The fair value used to calculate the stock award liability was the closing CSG share price as at 31 December 2007 CHF 68 10 (2006 CHF 85 45) The average weighted fair value of awards granted in 2007 was CHF107 09 (2006 CHF72 92) The intrinsic value of vested share based awards outstanding as at year end was £498,186 (2006 £2,632,726)

20. Stock awards (continued)

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

	2007 No. of shares	2006 No. of shares
Stock excluding PIP units and ISU awards		
As at 1 January	157,212	19,398
Granted	4,683	84,382
Shares transferred in*	-	64,743
Delivered	(65,827)	(9,597)
Forfeited	(4,202)	(1,714)
As at 31 December	**91,866**	**157,212**

	2007 No. of shares	2006 No. of shares
PIP Units		
As at 1 January	38,871	27,107
Granted	-	11,764
As at 31 December	**38,871**	**38,871**

	2007		2006	
	No. of shares	No. of shares	No. of shares	No. of shares
ISU Awards				
As at 1 January	-	-	-	-
Granted	86,505	86,505	-	-
Delivered	(298)	-	-	-
Forfeited	(971)	(1,269)	-	-
As at 31 December	**85,236**	**85,236**	-	-

* Effective 1 January 2006, a number of employees previously employed by Credit Suisse Securities (Europe) Ltd transferred their employment contracts and share awards to the Bank

There were no share options in 2007 (2006 Nil)

Stock option awards granted in or before January 2003 for service provided in prior years were fully expensed during the year of service The Bank has cash settled the stock option liabilities with CSG following the year in which stock options were expensed

21. Retirement benefit obligations

The following disclosures contain the balances for the entire defined benefit plan sponsored by Credit Suisse Securities (Europe) Ltd , of which the Bank is one of many participants, who are all related parties under common control The Bank accounts for its share of the plan using defined contribution accounting

21. Retirement benefit obligations (continued)

Defined benefit pension plans

The followıng table shows the changes ın the defined benefit oblıgatıon and the faır value of plan assets dunng 2007 and 2006, and the amounts ıncluded ın the balance sheet for the Company's defined benefit pensıon and other post-retırement defined benefit plans as at 31 December 2007 and 2006 respectıvely

	2007	2006
	£000	£000
Defined benefit oblıgatıon – begınnıng of the measurement penod	699,457	610,277
Servıce cost	1,919	1,355
Interest cost	35,566	28,566
Actuanal losses - assumptıons	(32,375)	37,209
Actuanal losses - expenence	(8,916)	26,044
Benefit payments	(4,233)	(3,994)
Defined benefit obligation – end of the measurement period	**691,418**	**699,457**
Faır value of plan assets – begınnıng of the measurement penod	508,275	463,072
Actual retum on plan assets	37,620	44,913
Contnbutıons	144,810	4,284
Benefit payments	(4,233)	(3,994)
Faır value of plan assets – end of the measurement period	**686,472**	**508,275**

Dunng 2007 the Bank expensed £4,247,000 (2006 £230,000) ın respect of ıts contnbutıons to the UK defined benefit scheme The 2007 expense ıncludes a £4m allocatıon from CS Secunties (Europe) Lımıted to the Bank for the CS Group

Credıt Suısse Secunties (Europe) Ltd has agreed the valuatıon and fundıng of the UK defined benefit pensıon plan wıth the Pensıon Fund Trustees as at 31 December 2005 Lump sum contnbutıons were paıd by Credıt Suısse Secunties (Europe) Ltd of £140m ın March 2007 and £70m ın January 2008 Addıtıonal annual taıl contnbutıons of £2m are expected ın Apnl of each year from 2009 untıl 2015, subject to the results of the next formal valuatıon, due as at 31 December 2008 Credıt Suısse Secunties (Europe) Ltd may be requıred to contnbute, before October 2009, up to £48m dependıng on the result of the next valuatıon

21. Retirement benefit obligations (continued)

Assumptions

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

31 December in %	2007	2006
Benefit obligations		
Discount rate	5 80	5 10
Inflation	3 20	2 85
Pension increases*	3 20	2 85
Salary increases	4 95	4 60
Net periodic pension cost		
Discount rate	5 10	4 70
Salary increases	4 60	4 25
Expected long-term rate of return on plan assets	7 35	6 70

* Pensions earned pre 6 April 1997 are subject to pension increases on a discretionary basis

The assumptions for life expectancy in the 2007 benefit obligation calculations pursuant to IAS 19 are based on 00 series year of birth mortality tables with a scaling factor of 85% projected to date with allowance for the medium cohort and then projected forwards with allowance for the medium cohort but subject to an underpin to longevity improvement rates of 0 5% p a for females and 1% p a for males

Plan assets and investment strategy

The following table sets forth the weighted average asset allocation of the Credit Suisse group's international defined benefit pension plan assets as at the measurement date

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

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

21. Retirement benefit obligations (continued)

Sensitivity analysis

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

Benefit obligation	Increase £000	Increase %	Decrease £000	Decrease %
One-percentage point change in				
Discount rate	207,283	30	(153,377)	(22)
Inflation	146,674	21	(115,045)	(17)
Salary increase	29,258	4	(25,227)	(4)
1 year to life expectancy at 60	14,766	2	(15,939)	(2)
Net periodic pension cost				
One-percentage point change in				
Expected return on assets	6,155	189	(6,080)	(187)

Plan assets and investment strategy

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

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

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

21. Retirement benefit obligations (continued)

Plan assets and investment strategy (continued)

	2007		2006	
	Fair value £000	% of total fair value of scheme assets	Fair value £000	% of total fair value of scheme assets
Equity securities	440,344	64.1	352,353	69.3
Debt securities	135,007	19.7	86,637	17.0
Alternative investments (primarily hedge funds)	110,070	16.0	66,898	13.2
Cash	1,051	0.2	2,387	0.5
Fair value of plan assets	**686,472**	**100.0**	**508,275**	**100.0**

Defined contribution pension plans

The Bank also contributes to various defined contribution pensions primarily in the United Kingdom The contributions in these plans during 2007 and 2006 were £1,703,000 and £1,559,000 respectively

22. Related party transactions

The Bank is controlled by Credit Suisse which owns 100% of the ordinary shares, the ultimate parent being CSG, incorporated in Switzerland

The Bank is involved in significant financing and other transactions, and has significant related party balances with subsidiaries and affiliates of CSG The Bank enters into these transactions in the ordinary course of business on market terms

The averages below have been calculated using month end balances

a) Related party assets and liabilities

As at 31 December 2007	Ultimate Parent	Fellow group companies	Total	Average
Assets	**£000**	**£000**	**£000**	**£000**
Cash and cash equivalents	-	971	971	640
Interest-bearing deposits with banks	-	1,050,274	1,050,274	431,890
Securities purchased under resale agreements and securities borrowing transactions	-	948,840	948,840	1,136,099
Trading assets	-	6,546	6,546	4,979
Other assets	1,406	10,097	11,503	5,673
Total assets	**1,406**	**2,016,728**	**2,018,134**	**1,579,281**
Liabilities				
Deposits	-	1,114,136	1,114,136	610,916
Trading liabilities	-	2,925	2,925	4,333
Other liabilities	-	16,281	16,281	16,566
Total liabilities	**-**	**1,133,342**	**1,133,342**	**631,815**

22. Related party transactions (continued)

a) Related party assets and liabilities (continued)

As at 31 December 2006	Ultimate Parent	Fellow group companies	Total	Average
Assets	**£000**	**£000**	**£000**	**£000**
Cash and cash equivalents	-	-	-	322
Interest-bearing deposits with banks	-	129,448	129,448	114,474
Securities purchased under resale agreements and securities borrowing transactions	-	920,979	920,979	944,770
Trading assets	-	5,457	5,457	5,618
Loans	-	-	-	56
Other assets	789	2,657	3,446	1,952
Total assets	**789**	**1,058,541**	**1,059,330**	**1,067,192**
Liabilities				
Deposits	-	256,596	256,596	304,511
Trading liabilities	-	5,047	5,047	3,106
Other liabilities	-	10,701	10,701	12,756
Total liabilities	-	**272,344**	**272,344**	**320,373**

For the year ended 31 December 2007	Ultimate Parent	Fellow group companies	Total	Average
	£000	**£000**	**£000**	**£000**
Interest income	-	72,951	72,951	36,303
Interest expense	-	(26,380)	(26,380)	(11,453)
Fees and commissions	5,485	7,854	13,339	5,902

For the year ended 31 December 2006	Ultimate Parent	Fellow group companies	Total	Average
	£000	**£000**	**£000**	**£000**
Interest income	-	43,366	43,366	22,882
Interest expense	-	(11,437)	(11,437)	(6,084)
Fees and commissions	2,457	2,770	5,227	2,292

22. Related party transactions (continued)

b) Related party off balance sheet transactions

	2007	2006
Off balance sheet items	**£000**	**£000**
Derivatives notional amounts	564,270	530,314
Securities purchased under resale agreement	942,840	920,979
Undrawn securitised debt facility	40,000	40,000
Total	**1,547,110**	**1,491,293**

The above table sets forth all related party off balance sheet transactions with fellow Credit Suisse group companies

c) Remuneration

Remuneration of Directors

	2007	2006
	£000	**£000**
Directors' emoluments	812	679
Amounts receivable under long term incentive schemes	423	351
Compensation for loss of office	30	24
	1,265	1,054
Company contributions to money purchase pension schemes	93	31
	1,358	**1,085**

The aggregate value of compensation provided in the accounts for 2007 for Directors was £1,421,193 (2006 £935,090)

Where Directors perform services for a number of companies within the Credit Suisse group, the total emoluments payable to each Director have been apportioned to the respective entities

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid Director was £747,951 (2006 £662,321) The highest paid Director was a member of a defined benefit and defined contribution scheme, the accrued pension at year end was £51,833 and the contribution paid during the year for the defined contribution pension scheme was £62,125 (2006 £9,563)

22. Related party transactions (continued)

c) Remuneration (continued)

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

d) Remuneration of key management personnel

	Number of key personnel	Number of key personnel
	2007	**2006**
Retirement benefits are accruing to the following number of key personnel under defined contribution schemes	4	4
The number of key personnel who exercised share options	1	-
Key personnel in respect of whom services were received or receivable under long term incentive schemes	6	4

	2007	2006
	£000	**£000**
Emoluments	1,859	1,226
Amounts receivable under long term incentive schemes	822	1,153
Compensation for loss of office	31	29
	2,712	2,408
Group contributions to money purchase pension schemes	134	48
	2,846	**2,456**

e) Loans and advances to Directors and key management personnel

There were no loans outstanding to or due from Directors or Key Management Personnel of the Bank at 31 December 2007 (2006 Nil)

23 Employees

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

	Number	Number
	2007	**2006**
Front office	106	92
Back office	117	114
	223	**206**

The Bank's employees conduct work for both the Bank and Credit Suisse Securities (Europe) Ltd Employee costs are allocated to each entity on a percentage basis based on a revenue statistic (58% (2006 54%)) The average number of employees (382 9) calculated as the total number of employees per month divided by the number of months (2006 380 9) is multiplied by this statistic to reflect the Bank's average headcount for the year

24 Derivatives and hedging activities

The Bank is active in most of the principal trading markets and transacts in many popular trading products As noted above, this includes the use of futures, options and forward rate agreements in connection with its sales and trading activities

The Bank enters into derivative contracts either as

- agent on behalf of clients, or
- principal where any market risk is hedged with other entities

The following table sets forth details of trading derivatives instruments

As at 31 December 2007	Notional amount	Positive replacement value	Negative replacement value
	£000	£000	£000
Options bought and sold	99,379	398	398
Foreign exchange products	963,432	9,110	8,791
Foreign exchange products	**1,062,811**	**9,508**	**9,189**
Options bought and sold	114,261	3,490	3,490
Futures	8,090	128	128
Equity / indexed-related products	**122,351**	**3,618**	**3,618**
Total derivative instruments	**1,185,162**	**13,126**	**12,807**

As at 31 December 2006	Notional amount	Positive replacement value	Negative replacement value
	£000	£000	£000
Options bought and sold	77,304	462	462
Foreign exchange products	960,821	9,937	9,657
Foreign exchange products	**1,038,125**	**10,399**	**10,119**
Options bought and sold	91,640	1,833	1,833
Futures	1,004	117	117
Equity / indexed-related products	**92,644**	**1,950**	**1,950**
Total derivative instruments	**1,130,769**	**12,349**	**12,069**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

25. Guarantees and commitments

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

31 December 2007	Maturity <1 year	Maturity 1-3 years	Maturity 3-5 years	Maturity >5 years	Total gross amount	Total net amount (1)	Collateral received	Carrying value
	£000	£000	£000	£000	£000	£000	£000	£000
Credit guarantees and similar instruments	24,389	4,451	5,176	8,475	42,491	42,491	42,491	-
Total guarantees	**24,389**	**4,451**	**5,176**	**8,475**	**42,491**	**42,491**	**42,491**	**-**
Loan commitments	4,578	19,649	23,647	50	47,924	47,924	47,924	-
Total other commitments	**4,578**	**19,649**	**23,647**	**50**	**47,924**	**47,924**	**47,924**	**-**

31 December 2006	Maturity <1 year	Maturity 1-3 years	Maturity 3-5 years	Maturity >5 years	Total gross amount	Total net amount (1)	Collateral received	Carrying value
	£000	£000	£000	£000	£000	£000	£000	£000
Credit guarantees and similar instruments	14,189	3,885	3,177	6,699	27,950	27,950	27,943	7
Total guarantees	**14,189**	**3,885**	**3,177**	**6,699**	**27,950**	**27,950**	**27,943**	**7**
Loan commitments	7,814	8,566	12,005	25	28,410	28,410	28,410	-
Total other commitments	**7,814**	**8,566**	**12,005**	**25**	**28,410**	**28,410**	**28,410**	**-**

(1) total net amount relates to gross amount less any sub-participations

Credit guarantees are contracts that require the Bank to make payments, should a third party fail to do so under a specified existing credit obligation

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

25 Guarantees and commitments (continued)

Lease commitments

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

	2007	2006
	£000	£000
Up to 1 year	1,484	1,484
From 1 year to 4 years	4,452	4,452
From 5 years and over	5,936	7,420
Total future minimum lease commitments	**11,872**	**13,356**

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

	2007	2006
	£000	£000
Minimum rentals	1,453	1,453
Sublease rental income	(1,078)	(600)
Total net rental expenses	**375**	**853**

26 Fair value of financial instruments

The following table details the fair value of financial instruments for which it is practicable to estimate that value, whether or not this is reported in the Bank's Financial Statements All non-financial instruments such as deferred tax assets and property, plant and equipment are excluded

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

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

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

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

26 Fair value of financial instruments (continued)

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

As at 31 December 2007	Book Value	Fair Value
Financial assets	**£000**	**£000**
Cash and cash equivalents	5,817	5,817
Interest-bearing deposits with banks	1,050,274	1,050,274
Securities purchased under resale agreements	942,840	942,840
Trading assets	13,126	13,126
Loans	487,138	487,134
Total financial assets	**2,499,195**	**2,499,191**
Financial liabilities		
Deposits	2,365,906	2,365,904
Trading liabilities	12,807	12,807
Total financial liabilities	**2,378,713**	**2,378,711**

As at 31 December 2006	Book Value	Fair Value
Financial assets	**£000**	**£000**
Cash and cash equivalents	14,380	14,380
Interest-bearing deposits with banks	129,449	129,449
Securities purchased under resale agreements	920,979	920,979
Trading assets	12,349	12,349
Loans	413,962	413,962
Total financial assets	**1,491,119**	**1,491,119**
Financial liabilities		
Deposits	1,362,973	1,362,973
Trading liabilities	12,069	12,069
Total financial liabilities	**1,375,042**	**1,375,042**

27. Assets pledged or assigned

The following table sets forth details of assets pledged or assigned	2007	2006
	£000	**£000**
Fair value of collateral received with the right to sell or repledge	942,840	920,979
Total of fair value of collateral received with the right to sell or repledge	**942,840**	**920,979**

As at 31 December 2007 and 2006, collateral was received in connection with resale agreements As at these dates, none of the collateral received by the Bank had been sold or repledged

The Bank has no cash restricted under UK or foreign banking regulations

28 Financial Instruments Risk Position

a. Overview

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

Risk management principles

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

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

Risk management oversight

Risk management oversight is performed at several levels of the organisation The group has adapted its existing framework to its new organisational structure In addition to various group level boards and committees, key responsibilities lie with the following management bodies and committees

Risk management oversight at the Credit Suisse group management level as at 1 January 2008

• Credit Suisse group Executive Management (Chief Executive Officers and Executive Boards) Responsible for implementing the legal entity's strategy and actively managing its portfolio of businesses and its risk profile to ensure that risk and return are balanced and appropriate for current market conditions
• Strategic Risk Management (SRM) For the Credit Suisse group, SRM is an separate function with responsibility for assessing the overall risk profile both on a group-wide level and for individual businesses, and recommending corrective action if necessary SRM reports to the Chief Risk Officer of CSG
• Risk Measurement and Management (RMM) RMM is an separate function responsible for the measurement and reporting of credit risk, market risk, operational risk and economic risk capital data, managing risk limits, and establishing policies on market risk and economic risk capital RMM reports to the Chief Risk Officer of CSG

28. Financial instruments risk position (continued)

a. Overview (continued)

• Credit Risk Management ('CRM') CRM is an separate function headed by the Chief Credit Officer ('CCO') with responsibility for approving credit limits, monitoring and managing individual exposures and assessing and managing the quality of the segmental and business area's credit portfolios CRM reports to the Chief Risk Officer of CSG

Credit Suisse group risk management committees as at 1 January 2008

• Capital Allocation and Risk Management Committee (CARMC) Is responsible for supervising and directing the Credit Suisse risk profile on a consolidated basis, recommending risk limits to the CSG Board of Directors and its Risk Committee and for establishing and allocating risk limits within Credit Suisse CARMC is also responsible for supervising the development of the Credit Suisse banking businesses' balance sheets Responsible for reviewing and addressing operational risk issues at Credit Suisse, CARMC divides its oversight into three cycles Asset and Liability Management, Position Risk for Market and Credit Risk, and Operational Risk
• Risk Processes and Standards Committee (RPSC) Is responsible for establishing and approving standards regarding risk management and risk measurement
• Credit Portfolio & Provisions Review Committee Is responsible for reviewing the quality of the credit portfolio, with a focus on the development of impaired assets and the assessment of related provisions and valuation allowances
• Reputational Risk Review Committee Is responsible for setting the policy regarding reputational risks within Credit Suisse
• Divisional Risk Management Committees (RMC) Within the investment banking, private banking and asset management divisions of Credit Suisse, the respective divisional RMC is responsible for supervising and directing the divisional risk profile on a consolidated basis, for establishing and implementing risk management policies, recommending risk limits to the CARMC and establishing and allocating risk limits within the division

Risk limits

Fundamental to risk management is the establishment and maintenance of a sound system of risk limits to control the range of risks inherent in the business activities The size of the limits reflects the group's risk appetite given the market environment, the business strategy and the financial resources available to absorb losses

The Credit Suisse group uses an Economic Risk Capital (ERC) limit structure to limit overall position risk-taking The level of risk incurred by the segments is further restricted by specific limits, for example with respect to trading exposures, the mismatch of interest earning assets and interest earning liabilities and emerging market country exposures Within the businesses, the risk limits are allocated to lower organisational levels, numerous other limits are established to control specific risks and a system of individual counterparty credit limits is used to limit concentration risks

Interest rate sensitivity

Interest rate sensitivy analysis was completed on the Bank's portfolio and the results indicated no material interest rate risk The largest interest rate exposure on any maturity band was less than £1,000

Economic risk capital

Economic risk capital represents current market best practice for measuring and reporting all quantifiable risks It is called economic risk capital because it measures risk in terms of economic realities rather than regulatory or accounting rules The Credit Suisse group uses an economic risk capital model – called (ERC) – as a consistent and comprehensive risk management tool, which also forms an important element in the capital management and planning process and an element in the performance measurement process

28. Financial Instruments Risk Position (continued)

a. Overview (continued)

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

• Position risk ERC - the level of unexpected loss in economic value on the portfolio of positions over a one-year horizon that is exceeded with a given, small probability (1% for risk management purposes, 0 03% for capital management purposes)
• Operational risk ERC - the level of loss resulting from inadequate or failed internal processes, people and systems or from external events over a one-year horizon that is exceeded with a small probability (0 03%) Estimating this type of ERC is inherently more subjective, and reflects both quantitative tools as well as senior management judgement
• Expense risk ERC - the difference between expenses and revenues in a severe market event, exclusive of the elements captured by position risk ERC and operational risk ERC

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 The group defines its market risk as potential changes in fair values of financial instruments in response to market movements A typical transaction may be exposed to a number of different market risks

The Bank has a policy of not taking proprietary market risk positions Trading transactions are generally entered into on either an agency or back-to-back basis There are small market risk limits (foreign exchange and interest rate exposure) to facilitate the bulking of small client positions

b. Currency risk

The Bank takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows The Board sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily

28. Financial Instruments Risk Position (continued)

b. Currency risk (continued)

The table below summarises the Bank's exposure to foreign currency exchange rate risk at 31 December 2007 and 2006 Included in the table are the Bank's assets and liabilities at carrying amounts, categorised by currency

	2007			2006		
As at 31 December	**Assets £000**	**Liabilities £000**	**Net £000**	**Assets £000**	**Liabilities £000**	**Net £000**
Australian dollar	6,551	(6,547)	4	4,854	(4,847)	7
Baht	9	(4)	5	4	(1)	3
Canadian dollar	18,587	(18,586)	1	13,467	(13,474)	(7)
Czech koruna	6	(6)	-	1	-	1
Danish krone	1	(1)	-	2	(2)	-
Euro	1,099,524	(1,099,415)	109	314,328	(314,317)	11
Hong Kong dollar	692	(690)	2	752	(750)	2
Hungarian forint	-	-	-	25	(6)	19
Icelandic krona	763	(760)	4	154	(147)	7
Israel new shekel	4	-	4	4	-	4
Japanese yen	16,472	(16,478)	(6)	15,103	(15,094)	9
New Zealand dollar	553	(549)	4	727	(726)	1
Norwegian krone	2,737	(2,736)	1	2,657	(2,661)	(4)
Singapore dollar	14,924	(14,920)	4	13,974	(13,972)	2
South African rand	1,702	(1,693)	9	1,606	(1,605)	1
Swedish krona	13,929	(13,924)	5	3,986	(3,890)	96
Swiss franc	89,114	(88,303)	811	42,409	(42,356)	53
Turkish lira	427	(430)	(3)	1,007	(1,007)	-
UAE dirham	250	(250)	-	-	-	-
US dollar	732,829	(732,425)	404	813,474	(813,591)	(117)

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

c. Credit risk

The Credit Risk Management team is an independent function headed by the Credit Unit Head with responsibility for approving credit limits, monitoring and managing individual exposures and assessing and managing the quality of the credit portfolio They establish broad policies and guidelines governing the Bank's credit risk appetite The Credit Risk Management team reports to Credit Risk Management in Zurich and is a part of the Chief Risk Officer (CRO) division within Shared Services The CRO is responsible for establishing an organisational basis to manage all risk management matters of Credit Suisse through the four primary risk functions independent from the front office (SRM, RMM, CRM, BORO)

- Strategic Risk Management (SRM) SRM is responsible for assessing the overall risk profile on a bank-wide, portfolio level and for individual businesses, and recommending corrective action where necessary
- Risk Measurement and Management (RMM) RMM is responsible for the measurement and reporting of credit risk, market risk, operational risk and economic risk capital data, managing risk limits and establishing policies on market risk and economic risk capital

28. Financial Instruments Risk Position (continued)

c. Credit risk (continued)

• Credit Risk Management (CRM) CRM is headed by the Chief Credit Officer with responsibility for approving credit limits, monitoring and managing individual exposures and assessing and managing the quality of the segment and business area's credit portfolios and allowances
• Bank Operational Risk Oversight (BORO) BORO is responsible for oversight of the bank's operational risk, including, governance and policy aspects, development and reporting of key risk indicators as well as operational risk capital management and allocation

Definition of counterparty risk

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

Credit risk exists within lending products, commitments and exposure arising from derivatives, foreign exchange and other transactions

Credit risk management approach

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

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

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

The Bank evaluates credit risk through a credit application request and approval process, ongoing credit reviews and counterparty monitoring and a credit quality review process Experienced credit officers approve credit requests and assign internal ratings based on analysis and evaluation of the counterparty's creditworthiness and the type of credit transaction

Each counterparty that generates a potential or actual credit risk exposure is assigned a risk rating Additionally, the Bank assigns an estimate of the expected loss on a transaction in the event of a counterparty default, based on the transaction structure The counterparty credit rating is used in combination with credit (or credit equivalent) exposure, collateral held and the loss given default assumption to estimate the potential credit loss

All counterparties are assigned a credit rating as noted above The intensity and depth of analysis is related to the amount, duration and level of risk being proposed together with the perceived credit quality of the counterparty or issuer in question Analysis consists of a quantitative and qualitative portion and strives to be forward looking, concentrating on economic trends and financial fundamentals In addition, analysts make use of peer analysis, industry comparisons and other quantitative tools Any final rating requires the consideration of qualitative factors relating to the counterparty, its industry and management

28. Financial Instruments Risk Position (continued)

c. Credit risk (continued)

In addition to the aforementioned analysis, all counterparty ratings are subject to the rating of the country in which they are domiciled Analysis of key sovereign and economic issues for all jurisdictions is undertaken and these are considered when assigning the rating and risk appetite for individual counterparties

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

A system of individual credit limits is used to manage individual counterparty credit risk Certain other limits are also established to address concentration issues in the portfolio, including a comprehensive set of country and regional limits Credit exposures to individual counterparties, products, industries, countries or segments and adherence to the related limits are monitored by credit officers

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

Credit risk from lending and credit related transactions

Credit risk associated with the Bank's lending and other credit related activities is a function of the amount and currency that the Bank has lent or committed to lend Each facility is approved by the Credit Officer, Credit Unit Head, Zurich or the Chief Credit Officer in New York, dependent upon the aggregate size of total counterparty group exposure

Credit risk arising from trading positions and derivative transactions

Credit risk associated with the Bank's trading and derivatives business is measured against counterparty limits on at least a daily basis Credit risk is a function of the mark to market exposure and currency of the position, defined in terms of mark-to-market replacement value and potential exposure to maturity The latter is based on the volatility of the underlying market factors including, for example, interest and foreign exchange rates The Bank reduces credit risk by obtaining collateral based upon an individual assessment of counterparties individually Generally the Bank accepts collateral in the form of cash, treasury instruments issued by G8 countries, and other marketable securities

28. Financial Instruments Risk Position (continued)

c. Credit risk (continued)

The following table summarises the Bank's exposure to credit risk

As at 31 December 2007	UK	Africa	Americas	Asia	Australasia	Europe	Middle East	Total
Assets	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Cash and due from banks	964	272	838	770	1,920	1,053	-	5,817
Interest-bearing deposits with banks	904,114	-	-	-	-	146,160	-	1,050,274
Securities purchased under resale agreements	942,840	-	-	-	-	-	-	942,840
Trading assets	9,209	72	1,622	36	-	1,543	644	13,126
Loans	87,707	14,243	150,439	9,389	1	135,178	90,181	487,138
Other assets	11,144	117	3,363	33	63	1,689	4,068	20,477
Total assets exposed	**1,955,978**	**14,704**	**156,262**	**10,228**	**1,984**	**285,623**	**94,893**	**2,519,672**

As at 31 December 2006	UK	Africa	Americas	Asia	Australasia	Europe	Middle East	Total
Assets	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Cash and due from banks	14,380	-	-	-	-	-	-	14,380
Interest-bearing deposits with banks	129,449	-	-	-	-	-	-	129,449
Securities purchased under resale agreements	920,979	-	-	-	-	-	-	920,979
Trading assets	7,371	27	2,608	273	-	1,963	107	12,349
Loans	52,300	5,272	146,530	5,939	292	112,075	91,554	413,962
Other assets	9,478	-	-	125	-	1,242	-	10,845
Total assets exposed	**1,133,957**	**5,299**	**149,138**	**6,337**	**292**	**115,280**	**91,661**	**1,501,964**

28 Financial Instruments Risk Position (continued)

d. Country risk

Country risk is the risk of a substantial, systemic loss of value in the financial assets of a country or group of countries, which may be caused by dislocations in the credit, equity, and / or currency markets

The Bank manages its country risk as part of credit risk management as discussed in section (c) of this note

e Settlement risk

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

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

f Legal risk

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

The Bank is subject to extensive regulation in the conduct of its investment business A failure to comply with applicable regulations could result in regulatory investigations, fines and restrictions on some of the Bank's business activities or other sanctions The Bank seeks to minimise legal risk through the adoption of compliance and other policies and procedures, continuing to refine controls over business practices and behaviour, employee training sessions, the use of appropriate legal documentation, and the involvement of the Legal and Compliance department and outside legal counsel

g. Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events The Bank's primary aim is the early identification, recording, assessment, monitoring, prevention and mitigation of operational risks, as well as timely and meaningful management reporting

Operational risk is inherent in most aspects of the Bank's activities and comprises a large number of disparate risks While market and credit risk are often chosen for the prospect of gain, operational risk is normally accepted as a necessary consequence of doing business In comparison to market or credit risk, the sources of operational risk are difficult to identify comprehensively and the amount of risk is also intrinsically difficult to measure The Bank therefore manages operational risk differently from market and credit risk The Bank believes that effective management of operational risks requires ownership by the management responsible for the relevant business process Operational risk within the Bank is thus controlled through a network of controls, procedures, reports and responsibilities overseen by Operational Risk Business Management Within the Bank, each individual business area and management level takes responsibility for its own operational risks and provides adequate resources and procedures for the management of those risks

28. Financial Instruments Risk Position (continued)

g. Operational risk (continued)

Each area takes responsibility for its own operational risks The Bank has established a central team that focus on the coordination of a consistent policy, tools and practices throughout the organisation for the management, monitoring and reporting of relevant operational risks This knowledge and experience are shared throughout the Bank to maintain a coordinated approach

In addition to the monthly EMEA Risk Committee meetings on operational risk with representation from senior staff in all the relevant functions, the Credit Suisse group utilises a number of firm-wide tools for the management, measurement, monitoring and reporting of operational risk These include risk and control assessments, the collection, reporting and analysis of internal and external loss data, and key risk indicator reporting

h. Reputational risk

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

i. Liquidity risk

The Treasury department manages the day-to-day liquidity position of the Credit Suisse group The Bank is managed within the framework below

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

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

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

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

28. Financial Instruments Risk Position (continued)

j) Corporate asset and liability management

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

k) Cash flow and fair value interest rate risk

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

28. Financial instruments risk position (continued)

k) Cash flow and fair value interest rate risk (continued)

The table below summarises the Bank's exposure to interest rate risks Included in the table are the Bank's assets at carrying amounts, categorised by the earlier of contractual repricing or maturity dates Note that not all asset classes are included in this disclosure

As at 31 December 2007

	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	On demand	Allowance for impairment	Total
Assets	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Cash and due from banks	-	-	-	-	-	-	5,817	-	5,817
Interest-bearing deposits with banks	1,002,763	38,514	8,997	-	-	-	-	-	1,050,274
Securities purchased under resale agreements	942,840	-	-	-	-	-	-	-	942,840
Trading assets	-	-	-	-	-	-	13,126	-	13,126
Loans	228,027	171,467	85,527	2,236	-	-	-	(119)	487,138
Other assets	-	-	-	-	-	20,477	-	-	20,477
Total assets exposed	**2,173,630**	**209,981**	**94,524**	**2,236**	**-**	**20,477**	**18,943**	**(119)**	**2,519,672**
Liabilities									
Deposits	1,830,629	217,371	89,029	2,223	-	-	226,654	-	2,365,906
Trading liabilities	-	-	-	-	-	-	12,807		12,807
Provisions	-	-	-	-	-	3,767	-	-	3,767
Other liabilities	-	-	-	-	-	50,890	-	-	50,890
Total liabilities exposed	**1,830,629**	**217,371**	**89,029**	**2,223**	**-**	**54,657**	**239,461**	**-**	**2,433,370**
Total interest sensitivity gap	**343,001**	**(7,390)**	**5,495**	**13**	**-**	**(34,180)**	**(220,518)**	**(119)**	**86,302**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

28 Financial instruments risk position (continued)

k) Cash flow and fair value interest rate risk (continued)

As at 31 December 2006

	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	On demand	Allowance for impairment	Total
Assets	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cash and due from banks	-	-	-	-	-	14,380	-	-	14,380
Interest-bearing deposits with banks	89,683	18,540	21,226	-	-	-	-	-	129,449
Securities purchased under resale agreements	920,979	-	-	-	-	-	-	-	920,979
Trading assets	-	-	-	-	-	12,349	-	-	12,349
Loans	164,407	168,165	81,390	-	-	-	-	-	413,962
Other assets	-	-	-	-	-	10,845	-	-	10,845
Total assets exposed	**1,175,069**	**186,705**	**102,616**	**-**	**-**	**37,574**	**-**	**-**	**1,501,964**
Liabilities									
Deposits	1,070,092	196,146	96,735	-	-	-	-	-	1,362,973
Trading liabilities	-	-	-	-	-	12,069	-	-	12,069
Provisions	-	-	-	-	-	7,042	-	-	7,042
Other liabilities	-	-	-	-	-	39,221	-	-	39,221
Total liabilities exposed	**1,070,092**	**196,146**	**96,735**	**-**	**-**	**58,332**	**-**	**-**	**1,421,305**
Total interest sensitivity gap	**104,977**	**(9,441)**	**5,881**	**-**	**-**	**(20,758)**	**-**	**-**	**80,659**

29. Capital adequacy

The Bank's capital adequacy and capital resources are managed and monitored based on practices developed by the Basel Committee on Banking Supervision ('the Basel Committee') and governed by European Union Directives, specifically the Banking Consolidation Directive and the Capital Adequacy Directives (CAD1 and CAD2) These directives were subsequently implemented in the UK by the Financial Services Authority ('FSA'), the UK regulator, and incorporated within the Interim Prudential Sourcebook for Banks

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

Tier 1 capital comprises shareholders' equity according to International Financial Reporting Standards, with shareholders' equity being adjusted to reflect differences in regulatory treatments for certain asset portfolios Under Basel Committee guidelines, a bank must have a ratio of total eligible capital to aggregate risk-weighted assets of at least 8%, although the FSA requires this ratio to exceed the Individual Capital Requirement ('ICR') determined for each company, which for the Bank is 12%

The ratios measure capital adequacy by comparing eligible capital with risk-weighted assets positions, which include balance sheet assets, positions in securities not held in the trading portfolio, off-balance sheet transactions converted into credit equivalents and market positions in the trading portfolio At 31 December 2007 and 2006, the Bank was adequately capitalised under the regulatory provisions outlined above

There were no regulatory changes in 2007 from the previous period

The following table sets forth details of risk-weighted assets, capital and ratios

	2007	2006
	£000	£000
Total shareholder's equity	92,384	88,504
Tier 1 capital	92,384	88,504
Total capital	**92,384**	**88,504**
Total capital	92,384	88,504
Total capital ratio	**16 12%**	**15.47%**