

CREDIT SUISSE FIRST BOSTON

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ANNUAL REPORT 1997



This Annual Report presents information on Credit Suisse First Boston, a subsidiary of Credit Suisse Group. Due to the Credit Suisse Group restructuring, announced in July 1996 and effective January 1, 1997, the data presented herein is not generally comparable 1996 versus 1997. For pro-forma comparisons and commentary on results of business operations, reference should be made to the Credit Suisse Group Annual Report and supplementary Annual Reviews of the relevant Business Units.

FINANCIAL REVIEW

As highlighted on pages 5 and 6, the current organization of the Credit Suisse Group is, in large part, the result of a reorganization announced in July, 1996 that was effective as of January 1, 1997. The reorganization also included a restructuring of Credit Suisse First Boston ('the Bank') and the addition to and subtraction from it of certain businesses. Because the reorganization was effective as of January 1, 1997, only limited historical consolidated financial statements or other information are available for the Bank as reorganized.

Comparative results following the reorganization of the businesses within the Credit Suisse Group are more meaningful at the Credit Suisse Group level rather than in the individual legal entities. The Credit Suisse Group Annual Report presents these results.

The Bank posted excellent results in 1997. Net operating income was up 24.3% to CHF 10,792 million compared to 1996 and up 52.9% compared to 1996 pro forma. Despite the increase of operating expenses to CHF 7,121 million, gross operating profit climbed 5.6% to CHF 3,671 million compared to 1996 and 46.1% compared to 1996 pro forma.

Depreciation and write-downs on non-current assets amounted to CHF 323 million. Valuation adjustments, provisions and losses totalled CHF 610 million. This includes credit and country provisions of CHF 356 million, including CHF 321 million, relating to Asia/Pacific exposures.

Pre tax operating profit increased by 54.7% to CHF 2,738 million compared to 1996 and 48.4% compared to 1996 pro forma.

Extraordinary expenses amounted to CHF 801 million. This includes restructuring costs within Credit Suisse Group of CHF 79 million, CHF 332 million relating to the acquisition of BZW's UK and Continental European equities, equity capital markets, mergers and acquisitions and corporate finance advisory businesses and a provision of CHF 220 million for IT expenditures; mainly for anticipated costs for identifying, prioritising, modifying or replacing systems and testing new or modified systems that may be affected by the Year 2000 or EMU events.

After taxes, this resulted in a net profit before minority interests of CHF 1,320 million, an increase of 55.5% compared to 1996 pro forma.

The Bank's return on equity was 17.05% based on profit post ordinary taxes and pre extraordinary items and 11.2% based on net profit after extraordinary items and minorities.

Total assets increased by CHF 160 billion to CHF 453 billion compared to year-end 1996 and CHF 41 billion compared to the opening balance sheet after reorganization. The shareholders' equity increased from CHF 9,671 million in the opening balance sheet after reorganization to CHF 11,297 million. The risk-weighted capital ratio increased from 12.9% in the opening balance sheet after reorganization to 14.9% and the core capital ratio (BIS tier 1) was 8.5%.

The Bank expects to continue to reap further benefits from the strategic refocusing. Profitability at CSFB is increasingly achieved by using the business unit's global reach, country and industry expertise and product and capital resources to combine principal position taking, underwriting and trading skills with client service. As such, emphasis on building higher margin activities is consistent with both increased client and proprietary activities – each complementing the other. At CSAM continued expansion, focusing on optimizing product, distribution and asset mix remains the strategic priority.

While the favorable market environment is unlikely to continue indefinitely – as experienced recently in some markets – the Bank hopes to continue achieving good results. In implementing the new structure, cost control and risk management have been accorded a high priority.

CONSOLIDATED BALANCE SHEET

	Notes page	31.12.97 CHF m	31.12.96 ¹ CHF m	1.1.97 ² CHF m	Change to the balance sheet after reorganization CHF m	%
ASSETS						
Cash	13, 46	2 049	2 665	1 535	514	33.5
Money market papers	34, 46	16 135	17 770	14 690	1 445	9.8
Due from banks	34, 46, 51	143 992	42 394	128 567	15 425	12.0
<i>of which securities lending and reverse repurchase agreements</i>		103 288	9 323	81 508	21 780	26.7
Due from customers	34, 35, 46, 51	106 817	82 598	125 855	-19 038	-15.1
<i>of which securities lending and reverse repurchase agreements</i>		62 030	9 782	85 745	-23 715	-27.7
Mortgages	34, 35, 46	7 164	60 205	5 641	1 523	27.0
Securities and precious metals trading portfolio	36, 46	102 385	35 786	81 537	20 848	25.6
Financial investments ³	37, 46	9 757	8 445	6 487	3 270	50.4
Non-consolidated participations	32, 37, 38	272	507	293	-21	-7.2
Tangible fixed assets ³	38	4 569	5 399	4 939	-370	-7.5
Accrued income and prepaid expenses		5 889	2 247	4 389	1 500	34.2
Other assets	51	53 865	35 375	38 323	15 542	40.6
<i>of which replacement value of derivatives</i>	54	50 946	33 493	- ⁵	- ⁵	- ⁵
TOTAL ASSETS	48, 49, 50	452 894	293 391	412 256	40 638	9.9
<i>Total subordinated claims</i>	52	2 398	315	- ⁵	- ⁵	- ⁵
<i>Total due from non-consolidated participations and qualified shareholders</i>		693	378	- ⁵	- ⁵	- ⁵
LIABILITIES AND SHAREHOLDERS' EQUITY						
	Notes page	31.12.97 CHF m	31.12.96 ¹ CHF m	1.1.97 ² CHF m	Change to the balance sheet after reorganization CHF m	%
Liabilities in respect of money market paper	46, 51	17 751	6 907	11 169	6 582	58.9
Due to banks	46, 51	206 600	56 499	219 840	-13 240	-6.0
<i>of which securities borrowing and repurchase agreements</i>		84 853	3 352	89 637	-4 784	-5.3
Due to customers, in savings and investment deposits	46	2 295	44 318	2 219	76	3.4
Due to customers, other deposits	46, 51	114 536	106 749	104 600	9 936	9.5
<i>of which securities borrowing and repurchase agreements</i>		63 786	6 467	51 525	12 261	23.8
Cash bonds	51	0	8 048	0	0	-
Bonds and mortgage-backed bonds	40-44, 46, 51	34 997	17 878	18 707	16 290	87.1
Accrued expenses and deferred income		8 231	2 933	6 724	1 507	22.4
Other liabilities	51	54 188	36 040	37 003	17 185	46.4
<i>of which replacement value of derivatives</i>	54	50 650	33 286	- ⁵	- ⁵	- ⁵
Valuation adjustments and provisions	45	2 999	2 182	2 323	676	29.1
Total liabilities		441 597	281 554	402 585	39 012	9.7
Reserve against general banking risks		412	432	412	-	-
Share capital		3 149	2 149	3 149	-	-
Capital reserves		4 307	4 408	4 307	-	-
Retained earnings		1 030	5 637	922	-	-
Minority interests in shareholders' equity ⁴		1 079	655	881	-	-
Consolidated net profit/loss		1 320	-1 444	-	-	-
<i>of which minority interests</i>		106	261	-	-	-
Total shareholders' equity	47	11 297	11 837	9 671	1 626	16.8
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	48, 50	452 894	293 391	412 256	40 638	9.9
<i>Total subordinated liabilities</i>	52	13 265	8 796	- ⁵	- ⁵	- ⁵
<i>Total liabilities due to non-consolidated participations and qualified shareholders</i>		1 263	348	- ⁵	- ⁵	- ⁵

¹ Refers to the previous legal entity, Schweizerische Kreditanstalt (SKA Group) which also includes Retail and Private Banking. The comparability of the figures is therefore limited due to the restructuring implemented within the Credit Suisse Group.

² The balance sheet after reorganization has not been audited. Rather, it has been reviewed by the independent auditors. See notes to consolidated financial statements for description of review.

³ Repossessed real estate and other assets held for resale are now included under financial investments rather than under tangible fixed assets. The prior year financial statements have not been restated.

⁴ CHF 792 million represents perpetual non-cumulative non voting preferred shares held by Credit Suisse Group as direct investments in subsidiaries of Credit Suisse First Boston.

⁵ Not available.

CONSOLIDATED OFF-BALANCE-SHEET BUSINESS

CONSOLIDATED OFF-BALANCE-SHEET BUSINESS	Notes page	31.12.97 CHF m	31.12.96 ¹ CHF m	Change CHF m	Change %
Contingent liabilities	34, 53	19 885	22 702	-2 817	-12.4
Irrevocable commitments	34, 53	62 786	59 260	3 526	6.0
Liabilities for calls on shares and other equity	34, 53	4	71	-67	-94.4
Confirmed credits	34, 53	473	510	-37	-7.3
Derivative financial instruments	53, 54				
– gross positive replacement value		90 336	63 465	26 871	42.3
– gross negative replacement value		89 059	63 370	25 689	40.5
– contract volume		4 666 289	3 098 751	1 567 538	50.6
Fiduciary transactions	53	5 856	24 818	-18 962	-76.4

¹ Refers to the previous legal entity, Schweizerische Kreditanstalt (SKA Group) which also includes Retail and Private Banking. The comparability of the figures is therefore limited due to the restructuring implemented within the Credit Suisse Group.

CONSOLIDATED INCOME STATEMENT

INCOME AND EXPENSES FROM ORDINARY BANKING BUSINESS	Notes page	1997 CHF m	1996 ¹ CHF m	Change CHF m	Change %
Results from interest business					
Interest and discount income	55	13 520	10 407	3 113	29.9
Interest and dividend income from trading portfolio ²	55	5 679	600	5 079	846.5
Interest and dividend income from financial investments	55	257	208	49	23.6
Interest expense	55	-17 411	-8 184	-9 227	112.7
Net interest income	55	2 045	3 031	-986	-32.5
Results from commission and service fee activities					
Commission income from lending activities	55	253	307	-54	-17.6
Commission from securities and investment transactions	55	3 729	2 792	937	33.6
Commission from other services	55	44	320	-276	-86.3
Commission expense	55	-268	-273	5	-1.8
Net commission and service fee income	55	3 758	3 146	612	19.5
Net trading income²	55	4 791	2 157	2 634	122.1
Other ordinary income					
Income from the sale of financial investments		20	172	-152	-88.4
Income from participations		55	52	3	5.8
of which from participations accounted for using the equity method		31	41	-10	-24.4
of which income from other non-consolidated participations		24	11	13	118.2
Real estate income		73	27	46	170.4
Sundry ordinary income		121	169	-48	-28.4
Sundry ordinary expenses ³		-71	-73	2	-2.7
Net other ordinary income		198	347	-149	-42.9
Net operating income		10 792	8 681	2 111	24.3
Operating expenses					
Personnel expenses	56	-5 482	-3 562	-1 920	53.9
Other operating expenses	56	-1 639	-1 644	5	-0.3
Total operating expenses		-7 121	-5 206	-1 915	36.8
Gross operating profit		3 671	3 475	196	5.6
CONSOLIDATED PROFIT/LOSS					
Gross operating profit		3 671	3 475	196	5.6
Depreciation and write-downs on non-current assets ³	38, 56	-323	-679	356	-52.4
Valuation adjustments, provisions and losses	56	-610	-1 026	416	-40.5
Consolidated profit before extraordinary items and taxes		2 738	1 770	968	54.7
Extraordinary income	57	78	83	-5	-6.0
Extraordinary expenses	57	-801	-2 892	2 091	-72.3
Taxes on net extraordinary items	45	200	0	200	-
Taxes on profit before extraordinary items	45	-895	-405	-490	121.0
Consolidated net profit/loss (before minority interests)		1 320	-1 444	2 764	191.4
of which minority interests		106	261	-155	-59.4
Consolidated net profit/loss (after minority interests)		1 214	-1 705	2 919	171.2

¹ Refers to the previous legal entity, Schweizerische Kreditanstalt (SKA Group) which also includes Retail and Private Banking. The comparability of the figures is therefore limited due to the restructuring implemented within the Credit Suisse Group.

² During 1996, funding costs for the securities trading portfolio were a component of both trading income and income from interest business. Securities trading portfolio interest and dividends were also a component of trading income. Commencing January 1, 1997, securities trading portfolio interest and dividends are included in income from interest business and funding costs for the securities trading portfolio were eliminated as a component of trading income. The prior year financial statements have been restated.

³ As a result of the changes to the accounting principles, write-downs on repossessed real estate held for resale are now included under sundry ordinary expenses. The prior year financial statements have not been restated.

CONSOLIDATED STATEMENT OF CASH FLOWS

	1997			1996 ¹		
	Source CHF m	Use CHF m	Net in/outflow CHF m	Source CHF m	Use CHF m	Net in/outflow CHF m
Cash flows from operations			3 661			2 985
Consolidated net profit/loss	1 320			1 444		
Valuations adjustments, provisions and losses	610			1 026		
Depreciation and write-downs on non-current assets	323			679		
Extraordinary expenses	741			2 620		
Provisions for taxes	780			471		
Accrued income and prepaid expenses		1 500		63		
Accrued expenses and deferred income	1 507			107		
Income from participations accounted for using the equity method of consolidation		31		74		
Currency difference	25			310		
Dividend payments		114		773		
Cash flows from capital transactions			311			2
Minority interests	290			2		
Transfer of subsidiary to Credit Suisse	21					
Cash flows from fixed assets transactions			-644			-424
Non-consolidated participations	63			106	29	
Goodwill					6	
Real estate	196	155		403	638	
Other fixed assets	43	577		74	291	
Mortgages on own real estate		214			43	
Total cash flows from operations, capital transactions and fixed assets			3 328			2 563
Interbank business			-23 528			8 863
Due to banks		13 240		11 639		
Due from banks		15 425		1 175		
Money market claims		1 445			6 558	
Liabilities in respect of money market paper	6 582			2 607		
Customer business			27 537			1 128
Due to customers, savings and investment deposits	76			3 207		
Due to customers, other deposits	10 150			22 192		
Cash bonds				999	2 931	
Mortgages		1 523			1 573	
Due from customers	18 834				20 766	
Capital market business			16 290			1 514
Own bonds and mortgage bonds issued by the central mortgage bond institutions and the central issuing offices	19 329	3 039		2 888	1 374	
Other balance sheet items			-23 113			-13 224
Financial assets		2 684			4 739	
Other assets		15 542			10 799	
Other liabilities	17 185			10 602		
Valuation adjustments and provisions		1 224			479	
Securities and precious metal trading portfolio		20 848			7 809	
Total cash flows from banking business			-2 814			-1 719
Liquidity			514			844
Cash		514			844	

¹ Refers to the previous legal entity, Schweizerische Kreditanstalt (SKA Group) which also includes Retail and Private Banking. The comparability of the figures is therefore limited due to the restructuring implemented within the Credit Suisse Group.

1. GOAL AND DEFINITION OF RISK MANAGEMENT

The preponderance of market and credit risk exposures of Credit Suisse First Boston ('the Bank') arises from activities of the Credit Suisse First Boston business unit ('CSFB'). The other business units forming part of the Bank do not have market and credit risk exposures material to the Bank as a whole. Therefore, the following overview of risk management describes the procedures and processes undertaken in CSFB.

CSFB perceives risk management as an ongoing process which starts with the definition of a bank's business objectives and strategies and proceeds with the identification, assessment, management and control of all risks associated with the Bank's activities and closes the cycle with the reaffirmation or validation of objectives and strategies.

CSFB pursues a balanced risk management policy framework with clear goals of capital optimization and preservation. The policy is aimed at meeting the challenges of a rapidly changing market environment, while maximizing the Bank's potential via efficient management of economic capital.

All financial market activities generate various types of risks, primarily market risk and credit risk. CSFB seeks to manage all risks on a prudent basis. Significant personnel and technological resources are focused on ensuring that CSFB continues to develop its risk management capabilities and thereby remains at the forefront of the industry.

Key to successful risk management at CSFB has been:

- the design of a clear complementary top-down, strategic and bottom-up, tactical risk management approach with formal policies and procedures addressing all areas which cover significant risk within the institution; the set up of an organizational and operational structure robust and flexible enough to cope with changes in the business environment and to allow for the global integration of the various risks that can affect CSFB's portfolio, such as market, liquidity, credit and settlement, legal and operational risks.
- the development of an application technology target (an adaptable, extendible software infrastructure with a centralized data base of sensitivities of all portfolios, aggregated at a cluster level) to address the process of proactive market risk management and optimize the estimation of strategic capital usage.

2. MARKET RISK

Market risk may be described as the potential change in the value of a portfolio of financial instruments resulting from the movement of market rates, prices and volatilities. A typical transaction or position may be exposed to a number of different market risks.

CSFB devotes considerable resources to ensure that market risk is comprehensively captured and understood, accurately modelled and effectively managed. The Market Risk Management (MRM) department, being independent from Trading, consolidates exposures arising from all trading portfolio and geographical centres, and calculates and reports CSFB's global aggregate Value at Risk ('VAR') on a daily basis. In addition, MRM undertakes regular scenario analysis for all major portfolios.

These measurement techniques can be summarized as follows:

- VAR is an estimate of the potential loss arising from a portfolio to a predetermined level of confidence and holding period, using market movements determined from historical data.
- Scenario analysis estimates the potential loss from severe moves in market parameters. These moves are modelled on past extreme events and hypothetical scenarios.

Value at Risk CSFB has used a VAR methodology to model market risk since 1995. The methodology is subject to continuous review to ensure that it remains relevant to the business being conducted, captures all significant risks, is consistent across risk types, and meets or exceeds regulatory and industry standards.

CSFB's positions are consolidated globally and the VAR is reported daily in the market risk report.

Risk Methodology CSFB's VAR is defined as the 99th percentile greatest loss that may be expected on a portfolio over a 10-day holding period. Two years of underlying data are used to derive the market movements used for this calculation. These movements are recalculated on a quarterly basis, and after periods of market turbulence. These parameters and procedures meet the quantitative requirements laid down by the Basle Committee on Banking Supervision.

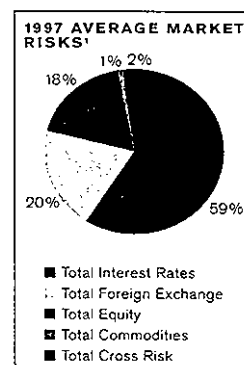
Positions are aggregated by type of risk rather than by product. For example interest rate risk includes risk arising from money market and swap transactions, bonds, interest rate options, foreign exchange, equity and commodity options.

During 1997 CSFB began migrating from a variance-covariance VAR methodology to a historical simulation approach for its derivatives trading subsidiary Credit Suisse Financial Products ('CSFP'). Under this methodology exposures are determined by taking current positions and calculating a series of 10-day profit and loss movements using two years of historical data. Risk is calculated as the 99th percentile of observed losses over the period. By the year-end historical simulation was used to calculate risk for foreign exchange delta, gamma, vega and interest rate delta.

Where historical simulation is not used, the VAR is calculated by multiplying the risk sensitivity by a market shock ('extreme move') based on the 99th percentile confidence interval over a 10-day period. It is planned to implement the historical simulation method across all divisions within CSFB in due course.

Risk Offset In arriving at aggregate VAR it is necessary to allow offsets between different markets, currencies and risks to reflect the historical relationship between these markets and the impact of diversification. Correlations are used in the variance-covariance method to offset risk.

In the historical simulation method the offset between different currencies or risk types can be taken into account by summing the 10-day profits and losses for each of the underlyings and calculating the 99th percentile worst case loss over the historical period. This is a more robust approach because offset benefits are based on actual relationships between underlyings rather than on correlations which can be unstable.



¹Excluding correlation effects between the risk factors.

Cross Risk

Cross risk affects covariance products where the pay out is dependent upon two or more underlying market parameters and the relationship between them. It is the risk that the markets moving simultaneously may have a different effect than that predicted by the independent moves of each underlying.

Variance Covariance versus Historical Simulation

Variance-covariance methods are based on calculating volatilities of the variables under consideration (e.g. equity indices, F/X rates), and correlation matrices for changes in these variables. They assume that the changes in these variables are normally or lognormally distributed. Historical simulation uses actual historical changes in these variables over the observation period, and so avoids these assumptions about their distribution. Historical simulation implicitly allows for correlations without the calculation overhead or assumptions involved in using a correlation matrix.

Authorities and Market Risk Limits There are three main levels of risk management:

- **Board of Directors:** Ultimately responsible for the determination of general risk policy and risk management organization. The Board of Directors meets at least 5 times a year.
- **Chairman's Committee (ChC) of the Board of Directors:** Responsible for approving the overall market risk ceiling, reviewing the Bank's risk exposure on a quarterly basis and establishing a Capital Allocation and Risk Management Committee ('CARMC') for CSFB, including at least five members of the Executive Board and Senior Management. The ChC meets at least 5 times a year.
- **CARMC:** The Board of Directors and ChC have delegated certain risk management and control responsibilities to CARMC. CARMC is responsible for approving market risk management policies and procedures (documented in the Market Risk Manual), recommending overall market risk limits and market risk limit changes (total risk limit) to the ChC for review and approval, approving concentration limits (market value limits and sublimits, name and country limits), approving excesses within its own authority, and approving stress test and scenario analysis definitions. CARMC meets on a monthly basis.

Within CSFP the risk management committees are:

- **Board of Directors (CSFP):** Responsible for setting the market risk limits, reviewing the positions on a quarterly basis and approving excesses over the CEO's authority.
- **CARMC (CSFB):** Responsible for approving CSFP's liquidity limits, reviewing risk utilizations, and approving new methodologies.
- **Risk Management Committee (CSFP):** Comprises members of senior management from Trading, Product Development, Financial Control, and Risk Management and Quantitative Analysis ('RMQA'). Responsible for reviewing potential trades with new risk types and resolving other technical risk matters.

Market risk limits are structured at three levels:

- **an overall market risk VAR** limit for CSFB as a whole,
- **market risk limits by divisions** (e.g. Fixed Income Division, Equity Division, CSFP); and
- **market risk limits by business cluster** (e.g. Foreign Exchange).

In addition, there are asset class VAR limits which are used to control exposure within a particular risk class (e.g. interest rate risk, equity risk, F/X risk).

The three-level VAR limit structure described above represents CSFB's official limit framework. Limits at lower levels (e.g. limits by region, risk factor limits at the cluster level, trading desk, trader, loss flags, greek limits, etc.) are imposed by trading management in consultation with Market Risk Management. These limits are essentially internal risk flags which are used to assist trading management to identify potential risk concentrations and to allocate the cluster market risk limits to individual regions and desks. Market Risk Management also provides assistance in monitoring compliance at these levels, as required.

CSFB uses various other types of limits to highlight potential concentrations. These include, among others:

- country exposure limits;
- issuer limits; and
- market value limits.

Within CSFP a modified market risk limit structure is used. Market risk limits are structured at four levels:

- **total risk limit**, which is an aggregate of all risk exposures,
- **market risk limits**, comprising five first order risks (outright interest rate, foreign exchange, equity, commodity and credit spread) and seven second order risks (yield curve, swap spread, non-LIBOR and cross-currency basis risks, option gamma, option volatility and cross market risk),
- **liquidity limits**, within each of the above categories by currency and market, and
- **loss and risk flags**, determined for each trader.

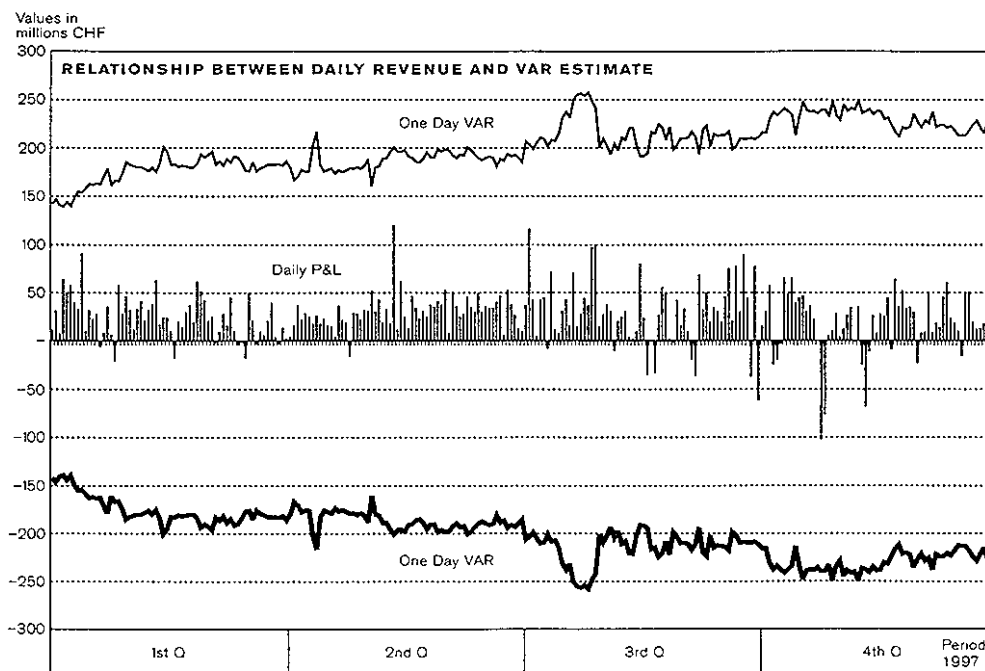
Market Risk Capital Based on VAR The Basle Committee on Banking Supervision published its 'Amendment to the Capital Accord to Incorporate Market Risks' in January 1996. These recommendations allow banks to calculate regulatory capital required to support market risk based on the results of their internal VAR models scaled up by a multiplication factor of three or more. The capital cushion created by this multiplication factor is intended to compensate for the regulators' concerns about any uncertainties or weaknesses in a bank's risk model.

Following a review and confirmation of compliance with the Swiss equivalent of the BIS guidelines by CSFB's Banking Law Auditors, the Federal Banking Commission has allowed CSFB to commence using its internal VAR models to calculate market risk capital with effect from January 1, 1998.

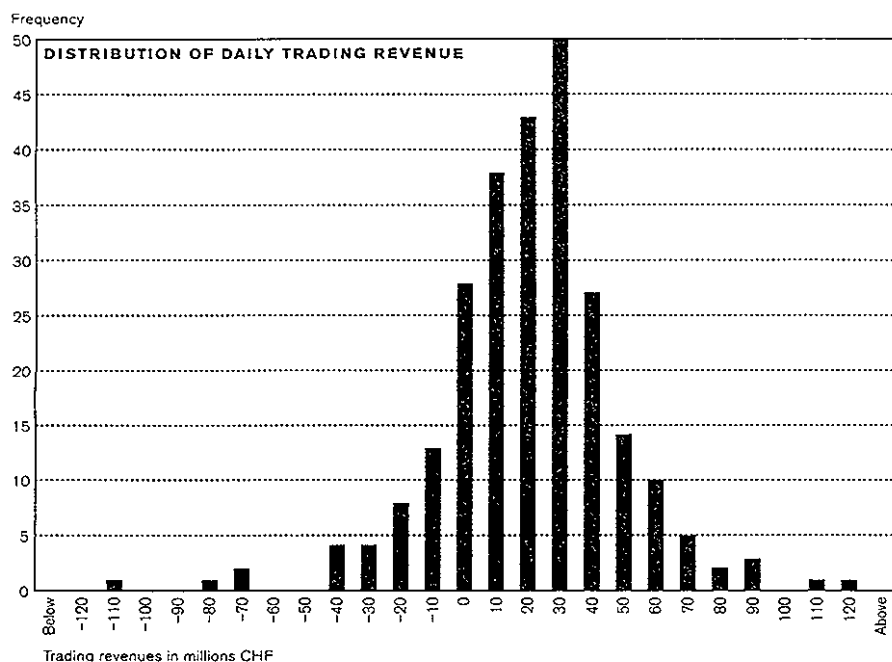
Relationship between Daily Revenue and VAR Estimate The chart below illustrates the relationship between daily trading profit and loss and daily VAR over the course of 1997. The average daily trading revenue was CHF +25.1 million and the minimum and maximum levels were CHF -102.6 million and CHF +120.0 million, respectively.

The average daily VAR estimate was CHF 201.9 million, the minimum and maximum levels were CHF 139.2 million and CHF 257.7 million respectively. The frequency distribution of daily trading revenue for 1997 is illustrated on page 18.

This type of comparison between daily trading profit and loss and the daily VAR is known as backtesting and is the method proposed by the Basle Committee on Banking Supervision for measuring the accuracy of the VAR model. The VAR measure is intended to be larger than all but a small fraction of trading outcomes, and is determined by the confidence level.



' NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Risk management



Backtesting is performed at two levels: the overall bank level and the trading book level. Results of the process at the aggregate level (see above) demonstrate no exceptions and therefore confirm that the Bank's VAR model is sound and meets regulatory standards.

Comparison at an individual book level permits the review of risk modeling techniques at the level of a specific trading unit or risk model and enables any problems that surface at the aggregate level to be traced back to their source. Results for the major trading portfolios provide useful insights into the profit and loss and VAR reporting process.

Scenario Analysis Scenario analysis is an essential component of CSFB's market risk measurement framework. Using this technique, market risk is measured by dynamically revaluing each portfolio after moving the market data parameters. Market data parameters are changed according to a predefined set of scenarios.

Scenario analysis supplements the VAR approach, in that it can be used to view risk in cases where market conditions are disrupted.

Reports are produced for senior management and traders for a range of scenarios on a monthly basis. Market data scenarios include yield curve and credit spread movements, changes in recovery rates on emerging market bonds, exchange rate movements, equity index and stock price movements, gold and oil price movements and changes in volatilities and correlations.

Many of the scenarios are based on extreme macroeconomic events from the past – for example, the 1987 stock market crash and the Gulf War. There are also some scenarios that assess the impact of the events that could occur in the future – for example, postponement of European Monetary Union.

In the disrupted market conditions that occurred in the last quarter of 1997, scenario results for emerging market difficulties were particularly useful. In fact, CSFB's actual results outperformed the scenario analysis. In addition, a scenario which quantifies the impact on projected losses of being able to partially re-hedge portfolios as markets fell and a scenario that measured the impact of a stock market bounce back also provided management with useful information for managing the business at that time.

3. CREDIT RISK MANAGEMENT

COUNTERPARTY RISK

Definition The counterparty risk portion of credit risk is determined by the likelihood of such a counterparty not fulfilling its contractual obligations with regard to interest and capital and thus creating a partial or total loss for the bank. Counterparties are rated in accordance with a specific rating system, whereby class R1 rated counterparties are the lowest and R8 are the highest risk.

Credit Authority Credit authority is delegated by the Chief Credit Officer to specific individuals, depending on knowledge, experience and capability, and is reviewed periodically. Those approving transactions remain responsible for the risk during the life of the transaction. Credit authorizations are separated from line functions.

Credit Analysis Methodology All counterparties are assigned a risk rating as noted above. Credit analysis is risk/reward oriented, i.e. the intensity and depth of analysis is related to the amount, duration and level of risk being entered into. Where they can be justified, independent external ratings are used. Analysis consists of a quantitative and qualitative portion and strives to be forward looking, concentrating on economic trends and cash flow generating capacity. 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 company, its industry and management. The global introduction of a more quantitative model called CRS (Credit Rating System), which was developed by CSFP, made strong headway in 1997 and is planned to be completed in 1998.

Credit Portfolio Management The aim of credit portfolio management is to support the optimization of the risk/return relationship through diversification, limitation and active steering of credit risks. Tools used include setting of ceilings for particular business risks, setting of monitoring and approval procedures and incorporation of credit risk aspects in product policies.

CSFB's traditional limit system, which divided credit types into categories such as lending, forward transactions, etc. with like risks assigned similar weightings, is being further refined to allow for new products as introduced and for efficient allocation of credit limits.

Credit Exposure Management Credit monitoring takes place on two different levels: that of the exposure related to individual limits and clients, as well as that of the entire or specified portions of CSFB's portfolio. Credits are monitored on an on-going basis, with frequency varying according to the level of risk i.e. the credit risk class determines the intensity and frequency of the monitoring process. Monitoring serves the purpose of early recognition of risks and development of measures to cope therewith.

Credit Provisions CSFB has established a new methodology for determining expected credit loss provisioning. All counterparties are rated according to their quality and given a risk classification of R1 through R8. Multi-year default statistics established by renowned credit rating agencies are used to calculate expected losses. Such default rates are multiplied with the respective counterparty's net exposure generating credit loss provisions. In these calculations conservative average recovery rates based on published studies of bank loan recoveries are integrated as a loss offset.

For financial reporting purposes specific credit loss provisions are established on a case-by-case basis taking into account the respective counterparty and/or transaction risk.

CREDIT RISK ARISING FROM TRADING POSITIONS AND DERIVATIVE TRANSACTIONS

Business in trading and derivatives in markets without margin calls (especially in the OTC area) is measured and monitored against counterparty limits on at least a daily basis. Credit risk is defined by contract as the sum of the positive replacement value and further potential exposure (safety add-on), which is based on the price volatility of the underlying market factors.

COUNTRY RISK

Country risk is defined as the risk associated with the repatriation of foreign currency exposures through restriction on monetary and capital transactions as a result of economic or political factors. The Board of Directors and the Chairman's Committee have consciously decided to address country risks, the former by approving CSFB's medium term strategy, the latter by approving selected high level limits to manage the Bank's risk portfolio. All five Business Divisions, Corporate and Investment Banking ('CIBD'), Fixed Income, Equities, CSFP and Private Equity, take on country exposure in a variety of ways. The measurement of and limits on this risk, as for other risks, are defined by senior management. The day-to-day management of country exposure is assigned to each Division in accordance with its business authorizations and limit allocations. Market Risk Management and Credit Risk Management provide independent oversight to ensure that the Divisions operate within their limits.

In addition to setting country exposure limits by Division, limits are also set for each product generating a country exposure for each Division. The range of products includes: loans and related facilities, trading with counterparties, trading (inventory) positions, and security financing trades. These risks are monitored daily to monthly depending on the product for countries defined as pre-industrialized and emerging market countries, and semi-annually for G10 and other industrialized countries.

The designation of countries as G10 and other industrialized countries or pre-industrialized and emerging market countries is reviewed on a regular basis by CARMC and is submitted to the Chairman's Committee for approval.

Country risk is reflected in the financial records of the Bank in the following ways:

1. All trading positions are marked to market (MtM). It is CSFB's policy that all positions included in the trading book are revalued, at indicative market prices, on a daily basis. All positions are marked to market at the appropriate end of the bid-offer spread.
2. Loan and related facilities, exposures (mark-to-market receivables) to trading counterparties, and exposures associated with financing trades are provisioned on a case-by-case basis. A provision is made as soon as serious doubts arise as to the collectability of the asset. The necessary provisions against the asset's capital value and the interest on the asset are made according to the principle of prudent accounting, the level of security provided, and the general economic climate. Provisions are made for higher risk scenarios where default is expected.

Listed below are year-end loans and related exposures (letters of credit, guarantees, unfunded commitments and similar instruments) and exposures (mark-to-market receivables) to trading counterparties, aggregated by rating of country of risk (country of risk is the domicile of the obligor). Trading positions and reverse repurchase agreements are not included as they are marked to market on a daily basis and the related risks are managed by Market Risk Management.

As of December 31, 1997

COUNTRY EXPOSURE BY RATING

Country Rating Class	Total Exposure	
	CHF m	%
N1	143 634.5	76.1
N2	27 567.6	14.6
N3	3 494.0	1.9
N4	3 281.2	1.7
N5	5 903.6	3.1
N6	4 717.7	2.5
N7	223.9	0.1
Total	188 822.5	100.0

COUNTRY RATING CLASS DESCRIPTION

CSFB Rating	Definition	Description	S&P/Moody's
N1	Substantially Risk Free	smallest degree of risk, these countries offer exceptional financial security	AAA/Aaa
N2	Minimal Risk	excellent financial security	AA/Aa
N3	Modest Risk	good financial security, more susceptible to the adverse effects of changes in circumstances and economic conditions	A/A
N4	Average Risk	adequate financial security, certain protective elements are lacking	BBB/Baa
N5	Acceptable Risk	questionable financial security, major uncertainties and ongoing exposure to adverse political or economic conditions leading to inadequate capacity to meet financial commitments	BB/Ba
N6	Weak Risk	poor financial security, currently has capacity to meet financial commitments, but any adverse political or economic development will likely impair capacity or willingness to meet commitments	B to CCC/B to C
N7	Poor	very poor financial security, often in default or on the verge of default	CC to D/Caa to C

4. SETTLEMENT RISK

Settlement risk is the risk which is inherent in 'exchange-for-value' transactions where instructions to release or deliver funds, precious metals or commodities are sent to the delivery agent and are no longer revocable with 100% certainty, while simultaneously the countervalue receipt is not definitely in hand. Settlement risk will persist until such time that the receipt has been reconciled and finality has occurred.

The Bank seeks to manage settlement risk through its participation in regulated clearing and depository organizations, which offer DVP (delivery versus payment) services. The Bank is also actively participating in the creation of new clearing systems, e.g. in the development of 'Continuous Linked Settlement CLS' to eliminate settlement risk in the field of foreign exchange trading. In those markets where these services do not exist, the Bank utilizes agent banks that are instructed to exchange value for value.

In those instances where market convention and/or products preclude a value for value exchange, the Bank manages its risk through robust confirmation and affirmation of transaction details with counterparties. The Credit Department considers these factors in deciding counterparty risk limits.

5. LEGAL RISK

As discussed above, credit risk is the risk that a borrower or counterparty will not be able to pay its debts or perform its obligations under a contract (e.g., because it is insolvent). Legal risk, by contrast, is the risk that a borrower or counterparty may not have to pay its debts or perform its obligations under a contract (e.g., because the contract is unenforceable). Among other things, legal risk embraces lack of power or authority to enter into a contract or insufficient or inappropriate documentation.

The Bank seeks to minimize legal risk by using appropriate documentation, including standard master agreements and individual trade confirmations, and by following procedures to verify that documents have been correctly signed. Where it is deemed appropriate, external counsel will be consulted about the power and authority of the borrowers and counterparties with which it deals. In a more general sense, legal risk is also addressed in many other ways through refining controls over business practices and behaviour and proactive use of the Bank's compliance function.

6. OPERATIONAL RISK

In treasury and securities trading, the Bank's trading units are kept strictly separate from back-office operations for the products in question, with each area reporting to a different line of management. Technical and organizational control mechanisms seek to ensure that transactions carried out by the trading units are processed promptly, correctly and without omission.

Systems applications are routinely upgraded with a view to attaining full automation of the process from the receipt of data right through to any payments that need to be made and in order to ensure that all execution procedures comply with the relevant regulations and internal devices. Should technical problems arise, fall-back procedures switch in to enable operations to continue in an orderly manner.

Each individual processing procedure is regularly assessed for any risk and global crisis event procedures have been established and documented. Organizational and technical adjustments are made on an ongoing basis with due consideration given to costs and operational benefits. Changes in operating environment and market developments are analyzed and continually factored into the Bank's processing procedures.

7. ASSET AND LIABILITY MANAGEMENT

The Corporate Treasury Department at CSFB oversees corporate policy in regard to interest rate and foreign exchange exposure as well as a range of other important policy areas including maturity profile, internal and external capitalization, intercompany funding and liquidity policy. It is currently the Bank's policy to take a neutral position on interest and F/X exposures from a corporate perspective. Trading divisions are authorized to take such risks as part of their business strategies, within limitations set by the Capital Allocation and Risk Management Committee, and subject to the MtM disclosures in trading book results.

8. NOTES ON BUSINESS POLICY WITH REGARD TO THE USE OF DERIVATIVES

The trading and use of derivative products generate various types of risk, notably market and credit risk, but also operational and legal risk.

For details of CSFB's business policy with regard to the recording, management and limitation of these risks and the manner in which this policy is implemented see the notes in the respective sections. The procedures employed by the specialist derivatives subsidiary CSFP to measure, manage and monitor market and credit risk are in line with CSFB's procedures described herein.

The higher standards of disclosure concerning risk management to which this Annual Report conforms are in line with the joint recommendations issued by IOSCO and the Basle Committee on Banking Supervision in November 1995. They likewise comply with the Swiss Bankers Association Risk Management Guidelines for Trading and for the Use of Derivatives, which entered into force on July 1, 1996.

As in the 1996 financial statements, detailed financial information is given for all open derivatives positions held by the Bank as of December 31, 1997, together with information concerning credit risk. These figures, which can be found in the additional information on consolidated off-balance-sheet business, once again follow the classification criteria stipulated by the Institute of International Finance and by Switzerland's accounting rules for financial institutions. The Annual Report shows the positive replacement values, contract values and credit equivalents broken down by counterparty credit quality, together with the positive replacement values and credit equivalents classified according to the maturity of the relevant product (see page 53).

'NOTES' TO CONSOLIDATED FINANCIAL STATEMENTS

Accounting policies

(a) Basis of accounting and consolidation Credit Suisse First Boston's ('the Bank's') financial statements are prepared in accordance with the Swiss Federal Law on Banks and Saving Banks of 1934 as amended, the Implementing Ordinance on Banks and Saving Banks and the Guidelines of the Federal Banking Commission Concerning the Preparation of Financial Statements as amended through October 22, 1997 ('Swiss GAAP for banks') as well as the 4th and 7th EU Directives and the EU Guidelines on the preparation of accounts for banks.

These financial statements, which are based on the significant accounting policies outlined below, give a true and fair view of the financial position of the Bank and the results of its operations and its cash flows.

Swiss GAAP for banks conforms in all material aspects to the 4th and 7th EU Directives and to the EU Guidelines on the preparation of accounts for banks. However, Swiss GAAP for banks contains no provision equivalent to Article 37 of the EU Guidelines on the preparation of accounts for banks concerning undervaluation of certain types of assets. There are also minor differences which are described in (c) below.

The consolidated financial statements are comprised of the financial statements of the Bank and its subsidiaries in which the Bank controls either directly or indirectly more than 50% of voting rights or through other means. The net assets of subsidiaries have been consolidated using the purchase method of accounting.

Minority interests held by third parties (including interests held by Credit Suisse Group, the parent company of the Bank) in the equity and in the annual profit of companies controlled by the Bank are shown as separate items. Intercompany balances and transactions are eliminated on consolidation.

The equity method of accounting is used in determining income and carrying values of companies in which the Bank has a 20% or more, but not more than 50% investment in voting stock. These investments are included in 'non-consolidated participations' and the Bank's percentage interest in their profits is included in 'income from participations' in the consolidated income statement. Investments in companies which are held for resale are accounted for at cost less provisions for permanent impairment in value.

A listing of the Bank's principal subsidiaries, equity investments and non-consolidated participations is provided in the Notes to consolidated financial statements.

(b) Foreign currency translation In the financial statements of individual companies, assets and liabilities in foreign currencies are translated into the companies' reporting currency at the rate of exchange existing at the balance sheet date. Resulting exchange differences are included in the income statement.

For the purpose of consolidating individual financial statements, assets and liabilities and off-balance sheet items in foreign currencies are translated into Swiss Francs using rates of exchange prevailing at the balance sheet date. Revenues and expenses are translated into Swiss Francs at average rates of exchange prevailing throughout the year.

Translation differences arising on consolidation of subsidiaries and branches reporting in currencies other than Swiss Francs together with gains and losses arising on related hedges are taken to shareholders' equity.

(c) Deviations from EU Guidelines The areas in which the accounting policies deviate from EU Guidelines on the Preparation of Accounts for Banks are as follows:

- The classification criteria used in the consolidated balance sheet and the consolidated income statement differ from the classification criteria proposed by the EU Guidelines; however, all significant information is provided.
- The difference between the purchase price of securities and precious metal trading positions and their market value used in preparing the consolidated financial statements is not disclosed in the notes to consolidated financial statements.
- The proportion of overall income and expenditure accounted for by operations outside Switzerland is not broken down by geographical location but is provided as one amount.
- No specific information is provided concerning emoluments paid to Members of the Board of Directors and to Members of the Executive Board.

(d) Recording of business All completed business is recorded in the consolidated financial statements as follows: Foreign exchange, money market and precious metal transactions are recorded on value (settlement) date. Prior to the value date, foreign exchange and precious metal transactions are recorded as off-balance-sheet business. Securities transactions are recorded on a trade date basis.

(e) Reporting of repurchase and reverse repurchase agreements Repurchase and reverse repurchase transactions are shown in the balance sheet as advances secured by securities or as deposits against which the Bank's securities are pledged. Depending on the type of counterparty, they are shown as claims on ('due from') or liabilities to ('due to') banks or customers. They are carried in the balance sheet at the amounts at which the securities were initially acquired or sold as specified by the respective agreements, plus interest accrued to the balance sheet date.

(f) Securities lending and borrowing Assets and liabilities arising from securities lending and borrowing operations are recorded at market value and depending on the type of counterparty, shown as claims on ('due from') or liabilities to ('due to') banks or customers. Securities positions arising as a result of securities borrowing which are not used to cover short trading or securities lending positions are included as part of the securities and precious metal trading portfolios.

'NOTES' TO CONSOLIDATED FINANCIAL STATEMENTS

Accounting policies

(g) Cash and other liquid assets, money market papers, funds due from and to banks and customers including mortgages, financial leases and liabilities

Receivables and liabilities are generally accounted for at nominal value. Unearned discounts from money market papers are accrued over the term of the claim. A provision is made as soon as serious doubts arise as to the collectability of an asset. The necessary provision against the asset's principal and related accrued interest is made in accordance with the principle of prudent accounting, the level of security provided and the general economic climate. If the receivable shown in the accounts cannot be collected, a provision will be made which is set off against the corresponding assets. Interest and commission income due from banks and customers overdue more than 90 days is not credited to income from interest business but accounted for as a provision and credited to the income statement after its collection.

In the case of claims subject to country risk, provisions are made as soon as serious doubts arise as to the collectability of an asset. The necessary provisions against the asset's capital value and accrued interest are made in accordance with the principle of prudent accounting, the level of security provided, and the general economic climate. If the receivable shown in the accounts cannot be collected, it is written off against the provision made against it. See also changes to accounting principles below, for changes in the accounting for country risk in 1997.

(h) Securities and precious metals trading portfolio Upon purchase, securities and precious metals are classified as either part of the trading portfolio or as financial investments.

The trading portfolio consists of precious metals and tradeable securities which are readily realizable and securities acquired as a result of underwriting operations. Traded and OTC options are included under 'other assets'.

The trading portfolio is valued at the market value as of the balance sheet date. Securities that are not traded on a recognized stock exchange or on a representative market are carried at the lower of cost or market value.

Unrealized as well as realized gains and losses arising from the valuation of the trading portfolio are shown under 'net trading income' in the income statement. Interest and dividend income on the trading portfolio is included in 'interest and dividend income from trading portfolio' in the income statement.

(i) Financial investments Where management has the positive intent and ability to hold a debt security to maturity, securities are designated as held-to-maturity. Held-to-maturity debt securities are reported at amortized cost less provisions necessary when management has serious doubts about the future repayment of the principal and future interest receivable.

Interest income including amortization of premium and discount is included in the income statement under 'interest and dividend income from financial investments'. Profits arising from sales on debt securities designated as held-to-maturity, are deferred and amortized over the original life-time of the security.

Financial investments not classified as held-to-maturity are classified as available for sale and accounted for at the lower of cost or market value. Interest and dividend income are included in the income statement under 'interest and dividend income from financial investments'. Profits arising from sales of available for sale securities (not classified as held-to-maturity) are included in income from the sale of financial investments.

(j) Tangible fixed assets Real estate is valued at acquisition cost less accumulated depreciation. New buildings and refurbishments are depreciated over 67 years. No depreciation is recorded on land, however, provision is recorded for permanent impairment in market value.

Other fixed assets such as fixtures and fittings installed in rented properties, computers, furnishings and vehicles are depreciated over the estimated useful lives of the related assets which range between three and five years.

(k) Goodwill Goodwill, the excess of cost over the fair value of net assets acquired, is amortized over its estimated useful life on a straight line basis. The amortization term may not be longer than five years unless a longer period, which may not exceed twenty years starting from the time of the acquisition, is justified.

Prior to 1997, goodwill was charged against shareholders' equity upon acquisition. The theoretical effect on the consolidated balance sheet and the consolidated income statement of amortizing this goodwill over its estimated useful life is disclosed in the Notes to the consolidated financial statements.

(l) Reserve against general banking risks The reserve against general banking risks represents reserves as at the balance sheet date against future banking risks. The reserve is included as tier 1 capital with related movements included in earnings.

(m) Derivative financial instruments Forward rate agreements, futures, swaps, options, forward contracts and other over-the-counter off-balance sheet instruments held for trading purposes are marked to market and the resulting profits and losses are included in 'trading income' in the income statement. The resulting replacement values are included in 'other assets' or 'other liabilities' as appropriate and are presented net by counterparty for transactions in those products where CSFB has a legal right of set off; otherwise the replacement values are presented gross by contract.

Where derivative financial instruments are used for hedging purposes, positive and negative replacement value is calculated with the difference in value to the accrued amount included in a compensation account 'other assets' or 'other liabilities'. Replacement values when the Bank is an agent for exchange traded contracts, are not disclosed, except in the exceptional cases where the accrued daily loss is not fully covered through margin payments. Replacement values where the Bank is an agent for over-the-counter contracts, are calculated even when they are covered through margin payments.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Accounting policies

Gains and losses on derivative financial instruments used to hedge items reported at cost or lower of cost or market are deferred and recognized in income when costs relating to the hedged item are recognized in income. In order to qualify for hedge accounting, the derivative financial instrument must meet the following conditions: the item to be hedged must expose the Bank to price or interest rate risk; it must be probable that the results of the hedge will substantially offset the price or interest change in the hedged item; and the derivative financial instrument must be designated as a hedge to the item.

Business policy with regard to the use of derivatives and risk management are commented in the notes to the Bank's operations.

(n) Pension plan accounting The Bank operates a number of pension fund schemes. Where pension funds are defined contribution funds, costs are recorded on an accrual accounting basis. Where pension funds are defined benefit schemes, annual contributions and related expense are based on actuarial advice.

(o) Income and capital taxes Taxes are charged on the current year's profit. Deferred tax assets and liabilities are established for the expected future tax consequences of temporary differences between the carrying amounts and tax bases of assets and liabilities. In establishing the deferred tax rate used to calculate deferred tax assets, consideration is taken of the ultimate deferred tax which will be of benefit; for deferred tax liabilities, the enacted tax rate is used. Deferred tax assets are not established for tax loss carry forwards.

(p) Changes to accounting principles Guidelines of the Federal Banking Commission concerning the preparation of financial statements of banks were revised on November 14, 1996 and October 22, 1997. The revised guidelines have resulted in the following accounting changes:

- **Financial investments held-to-maturity debt securities** Debt securities identified as held-to-maturity are recorded at amortized cost. Debt securities that are not identified as held-to-maturity are now valued at the lower of cost or market value. Prior year financial statements have not been restated as the impact of the change is not material. Starting in 1997, gains and losses on the sale of debt securities identified as held-to-maturity are deferred and amortized over the initial life of the security.
- **Reposessed real estate and other assets held for resale** Reposessed real estate and other assets are now included under financial investments rather than under tangible fixed assets. The prior year financial statements have not been restated.
- **Goodwill** Goodwill is no longer charged against shareholders' equity but capitalized and included under 'intangible fixed assets'. The prior year financial statements have not been restated. The theoretical effect on the consolidated balance sheet and consolidated income statement of capitalizing the goodwill purchased prior to 1997 and amortized over its estimated useful life is disclosed in the notes to the financial statements.

- **Securities and precious metal trading portfolio** At December 31, 1996, precious metals were valued at the average December price or the price as of the balance sheet date, whichever was lower. In 1997, precious metals are valued at the market value as of the balance sheet date. The prior year financial statements have not been restated as the impact of the change is not material.
- **Interest and dividend income from trading portfolio** Starting in 1997, interest and dividend income from securities held for trading purposes are included in income from interest business rather than trading income. The funding cost of the trading portfolio is no longer calculated and included in income from interest business and charged to trading income. The prior year financial statements have been restated to reflect these changes.
- **Country risk provisioning** Prior to January 1, 1997, country risk provisioning was based on prescribed rates by country as well as types of exposures provided by the Swiss Federal Banking Commission. Country risk provisioning is now established based on the Bank's internal methodology. The prior year financial statements have been restated to reflect these changes.

FINANCIAL INFORMATION AFTER RESTRUCTURING

The unaudited consolidated financial information after restructuring of the Bank is based primarily on the consolidated financial information of the former Schweizerische Kreditanstalt (SKA Group) and of the former CS First Boston Inc., in each case as of and for the year ended December 31, 1996. Such financial information has been adjusted to give effect to the reorganization and assumes (i) in the case of the unaudited pro forma consolidated income statement, that the reorganization had occurred on January 1, 1996 and (ii) in the case of the unaudited pro forma consolidated balance sheet, that the reorganization had occurred on January 1, 1997. The pro forma balance sheet has been prepared for illustrative purposes and has not been audited but reviewed by the independent auditors. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Accounting policies

EVENTS SINCE THE BALANCE SHEET DATE

On November 12, 1997, the Bank entered into an agreement to purchase the UK and Continental European equities, equity capital markets, mergers and acquisitions and corporate finance advisory businesses of BZW, the investment banking division of Barclays Bank PLC for GBP 100 million. These businesses employed approximately 1,000 people (excluding temporary staff) as at December 31, 1997.

The Bank completed the acquisition of the UK and continental European mergers and acquisitions, corporate finance advisory and equity capital markets businesses on December 31, 1997. In addition, the Bank assumed management of the UK and Continental European equity sales, trading and research business under a management services agreement with Barclays. This arrangement will operate until formal completion of the sales of those businesses to the Bank, which is scheduled to occur during the first four months of 1998. This formal completion is contingent upon the fulfillment of certain conditions within these four months.

As a result, the bulk of the acquisition was not completed in 1997 and therefore has not been consolidated in these financial statements as of December 31, 1997. However as management fully expects that the remaining businesses will formally complete in 1998, a restructuring provision has been recorded in the financial statements.

Most of the acquisition is being effected by means of asset purchases, although entities are being purchased in Holland, Spain and the UK.

In addition, the Bank has signed an agreement with Barclays to acquire certain of BZW's equity and investment banking businesses in Asia. Under the terms of the transaction, the Bank will acquire investment banking, equity capital markets and equity personnel in Hong Kong; BZW's 70% interest in an equity joint venture in Singapore; BZW's equity business in Taiwan; stock exchange seats in Singapore, Hong Kong and Shanghai; and additional personnel in India, Malaysia and Indonesia.

This acquisition is conditional upon the Bank obtaining all requisite regulatory consents and approvals.

FOREIGN CURRENCY TRANSLATION RATES applied to the consolidation of individual companies

MAIN CURRENCIES	Year end rates for balance sheet and off-balance-sheet positions		Yearly average rates for income statement	
	31.12.97 CHF	31.12.96 CHF	1997 CHF	1996 CHF
1 US dollar	1.44	1.34	1.44	1.22
1 pound sterling	2.41	2.27	2.35	1.90
1 ecu	1.60	1.67	1.62	1.53
1 Canadian dollar	1.01	0.98	1.04	0.89
1 Australian dollar	0.94	1.06	1.07	0.95
1 Singapore dollar	0.85	0.96	0.97	0.87
1 Hong Kong dollar	0.19	0.17	0.19	0.16
100 deutschmarks	80.90	86.60	82.90	81.30
100 Luxembourg francs	3.90	4.17	4.02	3.95
100 French francs	24.02	25.45	24.60	23.90
100 lire	0.08	0.09	0.08	0.08
100 yen	1.11	1.16	1.19	1.12
100 pesetas	0.95	1.01	0.98	0.96

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Subsidiaries and associated companies

Company name	Domicile	Currency	Share capital in 1000	Shareholding
CONSOLIDATED SUBSIDIARIES				
Primarily engaged in investment and commercial banking				
Credit Suisse First Boston, Inc.	New York, USA	USD	2 183	100.00 % ¹
Credit Suisse First Boston (International) AG	Zug, Switzerland	CHF	37 500	100.00 %
Credit Suisse First Boston Canada	Toronto, Canada	CAD	157 312	100.00 %
Credit Suisse First Boston Aktiengesellschaft	Frankfurt, Germany	DEM	155 000	100.00 %
Credit Suisse First Boston A/O	Moscow, Russia	USD	20 000	99.00 %
Credit Suisse First Boston Custody (Moscow) Ltd.	Moscow, Russia	USD	500	100.00 %
Credit Suisse (Luxembourg) S.A.	Luxembourg, Luxembourg	LUF	624 000	100.00 %
Credit Suisse First Boston (Cyprus) Ltd.	Limassol, Cyprus	USD	60 000	100.00 %
Credit Suisse First Boston (India) Securities Private Ltd.	Bombay, India	INR	238 467	75.00 %
Credit Suisse First Boston (Ukraine)	Kiev, Ukraine	USD	15 000	100.00 %
Finanz AG Zürich	Zurich, Switzerland	CHF	15 000	100.00 %
Credit Suisse First Boston Bullion (Japan) Ltd.	Tokyo, Japan	JPY	1 000 000	100.00 %
Finorafa AG	Chiasso, Switzerland	CHF	4 000	51.00 %
Credit Suisse First Boston Finanziaria S.p.A.	Milan, Italy	ITL	1 000 000	100.00 %
Primarily engaged in derivative business				
Credit Suisse Financial Products	London, United Kingdom	USD	482 325	80.00 %
Finance and financial holding companies				
Credit Suisse First Boston International (Guernsey) Ltd.	St. Peter Port, Guernsey	USD	350 100	100.00 %
CSFB Investment (Guernsey) Ltd.	St. Peter Port, Guernsey	USD	200 000	100.00 %
CSFB (Latin America) Holdings LLC	Grand Cayman, Cayman Islands	USD	84 550	100.00 %
Credit Suisse First Boston Australia (Finance) Ltd.	Melbourne, Australia	AUD	10 000	100.00 %
Boonskill Ltd.	London, United Kingdom	GBP	2 500	100.00 %
Credit Suisse First Boston Finance Ltd.	Hong Kong, China	USD	1 881	100.00 %
Veryfinance AG	Zug, Switzerland	CHF	500	100.00 %
Credit Suisse First Boston Finance (Panama) S.A.	Panama City, Panama	USD	250	100.00 %
Credit Suisse First Boston Finance (Gibraltar) Ltd.	Marina Bay, Gibraltar	GBP	100	100.00 %
Credit Suisse First Boston Finance (Guernsey) Ltd.	St. Peter Port, Guernsey	USD	160	100.00 %
Limpa AG	Zurich, Switzerland	CHF	100	100.00 %
Credit Suisse Financial Services Inc.	Wilmington, USA	USD	10	100.00 %
Credit Suisse First Boston Finance B.V.	Amsterdam, The Netherlands	NLG	40	100.00 %
Credit Suisse First Boston Australia (Holdings) Ltd.	Sydney, Australia	AUD	42 633	100.00 %
Fund management companies				
Credit Suisse Asset Management International Fund Holding	Zurich, Switzerland	CHF	20 000	100.00 %
Primarily engaged in Asset Management				
Credit Suisse Trust & Banking Co. Ltd.	Tokyo, Japan	JPY	9 000 000	100.00 %
Credit Suisse Asset Management (UK) Holding Ltd.	London, United Kingdom	GBP	11 005	100.00 %
Credit Suisse Asset Management Ltd.	London, United Kingdom	GBP	19	100.00 %
Credit Suisse Gestion SGIIC, S.A.	Madrid, Spain	ESP	200 000	100.00 %
Credit Suisse Asset Management (Guernsey) Ltd.	St. Peter Port, Guernsey	GBP	1 000	100.00 %
Credit Suisse Asset Management (Nederland) Holding B.V.	Amsterdam, The Netherlands	NLG	1 655	100.00 %
Credit Suisse Asset Management (Polska) Sp.z.o.o.	Warsaw, Poland	USD	886	100.00 %
Credit Suisse Asset Management (Praha) s.r.o.	Prague, Czech Republic	CZK	1 000	100.00 %
Credit Suisse Asset Management (Australia)	Sydney, Australia	AUD	270	100.00 %
Credit Suisse Investment Corporation	Wilmington, USA	USD	0	100.00 %
Credit Suisse Capital Corporation	New York, USA	USD	1	100.00 %
BEA Associates	New York, USA	USD	6 700	100.00 %

¹ 49% voting stock held by Credit Suisse Group.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Subsidiaries and associated companies

Company name	Domicile	Currency	Share capital in 1000	Shareholding
Real estate companies				
SI Corne-à-Vin	Geneva, Switzerland	CHF	80 000	100.00 %
Immobiliare Credito Svizzero S.A.	Lugano, Switzerland	CHF	22 000	100.00 %
Peterhof AG	Zurich, Switzerland	CHF	1 000	100.00 %
Orell-Füssli-Hof AG	Zurich, Switzerland	CHF	500	100.00 %
AG zur Utobrück	Zurich, Switzerland	CHF	270	100.00 %
Haus der Schweiz GmbH	Berlin, Germany	DEM	150	100.00 %
Hochhaus zur Palme AG	Zurich, Switzerland	CHF	100	100.00 %
Boden AG	Zurich, Switzerland	CHF	100	100.00 %
Commerz & Verwaltungs AG	Sarnen, Switzerland	CHF	50	100.00 %
Schwalbe AG	Zurich, Switzerland	CHF	50	100.00 %
GTN Global Properties Holding Ltd.	Limassol, Cyprus	USD	2	100.00 %

NON-CONSOLIDATED PARTICIPATIONS

Associated companies (accounted for by the equity method)

Valcambi S.A.	Balerna, Switzerland	CHF	12 000	100.00 %
Innovent Capital Ltd.	Grand Cayman, Cayman Islands	CHF	36 299	38.57 %
Premex AG	Zurich, Switzerland	CHF	1 500	33.33 %
Reinsurance Finance Consultants AG	Zurich, Switzerland	CHF	750	33.33 %

Participations

Main companies

Banco General de Negocios	Buenos Aires, Argentina	ARG	38 000	19.66 %
Banco Exterior Suiza S.A.	Geneva, Switzerland	CHF	115 000	10.00 %
Banco Comercial S.A.	Montevideo, Uruguay	URU	215 877	17.40 %
Telekurs Holding AG	Zurich, Switzerland	CHF	45 000	17.40 %
Intersettle Swiss Corp.	Zurich, Switzerland	CHF	36 000	9.50 %
SEGA Schweiz Effekten Giro	Olten, Switzerland	CHF	10 000	19.77 %
SNOC Swiss Nominee Company	Zurich, Switzerland	CHF	2 000	25.00 %
Swiss Online AG	Zurich, Switzerland	CHF	5 000	6.00 %
Euro-Clear Clearance System Ltd.	London, United Kingdom	GBP	2 500	6.00 %
NCO Dealer Soc. Fin.	Lissabon, Portugal	POR	500 000	18.00 %
San Luis Financial and Investment Co. Ltd.	Panama City, Panama	PAN	480	12.14 %
Cedel	Luxembourg, Luxembourg	USD	78 500	0.66 %
Link Telecom Ltd.	St. Peter Port, Guernsey	USD	5	50.00 %
SWIFT	La Hulpe, Belgium	BEF	439 900	1.60 %

FINANCIAL INVESTMENTS

Main companies

Immobiliare Minodo S.A.	Bellinzona, Switzerland	CHF	200	100.00 %
Cancun Coral Investment Corporation	Panama City, Panama	USD	10	100.00 %
Compania Suiza Argentina de Negocios	Buenos Aires, Argentina	ARG	20 000	50.00 %
Ismeca Holding S.A.	La Chaux-de-Fonds, Switzerland	CHF	7 000	19.20 %

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Changes to the scope of consolidation

CHANGES TO THE SCOPE OF CONSOLIDATION DUE TO TRANSFER OF OPERATIONS AND HOLDINGS AS OF JANUARY 1, 1997, AS PART OF RESTRUCTURING WITHIN CREDIT SUISSE GROUP

Company name	Domicile	Shareholding
Additions		
Credit Suisse First Boston (International) AG	Zug, Switzerland	100.00 %
Credit Suisse First Boston, Inc.	New York, USA	100.00 %
Disposals		
City Bank	Zurich, Switzerland	88.98 %
Neue Aargauer Bank	Aarau, Switzerland	98.60 %
Schweizerische Schiffshypothekenbank AG	Basel, Switzerland	100.00 %
CS Auto Leasing AG	Zurich, Switzerland	100.00 %
Credit Suisse Leasing	Zurich, Switzerland	100.00 %
Credit Suisse Immobilien Leasing	Zurich, Switzerland	100.00 %
Weco Inkasso AG	Zurich, Switzerland	100.00 %
Denaro-Hypo Bank	Aarau, Switzerland	100.00 %
ABZ Finanz- und Beteiligungsgesellschaft AG	Zug, Switzerland	100.00 %
Bank für Handel und Effekten	Zurich, Switzerland	100.00 %
Bank für Handel und Effekten (Overseas) Ltd.	Nassau, Bahamas	100.00 %
Credit Suisse Fides Trust Holding AG	Zurich, Switzerland	100.00 %
Credit Suisse Fides Trust AG	Zurich, Switzerland	100.00 %
Domolin Holding AG	Zurich, Switzerland	100.00 %
Limag Management und Verwaltungs-AG	Vaduz, Liechtenstein	100.00 %
SI Avenue de Rumine 37 S.A.	Lausanne, Switzerland	100.00 %
El Pamch S.A.	Geneva, Switzerland	100.00 %
Vertika AG	Zurich, Switzerland	100.00 %
Credit Suisse (Guernsey) Ltd.	St. Peter Port, Guernsey	100.00 %
Credit Suisse (Bahamas) Ltd.	Nassau, Bahamas	100.00 %
Credit Suisse (Gibraltar) Ltd.	Marina Bay, Gibraltar	100.00 %
Credit Suisse (UK) Ltd.	London, United Kingdom	100.00 %
Credit Suisse (France) S.A.	Paris, France	100.00 %
Swiss American Corporation	New York, USA	100.00 %
Swiss American Securities, Inc.	New York, USA	92.50 %
Credit Suisse Securities Ltd.	London, United Kingdom	100.00 %
Grossacker Immobilien AG	St. Gallen, Switzerland	52.97 %
SAMAG Zürich AG	Zurich, Switzerland	100.00 %
Immobilien-gesellschaft Glarus AG	Glarus, Switzerland	100.00 %
Centre-Ville S.A.	La Chaux-de-Fonds, Switzerland	100.00 %
Société Foncière du Grand-Pont S.A.	Lausanne, Switzerland	100.00 %

CHANGES TO THE SCOPE OF CONSOLIDATION DURING BUSINESS YEAR 1997

Purchases

-	-	-
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Sales

Citymax Integrated Information Systems Ltd.	London, United Kingdom	100.00 %
Innoventure Capital AG	Zurich, Switzerland	90.00 %
Innoventure Equity Partners AG	Zurich, Switzerland	30.00 %
AG zur Alten Post	Zurich, Switzerland	100.00 %
Credit Suisse Asset Management Inc.	New York, USA	100.00 %

Newly established

Credit Suisse First Boston (Ukraine) Ltd.	Kiev, Ukraine	100.00 %
Credit Suisse First Boston (India) Securities Private Ltd.	Bombay, India	75.00 %
GTN Global Properties Holding Ltd.	Limassol, Cyprus	100.00 %
CSFB (Latin America Holdings) LLC	Grand Cayman, Cayman Islands	100.00 %
CSFB Investment (Guernsey) Ltd.	St. Peter Port, Guernsey	100.00 %
Credit Suisse First Boston International (Guernsey) Ltd.	St. Peter Port, Guernsey	100.00 %

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Additional information on the consolidated balance sheet

	31.12.97 CHF m	31.12.96 ¹ CHF m	Change CHF m	Change %
MONEY MARKET PAPERS				
Bills of exchange and money market paper eligible for discount with central banks	7 257	12 177	-4 920	-40.4
<i>of which short and medium-term federal securities</i>	2 569	7 520	-4 951	-65.8
Other bills of exchange and money market paper	8 878	5 593	3 285	58.7
TOTAL MONEY MARKET PAPERS	16 135	17 770	-1 635	-9.2

		Form of security			
		Secured by mortgage CHF m	Other security CHF m	Unsecured CHF m	Total CHF m
SECURED CLAIMS BALANCE SHEET					
Claims on banks	December 31, 1997	0	113 104	30 888	143 992
<i>of which securities lending and reverse repurchase agreements</i>		0	101 599	1 689	103 288
	December 31, 1996 ¹	0	5 464	36 930	42 394
Lendings					
Claims on customers (including financial leasing) ²		32	75 018	31 767	106 817
<i>of which securities lending and reverse repurchase agreements</i>		0	53 756	8 274	62 030
Mortgages		7 164	0	0	7 164
<i>of which residential</i>		80	0	0	80
<i>houses and owner-occupied flats</i>		387	0	0	387
<i>offices</i>		4 912	0	0	4 912
<i>commercial and industrial property</i>		354	0	0	354
<i>other property</i>		1 431	0	0	1 431
Total lendings	December 31, 1997	7 196	75 018	31 767	113 981
<i>of which securities lending and reverse repurchase agreements</i>		0	53 756	8 274	62 030
	December 31, 1996 ¹	67 735	42 499	32 569	142 803

		Form of security			
		Secured by mortgage CHF m	Other security CHF m	Unsecured CHF m	Total CHF m
SECURED CLAIMS OFF-BALANCE-SHEET BUSINESS					
Contingent liabilities					
Credit guarantees in the form of aval, guarantee and indemnity liabilities		0	4 167	5 495	9 662
Bid bonds, delivery and performance bonds, letters of indemnity					
Other performance-related guarantees		20	1 098	2 323	3 441
Irrevocable commitments in respect of documentary credits		0	249	2 815	3 064
Other contingent liabilities		7	74	3 637	3 718
Total contingent liabilities	December 31, 1997	27	5 588	14 270	19 885
	December 31, 1996 ¹	221	7 115	15 366	22 702
Irrevocable commitments	December 31, 1997	1	24 868	37 917	62 786
	December 31, 1996 ¹	136	25 009	34 115	59 260
Call liabilities	December 31, 1997	0	0	4	4
	December 31, 1996 ¹	0	0	71	71
Confirmed credits	December 31, 1997	0	10	463	473
	December 31, 1996 ¹	0	0	510	510
Total off-balance-sheet business	December 31, 1997	28	30 466	52 654	83 148
	December 31, 1996 ¹	357	32 124	50 062	82 543

¹ Refers to the previous legal entity, Schweizerische Kreditanstalt (SKA Group) which also includes Retail and Private Banking. The comparability of the figures is therefore limited due to the restructuring implemented within the Credit Suisse Group.

² The Bank represented by its Guernsey branch issued USD 5 billion credit linked notes (CLN), which were bought by Triangle Funding Ltd., Cayman Islands. The interest and amortization payments of the CLN's are directly funded through the cash flows of the reference assets.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Additional information on the consolidated balance sheet

LENDINGS (CLAIMS ON CUSTOMERS, MORTGAGES) BY ECONOMIC SECTOR

	Swiss borrowers ²		Foreign borrowers ²		Total lendings		Change CHF m	Change %	% of total 31.12.97	% of total 31.12.96
	31.12.97 CHF m	31.12.96 ¹ CHF m	31.12.97 CHF m	31.12.96 ¹ CHF m	31.12.97 CHF m	31.12.96 ¹ CHF m				
Private households	177	34 597	1 051	3 340	1 228	37 937	-36 709	-96.76	1.1	26.6
Non-profit institutions	31	2 212	836	260	867	2 472	-1 605	-64.93	0.8	1.7
Private sector enterprises (non-financial)	1 537	38 002	25 067	27 113	26 604	65 115	-38 511	-59.14	23.3	45.6
Agriculture and mining	0	662	959	927	959	1 589	-630	-39.65	0.8	1.1
Manufacturing	515	11 317	10 179	11 025	10 694	22 342	-11 648	-52.13	9.4	15.6
Food	6	668	1 113	673	1 119	1 341	-222	-16.55	1.0	0.9
Beverages	0	250	225	388	225	638	-413	-64.73	0.2	0.4
Tobacco	42	1	78	139	120	140	-20	-14.29	0.1	0.1
Textiles	0	332	410	229	410	561	-151	-26.92	0.4	0.4
Clothing, shoes, etc.	12	229	77	144	89	373	-284	-76.14	0.1	0.3
Timber, furniture	0	895	614	347	614	1 242	-628	-50.56	0.6	0.8
Paper	0	269	53	520	53	789	-736	-93.28	0.0	0.6
Graphical trades	0	553	209	114	209	667	-458	-68.67	0.2	0.5
Plastics, rubber, leather	112	342	1 402	56	1 514	398	1 116	280.40	1.3	0.3
Chemicals	111	1 402	1 248	2 250	1 359	3 652	-2 293	-62.79	1.2	2.6
Oil	116	58	1 391	949	1 507	1 007	500	49.65	1.3	0.7
Non-metallic minerals	0	590	5	690	5	1 280	-1 275	-99.61	0.0	0.9
Metals, building installations	21	2 013	899	1 037	920	3 050	-2 130	-69.84	0.8	2.1
Machinery, equipment, vehicles	91	3 278	2 077	1 437	2 168	4 715	-2 547	-54.02	1.9	3.3
Watches, jewellery	0	275	0	40	0	315	-315	-100.00	0.0	0.2
Other consumer goods	4	162	378	2 012	382	2 174	-1 792	-82.43	0.3	1.5
Construction	0	3 558	724	775	724	4 333	-3 609	-83.29	0.6	3.0
Energy, environmental protection	0	36	3 442	752	3 442	788	2 654	336.80	3.0	0.6
Services	1 022	22 429	9 763	13 634	10 785	36 063	-25 278	-70.09	9.5	25.3
Wholesale and retail trade	697	8 389	1 634	3 851	2 331	12 240	-9 909	-80.96	2.1	8.6
Transport, hotels and catering	70	3 528	1 172	3 260	1 242	6 788	-5 546	-81.70	1.1	4.8
Other services	255	10 512	6 957	6 523	7 212	17 035	-9 823	-57.66	6.3	11.9
Public sector enterprises (non-financial)	0	523	1 045	825	1 045	1 348	-303	-22.48	0.9	1.0
Financial enterprises	2 100	9 835	57 429	19 900	59 529	29 735	29 794	100.20	52.2	20.8
Public authorities	12	778	3 402	1 243	3 414	2 021	1 393	68.93	3.0	1.4
Other borrowers	0	1 299	21 294	2 876	21 294	4 175	17 119	410.04	18.7	2.9
TOTAL LENDINGS	3 857	87 246	110 124	55 557	113 981	142 803	-28 822	-20.18	100.0	100.0
% of total	3.4	61.1	96.6	38.9	100.0	100.0				

¹ Refers to the previous legal entity, Schweizerische Kreditanstalt (SKA Group) which also includes Retail and Private Banking. The comparability of the figures is therefore limited due to the restructuring implemented within the Credit Suisse Group.

² By customer domicile.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Additional information on the consolidated balance sheet

	31.12.97 CHF m	31.12.96 ⁴ CHF m	Change CHF m	Change %
SECURITIES AND PRECIOUS METALS TRADING PORTFOLIO				
Interest-bearing securities and loan stock rights	72 196	18 792	53 404	284.2
<i>of which own bonds and cash bonds</i>	<i>1 182</i>	<i>23</i>	<i>1 159</i>	<i>—</i>
<i>of which issued by public sector entities</i>	<i>48 937</i>	<i>14 577</i>	<i>34 360</i>	<i>235.7</i>
Quoted on stock exchanges	40 609	18 274	22 335	122.2
Not quoted on stock exchanges	31 587	518	31 069	—
Equities	28 671	15 077	13 594	90.2
<i>of which Credit Suisse Group shares¹</i>	<i>1 372</i>	<i>953</i>	<i>419</i>	<i>44.0</i>
<i>of which units in equity funds</i>	<i>628</i>	<i>333</i>	<i>295</i>	<i>88.6</i>
Quoted on stock exchanges	27 166	14 988	12 178	81.3
Not quoted on stock exchanges	1 505	89	1 416	1 591.0
Precious metals	1 518	1 917	-399	-20.8
<i>of which serving as cover for delivery commitments shown as liabilities</i>	<i>1 518</i>	<i>1 917</i>	<i>-399</i>	<i>-20.8</i>
TOTAL SECURITIES AND PRECIOUS METALS TRADING PORTFOLIO	102 385	35 786	66 599	186.1
<i>of which securities eligible for discount with central banks</i>	<i>28 984</i>	<i>7 794</i>	<i>21 190</i>	<i>271.9</i>
Substantial claims and liabilities included in other balance sheet positions. These are valued at market rates and any profit/loss on them is shown under Net trading income				
Lending of trading portfolio²	33 823	4 740	29 083	613.6
<i>to banks</i>	<i>28 625</i>	<i>4 736</i>	<i>23 889</i>	<i>504.4</i>
<i>to customers</i>	<i>5 198</i>	<i>4</i>	<i>5 194</i>	<i>—</i>
Borrowing of trading portfolio³	31 063	6 612	24 451	369.8
<i>from banks</i>	<i>13 643</i>	<i>1 741</i>	<i>11 902</i>	<i>683.6</i>
<i>from customers</i>	<i>17 420</i>	<i>4 871</i>	<i>12 549</i>	<i>257.6</i>
Positive replacement values of derivatives from trading portfolio (other assets)	50 739	33 493	17 246	51.5
Negative replacement values of derivatives from trading portfolio (other liabilities)	50 603	33 286	17 317	52.0

¹ Current positions in Credit Suisse Group shares (formerly CS Holding) are subject to delivery commitments under derivatives contracts. When these commitments are taken into account, the CSFB's holdings of Credit Suisse Group shares are insignificant.

² Shown in the balance sheet as due from banks or customers.

³ Shown in the balance sheet as due to banks or customers.

⁴ Refers to the previous legal entity, Schweizerische Kreditanstalt (SKA Group) which also includes Retail and Private Banking. The comparability of the figures is therefore limited due to the restructuring implemented within the Credit Suisse Group.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Additional information on the consolidated balance sheet

	Book value		Cost ⁵		Market value ⁵		Change
	31.12.97 CHF m	31.12.96 ⁷ CHF m	31.12.97 CHF m	31.12.96 ⁷ CHF m	31.12.97 CHF m	31.12.96 ⁷ CHF m	
FINANCIAL INVESTMENTS¹							
Interest-bearing securities	6 526	7 636	–	–	–	–	–1 110
of which own bonds and cash bonds	375	10	–	–	–	–	365
of which issued by public sector entities	2 639	5 306	–	–	–	–	–2 667
of which valued at accrual method	2 344	– ⁶	–	–	–	–	2 344
of which valued at lower of cost or market	4 182	– ⁶	4 182	– ⁶	4 182	– ⁶	4 182
Quoted on stock exchanges	2 872	6 615	–	–	–	–	–3 743
Not quoted on stock exchanges	3 654	1 021	–	–	–	–	2 633
Equities	2 188	809	2 263		2 392		1 379
of which qualifying equity interests ²	221	–	–	–	–	–	221
of which Credit Suisse Group shares	0	0	–	–	–	–	0
Precious metals	0	0	0	0	0	0	0
Real estate⁸	1 043	0	1 043	0	1 043	0	1 043
TOTAL FINANCIAL INVESTMENTS	9 757	8 445					1 312
of which securities eligible for discount with central banks	5 424	912	–	–	–	–	4 512
Borrowing of financial investments³	2 726	0	–	–	0	0	2 726
borrowed from banks	505	0	–	–	0	0	505
borrowed from customers	2 221	0	–	–	0	0	2 221
Lending of financial investments⁴	0	0	–	–	0	0	0

¹ Investments which are not held for trading or participation purposes (equity participations and real estate).

² At least 10% capital or voting rights.

³ Shown in the consolidated balance sheet as due to banks or customers.

⁴ Shown in the consolidated balance sheet as due from banks or customers.

⁵ Details only for financial investments that are valued at the lower of cost or market.

⁶ Not available.

⁷ Refers to the previous legal entity, Schweizerische Kreditanstalt (SKA Group) which also includes Retail and Private Banking. The comparability of the figures is therefore limited due to the restructuring implemented within the Credit Suisse Group.

⁸ Real estate held for resale are now included under financial investments rather than under tangible fixed assets. The repossessed real estate as of January 1, 1997, amounted to CHF 316 million.

	31.12.97 CHF m	31.12.96 ⁷ CHF m	Change CHF m
NON-CONSOLIDATED PARTICIPATIONS			
Quoted on stock exchanges	0	0	0
Not quoted on stock exchanges	272	507	–235
TOTAL NON-CONSOLIDATED PARTICIPATIONS	272	507	–235

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Additional information on the consolidated balance sheet

FIXED ASSETS AT DECEMBER 31, 1997	Cost 1.1.97 CHF m	Accumulated deprecia- tions CHF m	Net book value 1.1.97 CHF m	Translation difference CHF m	Investments/ Income from equity CHF m	Disposals CHF m	Transfers CHF m	Depreciation CHF m	Extraordinary deprecia- tions CHF m	Net book value 31.12.97 CHF m
Participations accounted for using the equity method	182	0	182	11	31	-58	0	0	0	166
Other participations	111	0	111	0	0	-5	0	0	0	106
Total participations	293	0	293	11	31	-63	0	0	0	272
Bank premises	3 563	-605	2 958	25	111	-188	0	-72	-4	2 830
Other real estate	1 311	-418	893	0	44	-8	-586	-16	0	327
<i>of which real estate held for resale¹</i>	<i>1 001</i>	<i>-415</i>	<i>586</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>-586</i>	<i>0</i>	<i>0</i>	<i>0</i>
Total real estate²	4 874	-1 023	3 851	25	155	-196	-586	-88	-4	3 157
Leasehold improvements	594	-340	254	15	186	-2	0	-28	-12	413
Other physical assets	1 303	-469	834	33	391	-41	0	-207	-11	999
Total tangible fixed assets	6 771	-1 832	4 939	73	732	-239	-586	-323	-27	4 569
Goodwill ³	0	0	0	0	0	0	0	0	0	0
TOTAL FIXED ASSETS	7 064	-1 832	5 232	84	763	-302	-586	-323	-27	4 841

¹ Real estate held for resale are now included under financial investments rather than under tangible fixed assets. The repossessed real estate as of January 1, 1997, amounted to CHF 316 million. All real estate held for resale are transferred to financial investments.

² The bulk of real estate is used for the banking infrastructure needs of Credit Suisse Group. Real estate owned by the Bank but used by Credit Suisse or other entities within Credit Suisse Group is held for rental to such entities.

³ Prior to January 1, 1997, goodwill was charged directly against shareholders' equity. Had goodwill been recorded in the consolidated balance sheet and depreciated through the consolidated income statement, net profit would have amounted to CHF 1,284 million, a decrease of CHF 36 million (1996: consolidated net loss would have been CHF 52 million higher). The figures shown for total assets and shareholders' equity would have been CHF 76 million higher (1996: CHF 130 million). Since January 1, 1997, acquired goodwill is capitalised and depreciated over its estimated useful life (cf. 'Consolidation and accounting policies').

FURTHER DETAILS ON FIXED ASSETS

	31.12.97 CHF m	31.12.96 ¹ CHF m	Change CHF m	Change %
Fire insurance value of bank premises and other real estate	3 152	5 387	-2 235	-41.5
Fire insurance value of other physical assets	1 026	1 474	-448	-30.4
Liabilities: future leasing instalments in connection with operational leasing	26	1	25	-

¹ Refers to the previous legal entity, Schweizerische Kreditanstalt (SKA Group) which also includes Retail and Private Banking. The comparability of the figures is therefore limited due to the restructuring implemented within the Credit Suisse Group.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Additional information on the consolidated balance sheet

PLEDGED AND ASSIGNED ASSETS AND ASSETS UNDER RESERVATION OF OWNERSHIP

	31.12.97		31.12.96 ¹	
	CHF m	CHF m	CHF m	CHF m
On the balance sheet date, the following assets were not freely available:	Book value of claims	of which used	Book value of claims	of which used
Securities and financial assets for lombard loans	2 857	438	1 892	0
Securities and financial assets for joint projects with other banks	0	0	60	1
Financial assets to cover option exchange margin requirements	2 586	1 777	1 426	1 168
Claims on banks/customer margins for OTC trading	1 387	1 368	748	748
Borrower's mortgage notes used to provide mortgage cover in the amount of	0	0	1 478	1 228
Pledged securities for savings bank liabilities in the amount of	0	0	2 085	2 018
Other ²	41 944	18 311	5 432	5 270
TOTAL	48 774	21 894	13 121	10 433

¹ Refers to the previous legal entity, Schweizerische Kreditanstalt (SKA Group) which also includes Retail and Private Banking. The comparability of the figures is therefore limited due to the restructuring implemented within the Credit Suisse Group.

² Notably, assets pledged as security for the CSFB's international business activities in compliance with local regulations.

None of the CSFB's assets were under reservation of ownership either in 1997 or in the previous year.

LIABILITIES IN RESPECT OF OWN PENSION FUNDS

On the balance sheet date, total liabilities in respect of the CSFB's own pension funds amounted to CHF 771 million (former Credit Suisse as of December 31, 1996: CHF 509 million).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Additional information on the consolidated balance sheet

BONDS AND MORTGAGE-BACKED BONDS ISSUED BY THE CENTRAL MORTGAGE BOND INSTITUTIONS AND THE CENTRAL ISSUING OFFICE	31.12.97 CHF m	31.12.98 ¹ CHF m	Change CHF m	Change %
Bonds	36 562	16 493	20 069	121.7
Bonds issued by the Swiss central issuing offices	0	271	-271	-100.0
Bonds and mortgage-backed bonds issued by the Swiss central mortgage bond institutions	0	1 114	-1 114	-100.0
Subparticipation ²	-1 565	0	-1 565	-
TOTAL	34 997	17 878	17 119	95.8

¹ Refers to the previous legal entity, Schweizerische Kreditanstalt (SKA Group) which also includes Retail and Private Banking. The comparability of the figures is therefore limited due to the restructuring implemented within the Credit Suisse Group.

² To banks within Credit Suisse Group.

BONDS AND MORTGAGE BONDS ISSUED BY CSFB (PARENT COMPANY)

Redemption	Coupon	Year of issue	Callable from	Outstanding amount in millions
2.1998	4.75 %	1988		CHF 80.000 ¹
4.1998	7.00 %	1990		CHF 6.000
7.1998	7.00 %	1990		CHF 4.000
10.1998	6.09 %	1997		USD 1 498.300 ²
10.1998	7.25 %	1990		CHF 3.000
12.1998	7.50 %	1990		CHF 5.000
3.1999	7.00 %	1991		CHF 5.000
5.1999	6.50 %	1991		CHF 5.000
9.1999	5.00 %	1994		CHF 200.000
9.1999	6.75 %	1991		CHF 4.000
1.2000	7.25 %	1990		CHF 150.000 ¹
1.2000	6.75 %	1990	1.1998	CHF 40.000
9.2000	3.25 %	1986	9.1998	CHF 100.000 ¹
9.2000	4.50 %	1995		CHF 250.000
10.2000	6.09 %	1997		USD 1 994.100 ²
10.2000	5.00 %	1988	10.1998	CHF 230.000 ¹
10.2000	5.00 %	1988	10.1998	CHF 70.000 ¹
6.2001	7.25 %	1990		CHF 170.000
7.2001	7.00 %	1991		CHF 150.000 ¹
9.2001	6.00 %	1989	9.1999	CHF 200.000 ¹
1.2002	7.00 %	1992		CHF 100.000
2.2002	7.50 %	1991		CHF 75.000 ¹
5.2002	6.75 %	1992		CHF 60.000
10.2002	6.09 %	1997		USD 1 494.800 ²
3.2003	3.50 %	1993		CHF 75.000 ¹
3.2003	3.50 %	1993		CHF 125.000 ¹
9.2003	6.13 %	1993		USD 200.000 ¹
11.2003	6.25 %	1993		DEM 600.000 ¹
2.2004	5.00 %	1989	2.1999	CHF 180.000 ¹
4.2004	4.38 %	1996		CHF 200.000
11.2004	8.50 %	1994		USD 300.000 ¹
12.2004	6.13 %	1994		DEM 100.000 ¹
3.2005	5.75 %	1995		CHF 225.000 ¹
11.2005	2.00 %	1997	11.2000	USD 100.000
11.2005	2.00 %	1997	11.2000	USD 200.000
3.2006	7.21 %	1996		USD 237.500 ¹
3.2006	6.84 %	1997		USD 95.000 ^{1,4}
perpetual	7.90 %	1997	5.2007	USD 500.000 ^{1,3}
perpetual	6.50 %	1997	6.2007	FRF 1 250.000 ^{1,3}
7.2007	5.25 %	1995		CHF 150.000 ¹
7.2007	5.25 %	1995		CHF 100.000 ¹
perpetual	4.38 %	1997	7.2007	CHF 500.000 ^{1,3}
perpetual	8.25 %	1997	7.2009	GBP 150.000 ^{1,3}

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Additional information on the consolidated balance sheet

Redemption	Coupon	Year of issue	Callable from	Outstanding amount in millions
3.2016	5.00 %	1986	3.2006	CHF 200.000 ¹
perpetual	7.74 %	1997	6.2007	USD 100.000 ¹
BONDS ISSUED BY SUBSIDIARIES				
Crédit Suisse (Luxembourg) SA, Luxembourg				
12.2001	9.13 %	1991	LUF	2 500.000 ¹
8.2003	7.25 %	1993	LUF	1 500.000 ¹
Credit Suisse First Boston Finance (Guernsey) Ltd., Guernsey				
2.2000	0.00 %	1990	CAD	500.000
10.2002	0.00 %	1992	DEM	500.000
Credit Suisse First Boston International (Guernsey) Ltd., Guernsey				
10.1998	5.61 %	1997	USD	500.000
10.1998	5.62 %	1997	USD	300.000
11.1998	5.62 %	1997	USD	125.000
11.1998	5.71 %	1997	USD	200.000
Credit Suisse First Boston Finance B.V., Amsterdam				
11.1998	9.00 %	1992	USD	67.416
3.1999	6.07 %	1993	USD	250.000
3.1999	5.25 %	1993	USD	102.824
9.1999	6.05 %	1992	USD	56.000
9.1999	6.05 %	1992	USD	85.000
2.2000	7.50 %	1992	USD	172.729
6.2000	7.75 %	1993	USD	53.932 ¹
7.2003	7.75 %	1993	USD	80.899 ¹
perpetual	5.69 %	1986	USD	150.000 ¹
5.2003	5.88 %	1993	USD	200.000 ¹
8.2003	5.50 %	1993	USD	200.000 ¹
Credit Suisse First Boston Inc., New York				
2.1998	6.81 %	1993	USD	5.000
2.1998	5.93 %	1996	USD	5.000
3.1998	7.25 %	1992	USD	5.000
3.1998	6.22 %	1993	USD	2.000
4.1998	5.72 %	1996	USD	250.000
4.1998	5.83 %	1996	USD	5.000
5.1998	8.18 %	1992	USD	3.726
7.1998	6.63 %	1992	USD	10.000
7.1998	5.90 %	1995	USD	25.000
7.1998	6.42 %	1995	DEM	107.000 ¹
10.1998	6.37 %	1994	USD	150.000 ¹
10.1998	6.19 %	1993	USD	50.000 ¹
11.1998	0.92 %	1994	JPY	9.000
11.1998	8.28 %	1992	USD	3.613
1.1999	6.01 %	1995	USD	35.000
1.1999	6.01 %	1996	USD	15.000
1.1999	5.98 %	1997	USD	25.000
1.1999	6.26 %	1994	USD	8.000 ¹
6.1999	9.25 %	1992	USD	170.000 ¹
7.1999	5.65 %	1997	USD	1.750
10.1999	6.55 %	1992	USD	5.000
10.1999	7.23 %	1992	USD	5.000 ¹
10.1999	6.50 %	1992	USD	10.000
1.2000	6.45 %	1994	USD	25.000 ¹
3.2000	6.43 %	1993	USD	9.995
5.2000	6.41 %	1995	DEM	147.000 ¹
11.2000	6.25 %	1994	PTE	32.335 ¹

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Additional information on the consolidated balance sheet

Redemption	Coupon	Year of issue	Callable from	Outstanding amount in millions
2.2001	6.40%	1996	DEM	136.147 ¹
3.2001	6.49%	1996	USD	7.500 ¹
3.2001	6.41%	1996	USD	5.000 ¹
4.2001	6.30%	1996	USD	20.000 ¹
4.2001	6.39%	1992	USD	200.000 ¹
5.2001	6.13%	1996	USD	17.000
6.2001	6.48%	1994	USD	52.000 ¹
6.2001	6.09%	1996	USD	8.000
8.2001	6.28%	1996	USD	10.000 ¹
8.2001	6.08%	1996	USD	2.000 ¹
8.2001	6.23%	1995	FFR	156.000 ¹
12.2001	6.59%	1995	USD	20.000 ¹
8.2002	6.48%	1994	USD	5.000 ¹
9.2002	7.83%	1992	USD	3.000
1.2003	7.23%	1993	USD	5.008 ¹
2.2003	7.19%	1993	USD	5.000 ¹
2.2003	6.33%	1993	USD	35.000
4.2003	6.76%	1992	USD	7.000
4.2003	6.60%	1993	USD	20.992 ¹
5.2003	6.05%	1996	USD	10.750
2.2004	6.44%	1994	USD	150.000 ¹
3.2004	8.95%	1992	USD	10.696
3.2004	8.75%	1992	USD	41.903
3.2004	6.42%	1994	USD	164.788 ¹
4.2004	6.41%	1995	DEM	106.686
4.2004	9.30%	1992	USD	100.000
10.2005	6.51%	1993	USD	200.000 ¹
11.2005	6.95%	1995	USD	4.975 ¹
5.2006	6.56%	1996	USD	337.195 ¹
2.2007	6.61%	1995	USD	15.000 ¹
2.2007	6.58%	1995	USD	15.000 ¹
2.2007	6.61%	1995	USD	15.000 ¹
2.2007	6.58%	1995	USD	15.000 ¹
2.2013	8.50%	1993	USD	3.000
4.2018	7.71%	1993	USD	5.230 ¹
various	6.50%	various	USD	6.386 ¹
various	variable	1993	USD	156.282 ¹
various	variable	1993-1995	USD	9.548 ¹
various	variable	1995/96	USD	56.043 ¹
various	variable	1994	USD	40.297 ¹

Credit Suisse Financial Products, London

1998	various	1996-1997	CHF	75.020
9.1998	0.00%	1996	DEM	18.780
10.1998	variable	1995	FRF	400.000
1.1998	0.00%	1997	HKD	18.000
5.1998	0.00%	1997	ITL	40 000.000
1998	various	1995-1997	JPY	33 633.100
1998	various	1997	PTE	14 500.000
1998	various	1997	SEK	358.650
1998	various	1992-1997	USD	275.670
8.1998	0.00%	1991	USD	108.835 ¹
1999	various	1996-1997	CHF	23.000
1999	various	1995-1997	DEM	91.000
1999	1.25%	1994	GBP	59.500
1999	various	1996-1997	ITL	17 000.000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Additional information on the consolidated balance sheet

Redemption	Coupon		Year of issue	Callable from	Outstanding amount in millions
1999	various		1996–1997		JPY 1 085.000
1999	various		1994		NLG 46.000
1999	various		1997		SEK 210.000
1999	various		1992–1997		USD 290.900
4.1999	7.75 %		1992		XEU 47.000 ¹
8.2000	4.00 %		1997		DEM 28.000
12.2000	3.00 %	Index-linked Notes	1995	12.1999	FIM 25.000
11.2000	7.50 %		1997		GBP 25.000
2000	various		1997		ITL 110 000.000
2000	various		1995–1997		JPY 20 717.316
9.2000	0.00 %	Zero Coupon Index-linked Notes	1994		NLG 25.000
7.2000	variable	Floating Rate Notes	1997		PTE 5 000.000
2000	various		1992–1997		USD 279.025
6.2001	6.50 %		1997		BEF 100.000
3.2001	variable	Floating Rate Notes	1997	3.1998	CHF 10.000
2001	various		1997		ITL 108 000.000
2001	various		1995–1997		JPY 15 569.300
2001	various		1994–1997		USD 545.340
5.2001	variable	Floating Rate Notes	1994		XEU 15.000
10.2002	variable	Floating Rate Notes	1997		CHF 75.000 ¹
2002	various		1996–1997		DEM 82.500
12.2002	0.00 %	Zero Coupon Notes	1997		ITL 20 000.000 ¹
2002	various		1996–1997		JPY 163 940.000
2002	various		1992		LUF 3 500.000 ¹
2002	various		1996–1997		USD 489.660
7.2002	0.00 %	Zero Coupon Notes	1997		XEU 10.000
6.2003	8.00 %		1997		BEF 200.000
11.2003	0.00 %	Zero Coupon Notes	1995		FRF 25.000
2.2003	0.00 %	Zero Coupon Notes	1997		GBP 19.200
10.2003	2.00 %		1997		ITL 30 000.000
2003	various		1997		JPY 1 700.000
3.2003	7.63 %		1993		LUF 1 500.000 ¹
2003	various		1994–1997		USD 214.570
2004	0.00 %	Zero Coupon Notes	1994		CHF 13.000 ¹
2004	variable	Floating Rate Notes	1997		DEM 25.000
2004	various		1996–1997		ITL 293 000.000
2004	0.00 %	Zero Coupon Notes	1997		ITL 35 000.000 ¹
2004	various		1995–1997		JPY 12 300.000
2004	0.00 %	Zero Coupon Notes	1997		NOK 110.000
2004	various		1995–1997		USD 116.100
6.2004	8.50 %		1997		XEU 2.600
12.2004	0.00 %	Zero Coupon Notes	1994		XEU 10.000 ¹
6.2005	8.25 %		1995		BEF 200.000 ¹
9.2005	variable	Floating Rate Notes	1995		DEM 46.895 ¹
12.2005	0.00 %	Zero Coupon Bonds	1997		FRF 200.000
2005	0.00 %	Zero Coupon Notes	1997		ITL 90 000.000
12.2005	0.00 %	Zero Coupon Notes	1997		ITL 60 000.000 ¹
2005	various		1996–1997		JPY 8 400.000
12.2005	0.00 %	Zero Coupon Notes	1997	6.1999	NOK 160.000
2005	0.00 %	Zero Coupon Notes	1997		PTE 9 362.045 ¹
2005	various		1995–1997		USD 272.050
9.2006	variable	Floating Rate Notes	1996		DEM 9.336 ¹
11.2006	0.00 %	Zero Coupon Notes	1997	4.1998	FIM 50.000
2006	various		1997		ITL 64 280.000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Additional information on the consolidated balance sheet

Redemption	Coupon		Year of issue	Callable from	Outstanding amount in millions
12.2006	5.70 %	Dual Currency Bonds	1996		JPY 500.000
2006	various		1995-1997		USD 83.100
7.2006	0.00 %	Zero Coupon Bonds	1994		USD 40.000 ¹
2007	various		1996-1997		CHF 120.000
2007	various		1997		DEM 70.000
5.2007	variable	Floating Rate Notes	1997		DEM 80.000 ¹
11.2007	0.00 %	Zero Coupon Notes	1997	10.2000	FIM 50.000
2007	various		1997		ITL 113 600.000
2007	various		1996-1997		JPY 9 500.000
2007	various		1995-1997		USD 192.939
7.2007	variable	Floating Rate Notes	1997		USD 40.000 ¹
2008	0.00 %	Zero Coupon Notes	1993-1994		DEM 152.723 ¹
2008	various		1997		ITL 63 000.000
10.2008	variable	Floating Rate Notes	1997	2.1998	ITL 15 000.000 ¹
2008	various		1997		JPY 600.000
2008	various		1995-1997		USD 64.275
2009	various		1997		DEM 91.500
2009	0.00 %	Zero Coupon Notes	1994-1996		DEM 212.579 ¹
5.2009	variable	Floating Rate Notes	1997		ITL 17 000.000
2009	various		1996-1997		JPY 4 500.000
2009	0.00 %	Zero Coupon Notes	1997		USD 85.000
1.2010	0.00 %	Zero Coupon Notes	1997		DEM 20.000
6.2010	0.00 %	Zero Coupon Bonds	1997		DEM 59.942 ¹
3.2010	0.00 %	Zero Coupon Bonds	1995		ITL 30 000.000 ¹
2010	0.00 %	Zero Coupon Notes	1997		USD 66.600
2011	various		1993-1997		USD 147.275
2012	0.00 %	Zero Coupon Notes	1997		DEM 35.000
2012	various		1996-1997		USD 27.000
2013	various		1995-1997		USD 67.000
12.2014	0.00 %	Zero Coupon Bonds	1994		ITL 250 000.000 ¹
10.2014	0.00 %	Zero Coupon Notes	1995		USD 29.000
6.2015	variable	Floating Rate Notes	1997		USD 41.600
9.2017	0.00 %	Zero Coupon Notes	1997		DEM 15.000
5.2017	variable	Floating Rate Notes	1997		JPY 5 000.000
9.2017	0.00 %	Zero Coupon Bonds	1997		PTE 1 700.000
8.2017	0.00 %	Zero Coupon Bonds	1997		USD 28.000
1.2018	variable	Floating Rate Notes	1997		ITL 50 000.000
1.2020	variable	Floating Rate Notes	1996		CAD 162.496
9.2021	variable	Floating Rate Notes	1996	9.1999	JPY 10 000.000
12.2021	0.00 %	Zero Coupon Bonds	1995		USD 81.281 ¹
10.2022	0.00 %	Zero Coupon Bonds	1997		DEM 40.000
10.2027	0.00 %	Zero Coupon Bonds	1997		DEM 50.000
perpetual	various		1995		CHF 80.000 ¹
perpetual	10.25 %		1995	8.2015	GBP 100.000 ¹
perpetual	variable	Floating Rate Notes	1993-1995		JPY 20 000.000 ¹
perpetual	various		1995-1997		NLG 60.000 ¹
perpetual	variable	Floating Rate Notes	1992-1997		USD 220.000 ¹

¹ Subordinated bonds.

² Credit linked notes issued by Credit Suisse First Boston Guernsey branch.

³ Issued by Credit Suisse First Boston London branch.

⁴ Issued by Credit Suisse First Boston Nassau branch.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Additional information on the consolidated balance sheet

VALUATION ADJUSTMENTS AND PROVISIONS/ RESERVES AGAINST GENERAL BANKING RISKS	Total 31.12.96 ⁴ CHF m	Impact of transfer of companies resulting from restructuring CHF m	Total 1.1.97 CHF m	Specific write-downs CHF m	Reclassifi- cations ¹ CHF m	Recoveries, endangered interest, currency differences CHF m	Net charges to consoli- dated income statement CHF m	Charges to consoli- dated income statement (extra- ordinary) CHF m	Write-backs credited to consolidated income statement CHF m	Total 31.12.97 CHF m
Valuation adjustments and provisions for default risks (debtor and country risks)	10 157	-9 517	640	-149	231	3	356	0	0	1 081
Valuation adjustments and provisions for other risks	463	99	562	-57	-304	12	103	220 ⁵	0	536
Provisions for restructuring	200	-144	56	-110	0	0	0	410 ³	0	356
Provisions for taxes and deferred taxes	614	465	1 079	-889	0	115	780 ²	0	0	1 085
Other provisions	105	373	478	-262	68	-9	90	83	0	448
Total write-downs and provisions	11 539	-8 724	2 815	-1 467	-5	121	1 329	713	0	3 506
Less direct charge-offs against specific assets	9 357	-8 865	492							507
Total write-downs and provi- sions shown in balance sheet	2 182	141	2 323							2 999
Reserves against general banking risks	432	-20	412	0	0	0	0	0	0	412

¹ CHF 5 million has been transferred to Credit Suisse. The CHF 236 million relates to a reclassification of liquidity risk in Emerging Markets to country/debtor risk. The balance of CHF 68 million represents other risks which have been reclassified to be consistent with Credit Suisse Group presentation.

² CHF 85 million deviation to income statement due to deferred tax assets that are not included in the provisions.

³ Includes extraordinary provision for the purchase of the UK and continental European equities, equity capital markets, mergers and acquisitions and corporate finance advisory businesses of BZW of CHF 332 million.

⁴ Refers to the previous legal entity, Schweizerische Kreditanstalt (SKA Group) which also includes Retail and Private Banking. The comparability of the figures is therefore limited due to the restructuring implemented within the Credit Suisse Group.

⁵ IT provision for year 2000 and EMU events.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Additional information on the consolidated balance sheet

		Sight deposits	Callable	Maturity					Total
MATURITY STRUCTURE OF CURRENT ASSETS AND BORROWED FUNDS		CHF m	CHF m	within 3 months CHF m	within 3–12 months CHF m	over 1 to 5 years CHF m	over 5 years CHF m	No maturity? ² CHF m	CHF m
Current assets									
Cash		2 049	–	–	–	–	–	–	2 049
Money market papers		0	0	11 009	4 993	133	0	–	16 135
Due from banks		6 877	2 452	121 026	9 997	3 550	90	–	143 992
Due from customers		3 549	622	84 467	9 393	6 432	2 354	–	106 817
Mortgages		0	43	608	850	3 974	1 689	–	7 164
Securities and precious metal trading portfolio		102 385	–	–	–	–	–	–	102 385
Financial investments		2 188	82	3 145	1 389	1 613	297	1 043	9 757
Total current assets	December 31, 1997	117 048	3 199	220 255	26 622	15 702	4 430	1 043	388 299
	December 31, 1996 ¹	56 256	32 443	73 762	45 971	33 733	7 698	–	249 863
Borrowed funds									
Liabilities in respect of money market paper		0	0	14 153	3 366	232	0	–	17 751
Due to banks		49 870	3 275	139 625	11 399	2 360	71	–	206 600
Due to customers, in savings and investment deposits		0	2 019	276	0	0	0	–	2 295
Due to customers, other deposits		7 895	1 163	87 290	13 234	4 252	702	–	114 536
Bonds and mortgage-backed bonds		–	–	1 392	4 044	18 171	11 390	–	34 997
Total borrowed funds	December 31, 1997	57 765	6 457	242 736	32 043	25 015	12 163	–	376 179
	December 31, 1996 ¹	38 278	53 806	106 028	16 529	14 069	11 689	–	240 399

¹ Refers to the previous legal entity, Schweizerische Kreditanstalt (SKA Group) which also includes Retail and Private Banking. The comparability of the figures is therefore limited due to the restructuring implemented within the Credit Suisse Group.

² As a result of changes to the accounting principles the financial investments include repossessed real estate held for resale. The maturity structure has been amended and discloses no maturity items.

CLAIMS ON AND LIABILITIES TO AFFILIATED COMPANIES,
AND LOANS TO MEMBERS OF THE BANK'S GOVERNING BODIES

	31.12.97 CHF m	31.12.96 ¹ CHF m	Change CHF m	Change %
Claims on affiliated companies ²	6 438	7 426	–988	–13.3
Liabilities to affiliated companies ²	29 648	4 527	25 121	554.9
Loans to members of CSFB's governing bodies ³	0	251	–251	–100.0

¹ Refers to the previous legal entity, Schweizerische Kreditanstalt (SKA Group) which also includes Retail and Private Banking. The comparability of the figures is therefore limited due to the restructuring implemented within the Credit Suisse Group.

² Affiliated companies are entities which are not subsidiaries of Credit Suisse First Boston but which are grouped together under unitary management within the organisation of Credit Suisse Group.

³ The heading 'Loans to members of the bank's governing bodies' includes all claims on Members of the Board of Directors, Executive Management and the statutory auditors and on any companies controlled by them.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Additional information on the consolidated balance sheet

	1997 CHF m	Minority interests 1997 CHF m	Total 1997 CHF m	Total 1996 ¹ CHF m	Change CHF m	Change %
SHAREHOLDERS' EQUITY						
Beginning shareholders' equity						
Share capital	3 149	0	3 149	2 149	1 000	46.5
Capital reserves	4 307	0	4 307	4 408	-101	-2.3
Retained earnings	922	0	922	4 935	-4 013	-81.3
Minority interests in shareholders' equity	0	881	881	764	117	15.3
Reserves against general banking risks	412	0	412	432	-20	-4.6
Consolidated net profit	0	0	0	1 021	-1 021	-100.0
Total beginning shareholders' equity as of January 1, 1997/96	8 790	881	9 671	13 709	-4 038	-29.5
Capital increase						
Minority investments in subsidiaries	0	290	290	2	288	-
Payments						
Dividend	0	0	0	-537	537	100.0
Paid by subsidiaries to minority shareholders	-15	-99	-114	-236	122	51.7
Foreign currency translation differences	102	7	109	349	-240	-68.8
Goodwill purchases	0	0	0	-6	6	100.0
Changes in scope of consolidation						
Transfer of subsidiary to Credit Suisse retroactively to January 1, 1997	21	0	21	0	21	-
Consolidated net profit/loss	1 214	0	1 214	-1 705	2 919	171.2
Net profit minority shareholders	0	106	106	261	-155	59.4
Total shareholders' equity as of December 31, 1997/96	10 112	1 185²	11 297	11 837	-540	-4.6
Share capital	3 149	0	3 149	2 149	1 000	46.5
Capital reserves	4 307	0	4 307	4 408	-101	-2.3
Retained earnings	1 030	0	1 030	5 637	-4 607	-81.7
Minority interests in shareholders' equity including net profit	-	1 185	1 185	916	269	29.4
Reserves against general banking risks	412	0	412	432	-20	-4.6
Consolidated net profit/loss	1 214	0	1 214	-1 705	2 919	171.2

IMPACT OF RESTRUCTURING

CHF m

Shareholders' equity as of December 31, 1996	11 837
Share capital	1 000
Capital reserves	-101
Retained earnings	-3 010
Minority interests in shareholders' equity	-35
Reserves against general banking risks	-20
Total impact of restructuring	-2 166³
Shareholders' equity as of January 1, 1997	9 671

¹ Refers to the previous legal entity, Schweizerische Kreditanstalt (SKA Group) which also includes Retail and Private Banking. The comparability of the figures is therefore limited due to the restructuring implemented within the Credit Suisse Group.

² CHF 792 million represents perpetual non-cumulative non voting preferred shares held by Credit Suisse Group as direct investments in subsidiaries of Credit Suisse First Boston.

³ Net CHF -2,166 million represents dividend in kind of Swiss Retail and Private Banking business of CHF -5,069 million, a contribution in kind of former CS First Boston of CHF 2,403 million and investment minority interest in subsidiaries of CHF 500 million.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Additional information on the consolidated balance sheet

BREAKDOWN OF ASSETS AND LIABILITIES: SWITZERLAND AND ABROAD (BY LOCATION OF ASSETS)	31.12.97		31.12.96 ¹	
	Switzerland CHF m	Abroad CHF m	Switzerland CHF m	Abroad CHF m
Assets				
Cash	999	1 050	2 305	360
Money market papers	1 488	14 647	3 288	14 482
Due from banks	8 695	135 297	3 018	39 376
Due from customers	3 802	103 015	28 415	54 183
Mortgages	55	7 109	58 831	1 374
Securities and precious metals trading portfolio	10 108	92 277	5 508	30 278
Financial investments	759	8 998	1 906	6 539
Non-consolidated participations	102	170	269	238
Tangible fixed assets	3 389	1 180	4 955	444
Accrued income and prepaid expenses	491	5 398	477	1 770
Other assets	8 247	45 618	11 818	23 557
TOTAL ASSETS	38 135	414 759	120 790	172 601
Liabilities and shareholders' equity				
Liabilities in respect of money market paper	438	17 313	498	6 409
Due to banks	22 756	183 844	14 303	42 196
Due to costumers, savings and investment deposits	2 020	275	40 595	3 723
Due to customers, other deposits	32 183	82 353	41 252	65 497
Cash bonds	0	0	8 048	0
Bonds and mortgage-backed bonds	3 256	31 741	10 195	7 683
Accrued expenses and deferred income	409	7 822	1 080	1 853
Other liabilities	6 033	48 155	11 369	24 671
Valuation adjustments and provisions	500	2 499	1 668	514
Total liabilities	67 595	374 002	129 008	152 546
Reserve against general banking risks	412	0	395	37
Shareholders' equity (excluding minority interests pre consolidated net profit/loss)	2 851	5 635	10 704	1 490
Minority interests in shareholders' equity	10	1 069	19	636
Consolidated net profit/loss	329	991	-1 999	555
of which minority interests	1	105	1	260
Total shareholders' equity	3 602	7 695	9 119	2 718
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	71 197	381 697	138 127	155 264

¹ Refers to the previous legal entity, Schweizerische Kreditanstalt (SKA Group) which also includes Retail and Private Banking. The comparability of the figures is therefore limited due to the restructuring implemented within the Credit Suisse Group.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Additional information on the consolidated balance sheet

GEOGRAPHICAL ANALYSIS OF ASSETS (BY LOCATION OF ASSETS)	31.12.97		31.12.96*		Change	
	CHF m	% of total	CHF m	% of total	CHF m	%
Switzerland	38 135	8.4	120 790	41.2	-82 655	-68.4
EU ¹	127 274	28.1	95 198	32.4	32 076	33.7
USA	167 533	37.0	30 487	10.4	137 046	449.5
Canada	2 870	0.6	4 547	1.5	-1 677	-36.9
Japan	37 369	8.3	15 117	5.1	22 252	147.2
Other industrial countries ²	9 985	2.2	4 277	1.5	5 708	133.5
Financial centres outside industrial countries	33 077	7.3	11 605	4.0	21 472	185.0
of which Hong Kong	3 614	0.8	3 160	1.1	454	14.4
Singapore	7 932	1.7	2 555	0.9	5 377	210.5
Other ³	21 531	4.8	5 890	2.0	15 641	265.6
Oil-producing countries ⁴	5 902	1.3	2 758	0.9	3 144	114.0
Newly industrialised countries ⁵	15 045	3.3	4 920	1.7	10 125	205.8
Eastern Europe and Commonwealth of Independent States ⁶	12 946	2.9	1 196	0.4	11 750	982.4
Other developing countries ⁷	2 758	0.6	2 496	0.9	262	10.5
Total assets outside Switzerland	414 759	91.6	172 601	58.8	242 158	140.3
TOTAL ASSETS	452 894	100.0	293 391	100.0	159 503	54.4

The above analysis is based on the location of asset and does not take any collateral or hedges through structured off-balance-sheet transactions into account. Market and credit risks can therefore not be judged based on the above schedule.

Countries not listed separately above in which our assets amount to more than CHF 100 million:

¹ Austria, Belgium, Denmark, Finland, France, Germany, Greece, Greenland, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden, United Kingdom.

² Australia, Liechtenstein, New Zealand, Norway, South Africa.

³ Aruba-Curaçao (Netherl. Antilles), Bahamas, Bermuda, Cayman Islands, Panama.

⁴ Bahrain, Ecuador, Indonesia, Iran, Kuwait, Mexico, Saudi Arabia, Venezuela.

⁵ Argentina, Brazil, Chile, Colombia, Egypt, Israel, Lebanon, Malaysia, Morocco, Philippines, South Korea, Taiwan, Thailand, Turkey, Uruguay.

⁶ Czech Republic, Hungary, Poland, Russian Federation, Slovak Republic, Turkmenistan, Ukraine.

⁷ China, India.

* Refers to the previous legal entity, Schweizerische Kreditanstalt (SKA Group) which also includes Retail and Private Banking. The comparability of the figures is therefore limited due to the restructuring implemented within the Credit Suisse Group.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Additional information on the consolidated balance sheet

CURRENCY STRUCTURE OF THE BALANCE SHEET	CHF		USD		Other currencies		Total	
	31.12.97 CHF m	31.12.96 ¹ CHF m	31.12.97 CHF m	31.12.96 ¹ CHF m	31.12.97 CHF m	31.12.96 ¹ CHF m	31.12.97 CHF m	31.12.96 ¹ CHF m
Assets								
Cash	792	1 877	880	138	377	650	2 049	2 665
Money market papers	1 507	3 282	7 595	2 107	7 033	12 381	16 135	17 770
Due from banks	12 370	11 944	62 108	15 806	69 514	14 644	143 992	42 394
Due from customers	6 316	28 955	53 677	31 036	46 824	22 607	106 817	82 598
Mortgages	57	59 560	6 762	114	345	531	7 164	60 205
Securities and precious metals trading portfolio	21 189	7 176	39 287	11 622	41 909	16 988	102 385	35 786
Financial investments	916	3 336	3 400	1 534	5 441	3 575	9 757	8 445
Non-consolidated participations	102	270	113	6	57	231	272	507
Tangible fixed assets	2 771	4 901	863	259	935	239	4 569	5 399
Accrued income and prepaid expenses	636	614	2 752	613	2 501	1 020	5 889	2 247
Other assets	10 518	11 086	42 635	6 924	712	17 365	53 865	35 375
TOTAL ASSETS²	57 174	133 001	220 072	70 159	175 648	90 231	452 894	293 391
Liabilities and shareholders' equity								
Liabilities in respect of money market paper	15	49	15 304	5 040	2 432	1 818	17 751	6 907
Due to banks	20 163	12 606	83 078	22 991	103 359	20 902	206 600	56 499
Due to customers, savings and investment deposits	2 024	44 077	261	230	10	11	2 295	44 318
Due to customers, other deposits	17 746	37 321	52 533	38 870	44 257	30 558	114 536	106 749
Cash bonds	0	8 048	0	0	0	0	0	8 048
Bonds and mortgage-backed bonds	4 050	9 080	19 283	2 924	11 664	5 874	34 997	17 878
Accrued expenses and deferred income	631	1 283	4 799	881	2 801	769	8 231	2 933
Other liabilities	13 469	12 401	30 223	5 266	10 496	18 373	54 188	36 040
Valuation adjustments and provisions	527	1 640	1 899	317	573	225	2 999	2 182
Total liabilities²	58 625	126 505	207 380	76 519	175 592	78 530	441 597	281 554
Reserve against general banking risks	412	395	0	0	0	37	412	432
Shareholders' equity (excluding minority interests)								
pre-consolidated net profit/loss	2 851	10 713	4 743	877	892	604	8 486	12 194
Minority interests in shareholders' equity	10	19	1 069	636	0	0	1 079	655
Consolidated net profit/loss	329	-1 999	817	472	174	83	1 320	-1 444
of which minority interests	1	1	105	260	0	0	106	261
Total shareholders' equity³	3 602	9 128	6 629	1 985	1 066	724	11 297	11 837
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	62 227	135 633	214 009	78 504	176 658	79 254	452 894	293 391

¹ Refers to the previous legal entity, Schweizerische Kreditanstalt (SKA Group) which also includes Retail and Private Banking. The comparability of the figures is therefore limited due to the restructuring implemented within the Credit Suisse Group.

² Currency breakdown excludes impact of off-balance-sheet transactions.

³ Based upon functional currency of reporting unit.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Additional information on the consolidated balance sheet

FURTHER DETAILS ON SELECTED BALANCE SHEET ITEMS	31.12.97 CHF m	31.12.96 ² CHF m	Change CHF m	Change %
Financial leasing				
Vehicle leasing	0	385	-385	-100.0
Real estate leasing	0	337	-337	-100.0
Capital goods leasing	281	451	-170	-37.7
Total financial leasing¹	281	1 173	-892	-76.0
Other assets				
Positive replacement value of derivatives	50 946	33 493	17 453	52.1
<i>of which positive replacement value of trading derivatives</i>	<i>50 739</i>	<i>33 493</i>	<i>17 246</i>	<i>51.5</i>
<i>of which positive replacement value of other derivatives³</i>	<i>207</i>	<i>0</i>	<i>207</i>	<i>-</i>
Transitory accruals and deferrals	1 257	858	399	46.5
Compensation account for adjustments to carrying value having no income effect	76	38	38	100.0
Other	1 586	986	600	60.9
Total other assets	53 865	35 375	18 490	52.3
Other liabilities				
Mortgages on own real estate	0	346	-346	-100.0
Negative replacement value of derivatives	50 650	33 286	17 364	52.2
<i>of which negative replacement value of trading derivatives</i>	<i>50 603</i>	<i>33 286</i>	<i>17 317</i>	<i>52.0</i>
<i>of which other negative replacement value of other derivatives³</i>	<i>47</i>	<i>0</i>	<i>47</i>	<i>-</i>
Transitory accruals and deferrals	1 290	1 227	63	5.1
Compensation account for adjustments to carrying value having no income effect	98	176	-78	-44.3
Other	2 150	1 005	1 145	113.9
Total other liabilities	54 188	36 040	18 148	50.4
Debt securities				
Money market paper	17 751	6 907	10 844	157.0
Cash bonds	0	8 048	-8 048	-100.0
Bonds and mortgage-backed bonds	34 997	16 764	18 233	108.8
Total debt securities	52 748	31 719	21 029	66.3
Claims on associated companies and long-term holdings				
Due from banks	37	35	2	5.7
Due from customers	28	77	-49	-63.6
Mortgages	0	72	-72	-100.0
Total claims on associated companies and long-term holdings	65	184	-119	-64.7
Liabilities in respect of associated companies and long-term holdings				
Due to banks	0	15	-15	-100.0
Due to customers	15	59	-44	-74.6
Total liabilities in respect of associated companies and participations	15	74	-59	-79.7

¹ Shown in the balance sheet under 'Due from customers'.

² Refers to the previous legal entity, Schweizerische Kreditanstalt (SKA Group) which also includes Retail and Private Banking. The comparability of the figures is therefore limited due to the restructuring implemented within the Credit Suisse Group.

³ The contract volume of asset and liability management interest rate instruments is CHF 11.1 billion.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Additional information on the consolidated balance sheet

FURTHER DETAILS ON SELECTED BALANCE SHEET ITEMS	31.12.97 CHF m	31.12.96 ¹ CHF m	Change CHF m	Change %
Breakdown of subordinated balance sheet items				
Assets subject to subordination clause				
Due from banks	12	2	10	–
Due from customers	106	127	–21	–16.5
Securities holdings	2 280	186	2 094	–
<i>of which trading portfolio</i>	<i>1 980</i>	<i>52</i>	<i>1 928</i>	–
<i>of which financial investments</i>	<i>300</i>	<i>134</i>	<i>166</i>	<i>123.9</i>
Total assets subject to subordination clause	2 398	315	2 083	661.3
Liabilities subject to subordination clause				
Due to banks	270	0	270	0.0
Due to customers	313	553	–240	–43.4
Bonds and mortgage-backed bonds	12 682	8 243	4 439	53.9
Total liabilities subject to subordination clause	13 265	8 796	4 469	50.8

¹ Refers to the previous legal entity, Schweizerische Kreditanstalt (SKA Group) which also includes Retail and Private Banking. The comparability of the figures is therefore limited due to the restructuring implemented within the Credit Suisse Group.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Additional information on consolidated off-balance-sheet business

OFF-BALANCE-SHEET BUSINESS	31.12.97 CHF m	31.12.96 ¹ CHF m	Change CHF m	Change %
Breakdown of contingent liabilities				
Credit guarantees in the form of aval, guarantee and indemnity liabilities	14 425	14 886	-461	-3.1
less subparticipations allocated	-4 763	-5 680	917	-16.1
Bid bonds, delivery and performance bonds, letters of indemnity, other performance-related guarantees	3 816	7 029	-3 213	-45.7
less subparticipations allocated	-375	-50	-325	650.0
Irrevocable commitments in respect of documentary credits	3 488	3 295	193	5.9
less subparticipations allocated	-424	-98	-326	332.7
Other contingent liabilities	3 718	3 320	398	12.0
Total contingent liabilities	19 885	22 702	-2 817	-12.4
Irrevocable commitments	62 786	59 260	3 526	6.0
Call liabilities	4	71	-67	-94.4
Confirmed credits (Acceptance credits)	473	510	-37	-7.3
Breakdown of fiduciary transactions				
Fiduciary placements with third-party institutions	3 648	24 073	-20 425	-84.8
Fiduciary placements with affiliated banks	4	0	4	-
Fiduciary placements and other fiduciary transactions	2 204	745	1 459	195.8
Total fiduciary transactions	5 856	24 818	-18 962	-76.4

OPEN DERIVATIVE CONTRACTS	Gross positive replacement value				Credit equivalent ⁵			
	Remaining life			31.12.97 Total CHF bn	Remaining life			31.12.97 Total CHF bn
	< 1 year CHF bn	1-5 years CHF bn	> 5 years CHF bn		< 1 year CHF bn	1-5 years CHF bn	> 5 years CHF bn	
Breakdown by maturity								
Total interest rate instruments	3.6	17.9	23.2	44.7	3.6	21.4	30.3	55.3
Total foreign exchange	25.6	5.8	1.9	33.3	36.1	10.7	5.7	52.5
Total precious metals	1.3	0.6	0.1	2.0	1.8	0.9	0.4	3.1
Total equities/indices	5.1	5.0	0.1	10.2	6.3	6.6	0.7	13.6
Total other	0.0	0.1	0.0	0.1	0.2	0.3	0.0	0.5
Total	35.6	29.4	25.3	90.3	48.0	39.9	37.1	125.0

OPEN DERIVATIVE CONTRACTS ²	Contract volume 31.12.97		Replacement value ⁴ 31.12.97		Credit equivalent ⁵ 31.12.97	
	CHF bn	%	CHF bn	%	CHF bn	%
Breakdown by internal bank rating³						
AAA	205.1	6.3	5.2	10.9	8.0	9.4
AA	1 415.6	43.8	18.8	39.3	37.0	43.2
A	1 131.4	35.0	11.5	24.1	24.5	28.6
BBB	340.6	10.5	8.3	17.3	11.2	13.1
BB or lower	141.7	4.4	4.0	8.4	4.9	5.7
Total	3 234.4	100.0	47.8	100.0	85.6	100.0

¹ Refers to the previous legal entity, Schweizerische Kreditanstalt (SKA Group) which also includes Retail and Private Banking. The comparability of the figures is therefore limited due to the restructuring implemented within the Credit Suisse Group.

² OTC contracts, excluding OTC option sales.

³ Using Standard & Poor's rating structure.

⁴ Taking account of legally enforceable netting agreements and after deduction of CHF 3.1 billion of assets pledged as security.

⁵ Potential exposures: Positive replacement values plus add-on's.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Additional information on consolidated off-balance-sheet business

		Contract volume ¹					Gross replacement values (RV)			
		Remaining life			31.12.97	31.12.96 ⁷	31.12.97		31.12.96 ⁷	
		< 1 year CHF bn	1–5 years CHF bn	> 5 years CHF bn			Positive RV ⁵ CHF bn	Negative RV ⁵ CHF bn	Positive RV ⁵ CHF bn	Negative RV ⁵ CHF bn
OPEN DERIVATIVE CONTRACTS										
Interest rate instruments										
OTC	FRAs and other forward contracts	174.5	11.7	7.9	194.1	161.0	0.3	0.2	0.1	0.2
	Swaps	300.6	746.3	498.2	1 545.1	1 133.8	39.3	38.0	33.8	30.4
	Options bought	63.6	129.1	73.6	266.3	150.1	5.1	–	2.6	–
	Options sold	113.2	137.5	80.6	331.3	166.3	–	5.0	–	2.7
Traded	Futures	310.0	103.5	4.4	417.9	159.7	–	–	–	–
	Options	189.0	29.9	0.0	218.9	39.2	–	–	–	–
Total interest rate instruments		1 150.9	1 158.0	664.7	2 973.6	1 810.1	44.7	43.2	36.5	33.3
Foreign exchange contracts										
OTC	Forward contracts ^{2,3}	617.5	11.9	2.7	632.1	701.5	18.8	17.2	13.4	14.8
	Swaps ⁴	54.2	102.2	56.4	212.8	161.8	9.2	10.3	7.7	8.4
	Options bought	265.3	8.7	1.1	275.1	137.2	5.3	–	1.8	–
	Options sold	241.4	11.0	1.9	254.3	124.7	–	5.6	–	1.8
Traded	Futures	0.4	0.0	0.0	0.4	0.0	–	–	–	–
	Options	0.1	0.0	0.0	0.1	0.7	–	–	–	–
Total foreign exchange contracts		1 178.9	133.8	62.1	1 374.8	1 125.9	33.3	33.1	22.9	25.0
Precious metal contracts										
OTC	Forward contracts ²	18.4	4.8	2.6	25.8	15.5	1.5	2.0	0.5	0.6
	Options bought	1.0	1.7	0.3	3.0	1.6	0.5	–	0.1	–
	Options sold	1.5	3.5	0.5	5.5	8.0	–	0.7	–	0.6
Traded	Futures	1.4	0.5	0.0	1.9	6.9	–	–	–	–
	Options	0.0	0.0	0.0	0.0	1.1	–	–	–	–
Total precious metal contracts		22.3	10.5	3.4	36.2	33.1	2.0	2.7	0.6	1.2
Equity/index contracts										
OTC	Forward contracts	1.1	0.0	0.0	1.1	0.1	0.1	0.0	0.0	0.0
	Options bought	50.2	26.2	1.0	77.4	41.8	10.1	–	3.5	–
	Options sold	48.6	70.7	3.9	123.2	46.5	–	10.1	–	3.9
Traded	Futures	17.7	0.0	0.0	17.7	5.1	–	–	–	–
	Options	42.7	6.4	0.0	49.1	30.4	–	–	–	–
Total equity/index contracts		160.3	103.3	4.9	268.5	123.9	10.2	10.1	3.5	3.9
Other contracts										
OTC	Forward contracts	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Options bought	0.5	1.0	0.1	1.6	1.1	0.1	–	0.0	–
	Options sold	0.2	1.3	0.0	1.5	1.6	–	0.0	–	0.0
Traded	Futures	6.7	2.8	0.0	9.5	0.6	–	–	–	–
	Options	0.3	0.3	0.0	0.6	2.5	–	–	–	–
Total other contracts		7.7	5.4	0.1	13.2	5.8	0.1	0.0	0.0	0.0
TOTAL		2 520.1	1 411.0	735.2	4 666.3	3 098.8	90.3	89.1	63.5	63.4
of which OTC contract volume		1 951.8	1 267.6	730.8	3 950.2	2 852.6				
Replacement value taking into consideration legally enforceable netting agreements							47.8 ⁶	48.7 ⁶	31.1 ⁶	33.1

¹ Gross volume of purchases and sales (proprietary and customer transactions).

² Including outstanding spot transactions.

³ Of which up to one month: CHF 276.5 billion.

⁴ Cross-currency interest rate swaps.

⁵ No replacement values are shown for traded derivatives (futures and traded options) subject to daily margining requirements.

⁶ Positive replacement value after deduction of CHF 3.1 billion (1996: CHF 2.1 billion) of assets pledged as security; negative replacement value do not include replacement values of CHF 1.0 billion for traded derivatives.

⁷ Refers to the previous legal entity, Schweizerische Kreditanstalt (SKA Group) which also includes Retail and Private Banking. The comparability of the figures is therefore limited due to the restructuring implemented within the Credit Suisse Group.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Additional information on the consolidated income statement

ANALYSIS OF INCOME	1997 CHF m	1996 ¹ CHF m	Change CHF m	Change %
BREAKDOWN OF INCOME FROM INTEREST BUSINESS				
Interest and discount income	13 520	10 407	3 113	29.9
Interest income from claims on customers	5 094	6 288	-1 194	-19.0
Interest income from claims on banks	7 660	3 240	4 420	136.4
Interest/discount income from bills of exchange and money market paper	566	531	35	6.6
Credit commissions treated as interest earnings	200	258	-58	-22.5
Interest income from leasing	0	90	-90	-100.0
Interest and dividend income from trading portfolio²	5 679	600	5 079	846.5
Interest income	5 525	538	4 987	927.0
Dividend income	154	62	92	148.4
Interest and dividend income from financial investments	257	208	49	23.6
Interest income	244	193	51	26.4
Dividend income	13	15	-2	-13.3
Interest expense	-17 411	-8 184	-9 227	112.7
Interest expense on liabilities to customers	-8 204	-5 547	-2 657	47.9
Interest expense on liabilities to banks	-9 207	-2 637	-6 570	249.1
<i>of which interest expense on subordinated liabilities</i>	<i>-605</i>	<i>-466</i>	<i>-139</i>	<i>29.8</i>
Total income interest business	2045	3 031	-986	-32.5
BREAKDOWN OF COMMISSION AND SERVICE INCOME				
Income from credit business	250	287	-37	-12.9
Credit commissions	253	307	-54	-17.6
less commission expense	-3	-20	17	-85.0
Income from securities business	1 583	795	788	99.1
Commission income from stock exchange business and securities underwriting	1 749	945	804	85.1
less commission expense	-166	-150	-16	10.7
Income from investment business	1 885	1 772	113	6.4
Commission income from investment business and asset management	1 980	1 847	133	7.2
less commission expense	-95	-75	-20	26.7
Other commissions and fee income	40	292	-252	-86.3
Other commissions and fee income	44	320	-276	-86.3
less commission expense	-4	-28	24	-85.7
Total commission and service income	3 758	3 146	612	19.5
BREAKDOWN OF NET TRADING INCOME (including derivatives and expenditure on brokerage/commissions)				
Income from securities trading	2 724	553	2 171	392.6
Income from foreign exchange and banknote trading	473	677	-204	-30.1
Income from precious metal trading	203	97	106	109.3
Income from trading in interest rate instruments	972	587	385	65.6
Other income from trading	419	243	176	72.4
Total net trading income	4 791	2 157	2 634	122.1

¹ Refers to the previous legal entity, Schweizerische Kreditanstalt (SKA Group) which also includes Retail and Private Banking. The comparability of the figures is therefore limited due to the restructuring implemented within the Credit Suisse Group.

² During 1996, funding costs for the securities trading portfolio were a component of both trading income and income from interest business. Securities trading portfolio interest and dividends were also a component of trading income. Commencing January 1, 1997, securities trading portfolio interest and dividends are included in income from interest business and funding costs for the securities trading portfolio were eliminated as a component of trading income. Prior year financial statements have been restated.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Additional information on the consolidated income statement

ANALYSIS OF EXPENSES	1997 CHF m	1996 ¹ CHF m	Change CHF m	Change %
PERSONNEL EXPENSES				
Personnel compensation	4 943	2 902	2 041	70.3
Staff benefits	299	445	-146	-32.8
Other staff costs	240	215	25	11.6
Total personnel expenses	5 482	3 562	1 920	53.9
PROPERTY, EQUIPMENT AND ADMINISTRATIVE COSTS				
Bank premises and real estate	288	336	-48	-14.3
Expenditure on IT, machinery, furnishings, vehicles and other equipment	187	227	-40	-17.6
Expense allocations from Credit Suisse Group BU/entities	383	0	383	-
Expense allocations to Credit Suisse Group BU/entities	-325	0	-325	-
Other property, equipment and administrative costs	1 106	1 081	25	2.3
of which communications and advertising costs	146	342	-196	-57.3
of which legal and consultancy fees	265	217	48	22.1
of which fees and commissions	90	144	-54	-37.5
of which other costs	605	378	227	60.1
Total property, equipment and administrative costs	1 639	1 644	-5	-0.3
DEPRECIATION AND WRITE-DOWNS ON NON-CURRENT ASSETS				
Depreciation on tangible fixed assets	323	679	-356	-52.4
of which repossessed real estate	0	158	-158	-100.0
of which other real estate	16	104	-88	-84.6
Total depreciation and write-downs on non-current assets	323	679	-356	-52.4
BREAKDOWN OF VALUATION ADJUSTMENTS, PROVISIONS AND LOSSES				
Provisions and valuation adjustments for default risks (debtor and country risks)	356	823	-467	-56.7
Provisions and valuation adjustments for other business risks	193	27	166	-
Losses	61	176	-115	-65.3
of which losses in credit business	19	106	-87	-82.1
Total valuation adjustments, provisions and losses	610	1 026	-416	-40.5

¹ Refers to the previous legal entity, Schweizerische Kreditanstalt (SKA Group) which also includes Retail and Private Banking. The comparability of the figures is therefore limited due to the restructuring implemented within the Credit Suisse Group.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Additional information on the consolidated income statement

ANALYSIS OF EXTRAORDINARY INCOME AND EXPENSES	1997 CHF m	1996 ¹ CHF m	Change CHF m	Change %
BREAKDOWN OF EXTRAORDINARY INCOME				
Gains realised from the disposal of participations	20	0	20	–
Gains realised from the disposal of tangible fixed assets	17	0	17	–
Other extraordinary income	41	83	–42	–50.6
Total extraordinary income	78	83	–5	–6.0
BREAKDOWN OF EXTRAORDINARY EXPENSES				
Restructuring costs as a result of the Credit Suisse-SVB merger	0	74	–74	–100.0
Restructuring costs relating to BZW acquisition	332	0	332	–
IT provision for year 2000 and EMU events	220	0	220	–
Restructuring costs relating to Credit Suisse Group reorganization	79	435	–356	–81.8
Allocation to provisions for Vertika AG	0	600	–600	–100.0
Write-downs on repossessed real estate	0	400	–400	–100.0
Allocation to provisions for credit risks	0	630	–630	–100.0
Write-downs on IT equipment	0	100	–100	–100.0
Write-downs on bank premises	0	290	–290	–100.0
Liquidity provisions in emerging markets	0	155	–155	–100.0
Allocation to provisions for tax	0	66	–66	–100.0
Other extraordinary expenses	170	142	28	19.7
Total extraordinary expenses	801	2 892	–2 091	–72.3

¹ Refers to the previous legal entity, Schweizerische Kreditanstalt (SKA Group) which also includes Retail and Private Banking. The comparability of the figures is therefore limited due to the restructuring implemented within the Credit Suisse Group.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Additional information on the consolidated income statement

BREAKDOWN OF INCOME AND EXPENSES FROM ORDINARY BANKING BUSINESS: SWITZERLAND AND ABROAD	1997		1996 ¹	
	Switzerland CHF m	Abroad CHF m	Switzerland CHF m	Abroad CHF m
Income from interest business	143	1 902	2 137²	719
Commissions and service income	748	3 010	2 560	586
Net trading income	384	4 407	938²	1 394
Net other ordinary income	122	76	311	36
NET OPERATING INCOME	1 397	9 395	5 946	2 735
Operating expenses				
Personnel expenses	469	5 013	2 548	1 014
of which personnel compensation	395	4 548	2 071	877
of which staff benefits	57	242	347	98
of which other staff costs	17	223	130	39
Property, equipment and administrative costs	304	1 335	1 168	476
of which bank premises	25	264	235	101
of which expenditure on IT, machinery, furnishings, vehicles, etc.	14	173	127	100
of which other property, equipment and administrative costs	265	898	806	275
Total operating expenses	773	6 348	3 716	1 490
GROSS PROFIT BEFORE TAXES	624	3 047	2 230	1 245
% of total	17%	83%	64%	36%
Taxes	44	651	80	325
% of total	6%	94%	20%	80%
GROSS PROFIT AFTER TAXES	580	2 396	2 150	920
% of total	19%	81%	70%	30%

¹ Refers to the previous legal entity, Schweizerische Kreditanstalt (SKA Group) which also includes Retail and Private Banking. The comparability of the figures is therefore limited due to the restructuring implemented within the Credit Suisse Group.

² During 1996, funding costs for the securities trading portfolio were a component of both trading income and income from interest business. Securities trading portfolio interest and dividends were also a component of trading income. Commencing January 1, 1997, securities trading portfolio interest and dividends became a component of income from interest business and funding costs for the securities trading portfolio were eliminated as a component of trading income.

Additional Disclosures

As of December 31
STAFF NUMBERS

	1997
America	4 932
Europe	6 539
of which Switzerland	1 574
Asia/Pacific	1 730
Total	13 201

REPORT OF THE GROUP AUDITORS TO THE ANNUAL GENERAL MEETING OF CREDIT SUISSE FIRST BOSTON, ZURICH

As Group auditors of Credit Suisse First Boston, we have audited the consolidated financial statements (consolidated balance sheet, consolidated income statement, consolidated statement of cash flows and notes to consolidated financial statements) for the year ended December 31, 1997. The consolidated financial statements as of December 31, 1996, were audited by another audit firm whose report, dated February 27, 1997, expressed an unqualified opinion on those statements.

The consolidated financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the profession in Switzerland and with the International Standards on Auditing issued by the International Federation of Accountants (IFAC), which require that an audit be planned and performed to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. We have examined, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. We have also assessed the accounting principles used, significant estimates made and the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the financial position, the results of operations and the cash flows in accordance with Swiss accounting rules for banks and comply with the requirements of Swiss law and the accounting regulations prescribed by the Listing Rules of the Swiss Exchange. Furthermore, the consolidated financial statements comply with the European Union accounting directives applicable for banks, taking into consideration the deviations described in the notes to the consolidated financial statements. The financial review is in accordance with the consolidated financial statements.

We recommend that the consolidated financial statements submitted to you be approved.

KPMG Klynveld Peat Marwick Goerdeler SA

Brendan Nelson
Chartered Accountant

Mario Castelnovo
Chartered Accountant

Auditors in Charge

Zurich, February 27, 1998

FINANCIAL REVIEW

The reorganization of the Credit Suisse First Boston Parent Company resulted in the transfer of the Swiss domestic banking for individuals and corporate clients to Credit Suisse (formerly Swiss Volksbank). Only limited historical financial information on the reorganized Parent Company is available.

Net operating income was CHF 3,206 million while total operating expenses were CHF 1,268 million. Gross operating profit in 1997 was CHF 1,938 million.

Valuation adjustments, provisions and losses totalled CHF 562 million including credit and country provisions of CHF 455 million. Extraordinary expenses totalled CHF 164 million.

Net annual profit before extraordinary items and taxes increased to CHF 1,273 million. Net annual profit after taxes and extraordinary items amounted to CHF 1,023 million.

At the Annual General Meeting, March 27, 1998, shareholders will be asked to approve the Board of Directors' proposed appropriation of retained earnings, which includes a dividend of CHF 850.2 million (CHF 27 per bearer and registered share).

BALANCE SHEET

	31.12.97 CHF m	31.12.96 ¹ CHF m	1.1.97 ² CHF m	Change to the balance sheet after reorganization CHF m	%
ASSETS					
Cash	1 777	1 726	1 179	598	50.7
Money market claims	15 297	12 858	12 612	2 685	21.3
Due from banks	72 196	42 728	56 130	16 066	28.6
of which securities lending and reverse repurchase agreements	24 602	— ³	— ³	— ³	— ³
Due from customers	46 872	65 195	43 601	3 271	7.5
of which securities lending and reverse repurchase agreements	12 300	— ³	— ³	— ³	— ³
Mortgages	836	33 628	671	165	24.6
Securities and precious metal trading portfolio	16 478	14 432	14 364	2 114	14.7
Financial investments ⁴	7 161	5 665	5 624	1 537	27.3
Participations	4 197	5 402	3 953	244	6.2
of which dividends in kind from SVB	—	2 872	0	0	—
Tangible fixed assets ⁴	2 009	2 326	2 340	—331	—14.1
Accrued income and pre-paid expenses	2 356	1 666	1 646	710	43.1
Other assets	26 405	18 266	18 234	8 171	44.8
TOTAL ASSETS	195 584	203 892	160 354	35 230	22.0
Total subordinated claims	807	322	— ³	— ³	— ³
Total due from participations and qualified shareholders	59 243	16 391	— ³	— ³	— ³

	Notes page	31.12.97 CHF m	31.12.96 ¹ CHF m	1.1.97 ² CHF m	Change to the balance sheet after reorganization CHF m	%
LIABILITIES						
Liabilities in respect of money market paper		13 260	5 597	5 597	7 663	136.9
Due to banks		80 801	50 156	77 833	2 968	3.8
of which securities borrowing and repurchase agreements		8 023	— ³	— ³	— ³	— ³
Due to customers, savings and investment accounts		2 289	23 478	2 211	78	3.5
Due to customers, other deposits		46 698	81 503	41 889	4 809	11.5
of which securities borrowing and repurchase agreements		9 530	— ³	— ³	— ³	— ³
Cash bonds		0	4 437	0	—	—
Bonds and mortgage-backed bonds	67	14 567	6 730	4 878	9 689	198.6
Accrued expenses and deferred income		2 135	1 865	1 404	731	52.1
Other liabilities		26 196	18 689	18 354	7 842	42.7
Valuation adjustments and provisions	68	829	1 030	402	427	106.2
Total liabilities		186 775	193 485	152 568	34 207	22.4
Reserves against general banking risks	68	330	330	330	—	—
Share capital	69	3 149	2 149	3 149	—	—
General legal reserves		4 307	4 965	4 307	—	—
Other reserves		0	4 241	0	—	—
of which reserves set aside for SVB dividends in kind		—	2 872	0	—	—
Retained earnings		0	8	0	—	—
Net annual profit/loss		1 023	—1 286	0	1 023	—
Total shareholders' equity	70	8 809	10 407	7 786	1 023	13.1
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		195 584	203 892	160 354	35 230	22.0
Total subordinated liabilities		6 226	5 603	— ³	— ³	— ³
Total due to participations and qualified shareholders		12 350	11 490	— ³	— ³	— ³

¹ Refers to the previous legal entity, Schweizerische Kreditanstalt (SKA) which also includes Retail and Private Banking. The comparability of the figures is therefore limited due to the restructuring implemented within the Credit Suisse Group.

² The balance sheet after reorganization has not been audited. Rather, it has been reviewed by the independent auditors. See notes to consolidated financial statements for description of review.

³ Not available.

⁴ Repossessed real estate and other assets held for resale are now included under financial investments rather than under tangible fixed assets. The repossessed real estate as of January 1, 1997, amounted to CHF 316.2 million; the prior year financial statements have not been restated.

OFF-BALANCE-SHEET BUSINESS

OFF-BALANCE-SHEET BUSINESS	Notes page	31.12.97 CHF m	31.12.96 ¹ CHF m	Change CHF m	Change %
Contingent liabilities		22 953	24 789	-1 836	-7.4
Irrevocable commitments		59 525	54 703	4 822	8.8
Call liabilities		1	26	-25	-96.2
Confirmed credits		435	508	-73	-14.4
Derivative financial instruments					
– gross positive replacement value		27 639	16 426	11 213	68.3
– gross negative replacement value		26 179	16 833	9 346	55.5
– contract volume		1 363 265	1 132 959	230 306	20.3
Fiduciary transactions	71	775	19 187	-18 412	-96.0

¹ Refers to the previous legal entity, Schweizerische Kreditanstalt (SKA) which also includes Retail and Private Banking.
The comparability of the figures is therefore limited due to the restructuring implemented within the Credit Suisse Group.

INCOME STATEMENT

INCOME AND EXPENDITURE FROM ORDINARY BANKING BUSINESS	Notes page	1997 CHF m	1996 ¹ CHF m	Change CHF m	Change %
Results from interest business					
Interest and discount income		6 546	6 893	-347	-5.0
Interest and dividend income from trading portfolio ²		331	487	-156	-32.0
Interest and dividend income from financial investments		200	87	113	129.9
Interest expense		-6 330	-5 653	-677	12.0
Net interest income		747	1 814	-1 067	-58.8
Results from commission and service fee activity					
Commission income from lending activities		223	260	-37	-14.2
Commission from securities and investment transactions		456	1 505	-1 049	-69.7
Commissions from other services		35	220	-185	-84.1
Commission expense		-74	-139	65	-46.8
Net commission and service fee income		640	1 846	-1 206	-65.3
Net trading income²	72	1 098	790	308	39.0
Other ordinary income					
Income from the sale of financial investments		14	117	-103	-88.0
Income from participations		753	546	207	37.9
Real estate income		9	18	-9	-50.0
Sundry ordinary income		42	239	-197	-82.4
Sundry ordinary expenses ³		-97	-44	-53	120.5
Net other ordinary income		721	876	-155	-17.7
Net operating income		3 206	5 326	-2 120	-39.8
Operating expenses					
Personnel expenses		-746	-2 106	1 360	-64.6
Other operating expenses		-522	-1 104	582	-52.7
Total operating expenses		-1 268	-3 210	1 942	-60.5
Gross operating profit		1 938	2 116	-178	-8.4
NET ANNUAL PROFIT/LOSS					
Gross operating profit		1 938	2 116	-178	-8.4
Depreciation and write-downs on non-current assets ⁴		-103	-402	299	-74.4
Valuation adjustments, provisions and losses	72	-562	-750	188	-25.1
Annual profit before extraordinary items and taxes		1 273	964	309	32.1
Extraordinary income	72	47	427	-380	-89.0
Extraordinary expenditure	72	-164	-2 606	2 442	-93.7
Taxes		-133	-71	-62	87.3
Net annual profit/loss		1 023	-1 286	2 309	179.5

¹ Refers to the previous legal entity, Schweizerische Kreditanstalt (SKA) which also includes Retail and Private Banking. The comparability of the figures is therefore limited due to the restructuring implemented within the Credit Suisse Group.

² During 1996, funding costs for the securities trading portfolio were a component of both trading income and income from interest business. Securities trading portfolio interest and dividends were also a component of trading income. Commencing January 1, 1997, securities trading portfolio interest and dividends are included in income from interest business and funding costs for the securities trading portfolio were eliminated as a component of trading income. The prior year financial statements have been restated.

³ As a result of the changes to the accounting principles, write-downs on repossessed real estate held for resale are now included under sundry ordinary expenses. The prior year financial statements have not been restated.

PROPOSED APPROPRIATION OF RETAINED EARNINGS
at the disposal of the March 27, 1998, Annual General Meeting

RETAINED EARNINGS	31.12.97 CHF m	31.12.96 CHF m	Change CHF m
Net annual profit/loss	1 023.0	-1 285.7	2 308.7
Profit carried forward from previous year	0.0	7.6	-7.6
Retained earnings at the year-end	1 023.0	-1 278.1	2 301.1
ADJUSTMENT FOR PROFIT/LOSS DISTRIBUTION			
Transfer from the general legal reserves	0.0	1 278.1	-1 278.1
Allocation to reserves			
Allocation to general legal reserves	69.3	0.0	69.3
Allocation to other reserves	103.0	0.0	103.0
Total allocation to reserves	172.3	0.0	172.3
Dividends in respect of share capital:			
1997: CHF 27 per bearer share with a nominal value of CHF 100 on the share capital of CHF 1 531 600 000 ranking for dividends	413.6	0.0	413.6
CHF 27 per registered share with a nominal value of CHF 100 on the share capital of CHF 1 617 160 400 ranking for dividends	436.6	0.0	436.6
Total dividends	850.2	0.0	850.2
Dividends and allocations to reserves	1 022.5	0.0	1 022.5
BALANCE TO BE CARRIED FORWARD	0.5	0.0	0.5

1997 DIVIDEND	Bearer shares (nom. value CHF 100)	Registered shares (nom. value CHF 100)
Dividend per Credit Suisse First Boston share after acceptance of the above proposals	CHF 27.00	CHF 27.00
less 35% federal withholding tax	CHF -9.45	CHF -9.45
NET DIVIDEND	CHF 17.55	CHF 17.55

Payable as from March 27, 1998, by cheque or into the account of the registered shareholders, or against presentation of the coupon number 7 for holders of bearer shares.

Zurich, February 27, 1998

For the Board of Directors

Chairman: *Rainer E. Gut*

For the Business Units

Business Unit Credit Suisse First Boston

Hans-Ulrich Doerig (until December 31, 1997)¹

Allen D. Wheat (as of January 1, 1998)

Chief Executive Officer

Business Unit Credit Suisse Asset Management

Phillip M. Colebatch

Chief Executive Officer

Chief Financial Officer of the Bank

Stephen A.M. Hester

¹ Since January 1, 1998, Vice Chairman and Chief Risk Officer of the Credit Suisse Group Executive Board.

NOTES TO FINANCIAL STATEMENTS

Accounting and valuation policies

The parent company's financial statements are prepared in accordance with the Swiss Federal Law on Banks and Saving Banks of 1934 as amended, the Implementing Ordinance on Banks and Saving Banks and the Guidelines of the Federal Banking Commission Concerning the Preparation of Financial Statements as amended through October 22, 1997.

In general, the parent company's financial statements are based on the same accounting and valuation principles used for the consolidated financial statements. However, unlike the consolidated financial statements, which give 'true and fair view' of the financial position and the results of operations, the parent company's financial statements may include and be influenced by undisclosed reserves. Undisclosed reserves arise from economically unnecessary write-downs on fixed assets and participations or through market related price increases which are not reflected in the income statement. In addition, undisclosed reserves arise from recording excessive provisions and loan loss reserves or if provisions and loan reserves which are no longer necessary are not written back to income.

Notes on risk management

For information on the Bank's policy with regard to risk management and the use of financial derivatives, see notes to consolidated financial statements.

NOTES TO FINANCIAL STATEMENTS
Additional information on the balance sheet

BONDS AND MORTGAGE BONDS ISSUED BY CSFB (PARENT COMPANY)

Redemption	Coupon	Year of issue	Callable from	Issue amount in millions	Subparticipation in millions
2.1998	4.75 %	1988		CHF 80.0 ¹	
4.1998	7.00 %	1990		CHF 6.0	
7.1998	7.00 %	1990		CHF 4.0	
10.1998	6.09 %	1997		USD 1 498.3 ²	
10.1998	7.25 %	1990		CHF 3.0	
12.1998	7.50 %	1990		CHF 5.0	
1.1999	7.50 %	1991		CHF 100.0	100.0 ³
3.1999	7.00 %	1991		CHF 5.0	
5.1999	4.50 %	1994		CHF 100.0	100.0 ³
5.1999	6.50 %	1991		CHF 5.0	
9.1999	5.00 %	1994		CHF 200.0	
9.1999	6.75 %	1991		CHF 4.0	
1.2000	7.25 %	1990		CHF 150.0 ¹	
1.2000	6.75 %	1990	1.1998	CHF 40.0	
9.2000	3.25 %	1986	9.1998	CHF 100.0 ¹	
9.2000	4.50 %	1995		CHF 250.0	
10.2000	6.09 %	1997		USD 1 994.1 ²	
10.2000	5.00 %	1988	10.1998	CHF 230.0	
10.2000	5.00 %	1988	10.1998	CHF 70.0 ¹	
6.2001	7.25 %	1990		CHF 170.0	
7.2001	7.00 %	1991		CHF 150.0 ¹	
9.2001	6.00 %	1989	9.1999	CHF 200.0 ¹	
1.2002	7.00 %	1992		CHF 100.0	
2.2002	7.50 %	1991		CHF 200.0 ¹	125.0 ³
5.2002	6.75 %	1992		CHF 60.0	
3.2002	7.25 %	1990	3.2000	CHF 150.0	150.0 ³
10.2002	6.09 %	1997		USD 1 494.8 ²	
1.2003	7.75 %	1991		CHF 100.0	100.0 ³
1.2003	7.25 %	1992		CHF 100.0	100.0 ³
2.2003	5.00 %	1988	2.2000	CHF 170.0	170.0 ³
3.2003	3.50 %	1993		CHF 75.0 ¹	
3.2003	3.50 %	1993		CHF 125.0 ¹	
9.2003	6.13 %	1993		USD 200.0 ¹	
11.2003	6.25 %	1993		DEM 600.0 ¹	
2.2004	5.00 %	1989	2.1999	CHF 300.0 ¹	120.0 ³
4.2004	4.38 %	1996		CHF 200.0	
11.2004	8.50 %	1994		USD 300.0 ¹	
12.2004	6.13 %	1994		DEM 100.0 ¹	
2.2005	5.50 %	1995		CHF 100.0	100.0 ³
3.2005	5.75 %	1995		CHF 225.0 ¹	
11.2005	3.13 %	1995		CHF 300.0	300.0 ³
11.2005	2.00 %	1997	11.2000	USD 100.0	
11.2005	2.00 %	1997	11.2000	USD 200.0	
3.2006	7.21 %	1996		USD 237.5 ¹	
3.2006	6.84 %	1997		USD 95.0 ¹	
perpetual	7.90 %	1997	5.2007	USD 500.0 ¹	
perpetual	6.50 %	1997	6.2007	FRF 1 250.0 ¹	
7.2007	5.25 %	1995		CHF 150.0 ¹	
7.2007	5.25 %	1995		CHF 100.0 ¹	
perpetual	4.38 %	1997	7.2007	CHF 500.0 ¹	
2.2008	4.50 %	1996		CHF 200.0	200.0 ³
perpetual	8.25 %	1997	7.2009	GBP 150.0 ¹	
3.2016	5.00 %	1986	3.2006	CHF 200.0 ¹	
perpetual	7.74 %	1997	6.2007	USD 100.0 ¹	

¹ Subordinated bonds.

² Credit linked notes issued by Credit Suisse First Boston Guernsey branch.

³ To banks within Credit Suisse Group.

**DETAILS OF CREDIT SUISSE GROUP SHARES
HELD BY CREDIT SUISSE FIRST BOSTON¹**

Securities trading portfolio

	Quantity	Book value (CHF 1000)
Portfolio at December 31, 1996 (former SKA)	6 607 865	908 581
Portfolio at December 31, 1997	4 749 002	1 073 274

¹ Net current positions in Credit Suisse Group shares are subject to delivery commitments under derivatives contracts. When these commitments are taken into account, the CSFB parent's net proprietary holdings of Credit Suisse Group shares are insignificant.

NOTES TO FINANCIAL STATEMENTS
Additional information on the balance sheet

**PLEGDED AND ASSIGNED ASSETS AND
ASSETS UNDER RESERVATION OF OWNERSHIP**

	31.12.97		31.12.96 ¹	
	CHF m	CHF m	CHF m	CHF m
The following assets were not freely available	Book value of claims	of which used	Book value of claims	of which used
Securities and financial investments for lombard loans	645	0	456	0
Financial assets to cover option exchange margin requirements	1 359	554	769	511
Borrower's mortgage notes used to provide mortgage cover in the amount of	0	0	365	273
Borrower's mortgage notes used to provide savings bank cover in the amount of	0	0	1 195	1 167
Other ²	1 684	1	4 954	4 954
TOTAL	3 688	555	7 739	6 905

¹ Refers to the previous legal entity, Schweizerische Kreditanstalt (SKA) which also includes Retail and Private Banking.
The comparability of the figures is therefore limited due to the restructuring implemented within the Credit Suisse Group.

² Notably, assets pledged as security for Credit Suisse First Boston's international business activities in compliance with local regulations.

LIABILITIES IN RESPECT OF OWN PENSION FUNDS

On the balance sheet date, total liabilities in respect of the bank's own pension funds amounted to CHF 757 million (former SKA 1996: CHF 403 million).

WRITE-DOWNS AND PROVISIONS/ RESERVES AGAINST GENERAL BANKING RISKS	Total 31.12.96 ¹ CHF m	Impact of transfer of operations and holdings CHF m	Total 1.1.97 CHF m	Specific write-downs CHF m	Reclassifi- cations CHF m	Recoveries, endangered interest, currency differences CHF m	Net charges to income statement CHF m	Charges to income statement (extra- ordinary) CHF m	Write-backs credited to income statement CHF m	Total 31.12.97 CHF m
Write-downs and provisions for default risks (debtor and country risks)	6 918	-6 446	472	-127	-3 ²	0	455	0	0	797
Write-downs and provisions for other business risks	68	-67	1	0	-2 ²	0	35	0	0	34
Write-downs and provisions for restructuring	56	0	56	-31	0	0	0	0	0	25
Provisions for taxes and deferred taxes	206	-3	203	-85		19	133	0	0	270
Other provisions	77	29	106	-83		-18	103	0	0	108
Total write-downs and provisions	7 325	-6 487	838	-326	-5	1	726	0	0	1 234
Less direct charge-offs against specific assets	6 295	-5 859	436							405
Total write-downs and provisions shown in balance sheet	1 030	-628	402							829
Reserves against general banking risks	330	0	330	0	0	0	0	0	0	330

¹ Refers to the previous legal entity, Schweizerische Kreditanstalt (SKA) which also includes Retail and Private Banking.
The comparability of the figures is therefore limited due to the restructuring implemented within the Credit Suisse Group.

² Transfer to Credit Suisse.

• NOTES TO FINANCIAL STATEMENTS
Additional information on the balance sheet

COMPOSITION OF SHARE CAPITAL	1997			1996 ¹		
	Quantity	Total nominal value CHF	Capital ranking for dividends CHF	Quantity	Total nominal value CHF	Capital ranking for dividends CHF
Paid-up capital						
Bearer shares at CHF 100						
Capital on January 1	15 316 000	1 531 600 000		15 316 000	1 531 600 000	
Capital on December 31	15 316 000	1 531 600 000	1 531 600 000	15 316 000	1 531 600 000	1 531 600 000
Registered shares at CHF 100						
Capital on January 1	6 171 604	617 160 400		6 171 604	617 160 400	
Capital increase on February 6, 1997	10 000 000	1 000 000 000				
Capital on December 31	16 171 604	1 617 160 400	1 617 160 400	6 171 604	617 160 400	617 160 400
TOTAL SHARE CAPITAL		3 148 760 400	3 148 760 400		2 148 760 400	2 148 760 400

AUTHORISED AND CONDITIONAL CAPITAL	1997		1996 ¹		1995 ¹	
	Quantity	Total nominal value CHF	Quantity	Total nominal value CHF	Quantity	Total nominal value CHF
Authorised share capital						
Registered shares at CHF 100						
Authorised share capital on January 1	10 000 000	1 000 000 000	1 000 000	100 000 000 ⁴	17 076	1 707 600 ³
In accordance with the decision of the AGM of March 30, 1995:					1 000 000	100 000 000
In accordance with the decision of the Extraordinary General Meeting of December 4, 1996:			10 000 000	1 000 000 000		
Capital increase on February 6, 1997	-10 000 000	-1 000 000 000				
Authorised share capital on December 31	0	0	10 000 000	1 000 000 000	1 000 000	100 000 000
Conditional share capital on December 31	0	0	0	0	0	0

MAJOR SHAREHOLDERS AND GROUPS OF SHAREHOLDERS ²	31.12.97			31.12.96 ¹		
	Quantity	Total nominal value CHF	Share %	Quantity	Total nominal value CHF	Share %
Bearer shares at CHF 100 with voting rights						
Credit Suisse Group	15 314 681	1 531 468 100	99.99	15 313 611	1 531 361 100	99.98
Other shareholders	1 319	131 900	0.01	2 389	238 900	0.02
Total	15 316 000	1 531 600 000	100.0	15 316 000	1 531 600 000	100.0
Registered shares at CHF 100 with voting rights						
Credit Suisse Group	16 171 293	1 617 129 300	99.99	6 171 284	617 128 400	99.99
Other shareholders	311	31 100	0.01	320	32 000	0.01
Total	16 171 604	1 617 160 400	100.0	6 171 604	617 160 400	100.0

¹ Refers to the previous legal entity, Schweizerische Kreditanstalt (SKA) which also includes Retail and Private Banking.

The comparability of the figures is therefore limited due to the restructuring implemented within the Credit Suisse Group.

² The BZ Group and the Olayan Group hold 7.95% and 5% respectively of Credit Suisse Group registered shares and therefore indirectly exceed 5% of all voting rights of Credit Suisse First Boston.

³ In accordance with the decision of the AGM of March 31, 1993, the exercise period for the remaining authorised share capital expired on March 30, 1995.

The remaining CHF 1,707,600 worth of shares lapsed as of this date.

⁴ Cancelled at the Extraordinary General Meeting of December 4, 1996.

NOTES TO FINANCIAL STATEMENTS
Additional information on the balance sheet

SHAREHOLDERS' EQUITY	1997 CHF 1000	1996 ¹ CHF 1000	Change CHF 1000	Change %
Beginning shareholders' equity				
Share capital	3 148 760	2 148 760	1 000 000	46.5
General legal reserves	4 306 728	4 922 664	-615 936	-12.5
Other reserves	0	3 844 000	-3 844 000	-100.0
Reserves against general banking risks	330 454	330 454	0	0.0
Retained earnings	0	984 745	-984 745	-100.0
<i>of which carried forward from previous year</i>	0	6 595	-6 595	-100.0
<i>of which net annual profit</i>	0	978 150	-978 150	-100.0
Total beginning shareholders' equity	7 785 942	12 230 623	-4 444 681	-36.3
Other changes to/transfers from reserves	-	-	-	-
Payments				
Dividend	0	-537 190	537 190	-
Net annual profit/loss	1 022 931	-1 285 672	2 308 603	-
Total shareholders' equity as of December 31	8 808 873	10 407 761	-1 598 888	-15.4
Share capital	3 148 760	2 148 760	1 000 000	46.5
General legal reserves	4 306 728	4 965 664	-658 936	-13.3
Other reserves	0	4 241 000	-4 241 000	-100.0
<i>of which reserves set aside for SVB dividends in kind</i>	0	2 872 000	-2 872 000	-100.0
Reserves against general banking risks	330 454	330 454	0	0.0
Retained earnings	1 022 931	-1 278 117	2 301 048	-
<i>of which profit carried forward from previous year</i>	0	7 555	-7 555	-100.0
<i>of which net annual profit/loss</i>	1 022 931	-1 285 672	2 308 603	-

IMPACT OF RESTRUCTURING

	CHF 1000
Shareholders' equity as of December 31, 1996	10 407 761
Share capital	1 000 000
General legal reserves	-658 936
Other reserves	-4 241 000
Retained earnings	1 278 117
Total impact of restructuring²	-2 621 819
Shareholders' equity as of January 1, 1997	7 785 942

¹ Refers to the previous legal entity, Schweizerische Kreditanstalt (SKA) which also includes Retail and Private Banking. The comparability of the figures is therefore limited due to the restructuring implemented within the Credit Suisse Group.

² The net CHF -2,622 million represents a dividend in kind of Credit Suisse Group of CHF -4,922 million and a contribution in kind of Credit Suisse First Boston, the former CSFirst Boston Inc., of CHF 2,300 million.

NOTES TO FINANCIAL STATEMENTS

Additional information on the balance sheet and off-balance-sheet business

CAPITAL INCREASE

As described on page 69 the Bank increased its share capital. The former Statutory Auditors examined the capital increase in accordance with the provisions of the law and issued the following report.

Auditors' report to the Board of Directors of Credit Suisse First Boston on capital increase

As auditors of your company we examined in accordance with Article 652f of the Swiss Code of Obligations the capital increase report dated February 6, 1997, presented by yourself. Our examination was conducted in accordance with professionally accepted auditing standards in Switzerland. We confirm that we meet the legal requirements concerning professional qualification and independence.

Based on our examination we conclude that the information provided in the capital increase report is complete, accurate and in accordance with Swiss law and the resolution of the General Meeting of Shareholders of Credit Suisse First Boston (formerly Schweizerische Kreditanstalt) dated December 4, 1996.

Revisuisse Price Waterhouse AG

Peter Ochsner Pascal Portmann
Auditors in Charge

Zurich, February 6, 1997

CLAIMS ON AND LIABILITIES TO AFFILIATED COMPANIES, AND LOANS TO MEMBERS OF THE BANK'S GOVERNING BODIES	31.12.97 CHF m	31.12.96 ¹ CHF m	Change CHF m	Change %
Claims on affiliated companies	6 072	6 012	60	1.0
Liabilities to affiliated companies	28 865	1 515	27 350	—
Loans to members of the bank's governing bodies	0	232	-232	-100.0

FURTHER DETAILS ON SELECTED BALANCE SHEET ITEMS	31.12.97 CHF m	31.12.96 ¹ CHF m	Change CHF m	Change %
Fire insurance value				
Real estate	1 866	2 809 ²	-943	-33.6
Other fixed assets	148	1 115	-967	-86.7

BREAKDOWN OF FIDUCIARY TRANSACTIONS	31.12.97 CHF m	31.12.96 ¹ CHF m	Change CHF m	Change %
Fiduciary placements with third-party institutions	573	17 509	-16 936	-96.7
Fiduciary placements with affiliated and associated banks	4	1 263	-1 259	-99.7
Fiduciary placements and other fiduciary transactions	198	415	-217	-52.3
Total fiduciary transactions	775	19 187	-18 412	-95.9

¹ Refers to the previous legal entity, Schweizerische Kreditanstalt (SKA) which also includes Retail and Private Banking. The comparability of the figures is therefore limited due to the restructuring implemented within the Credit Suisse Group.

² Includes CHF 692 million repossessed real estate which are now included under financial investments rather than under tangible fixed assets.

NOTES TO FINANCIAL STATEMENTS
Additional information on the income statement

ANALYSIS OF INCOME ²	1997 CHF m	1996 ¹ CHF m	Change CHF m	Change %
BREAKDOWN OF NET TRADING INCOME				
Income from securities trading	256	260	-4	-1.5
Income from foreign exchange and banknote trading	763	457	306	67.0
Income from precious metal trading	54	67	-13	-19.4
Income from trading in interest rate instruments	17	6	11	183.3
Other income from trading	8	0	8	-
Total net trading income	1 098	790	308	39.0

ANALYSIS OF EXPENSES	1997 CHF m	1996 ¹ CHF m	Change CHF m	Change %
BREAKDOWN OF VALUATION ADJUSTMENTS, PROVISIONS AND LOSSES				
Provisions and valuation adjustments for default risks (debtor and country risks)	455	597	-142	-23.8
Provisions and valuation adjustments for other business risks	47	1	46	4600.0
Losses	60	152	-92	-60.5
<i>of which actual losses in credit business</i>	<i>18</i>	<i>100</i>	<i>-82</i>	<i>-82.0</i>
Total valuation adjustments, provisions and losses	562	750	-188	-25.1

ANALYSIS OF EXTRAORDINARY INCOME AND EXPENSES	1997 CHF m	1996 ¹ CHF m	Change CHF m	Change %
BREAKDOWN OF EXTRAORDINARY INCOME				
Gains realised from the disposal of participations	10	0	10	-
Other extraordinary income	37	427	-390	-91.3
<i>of which write-backs from non-specific bad-debt provisions for Vertika AG</i>	<i>0</i>	<i>400</i>	<i>-400</i>	<i>-100.0</i>
Total extraordinary income	47	427	-380	-89.0

BREAKDOWN OF EXTRAORDINARY EXPENSES				
Restructuring costs as a result of the Credit Suisse-SVB merger	0	66	-66	-100.0
Restructuring costs relating to Credit Suisse Group reorganization	0	192	-192	-100.0
Provisions for Vertika AG	0	1 000	-1 000	-100.0
Provisions for credit risks	0	570	-570	-100.0
Valuation adjustments on repossessed property	0	260	-260	-100.0
Valuation adjustments on bank premises	0	267	-267	-100.0
Valuation adjustments on IT equipment	0	80	-80	-100.0
Provisions for taxes	0	66	-66	-100.0
Other extraordinary expenses	164	105	59	56.2
Total extraordinary expenses	164	2 606	-2 442	-93.7

¹ Refers to the previous legal entity, Schweizerische Kreditanstalt (SKA) which also includes Retail and Private Banking. The comparability of the figures is therefore limited due to the restructuring implemented within the Credit Suisse Group.

² During 1996, funding costs for the securities trading portfolio were a component of both trading income and income from interest business. Securities trading portfolio interest and dividends were also a component of trading income. Commencing January 1, 1997, securities trading portfolio interest and dividends are included in income from interest business and funding costs for the securities trading portfolio were eliminated as a component of trading income. Prior year financial statements have been restated.

NOTES TO FINANCIAL STATEMENTS

► Additional Disclosures

As of December 31	1997
Staff numbers	
Switzerland	1 425
Abroad	1 149
Total staff	2 574
Offices	
Switzerland	8
Abroad	36
Total offices	44

REPORT OF THE STATUTORY AUDITORS TO THE ANNUAL GENERAL MEETING OF
CREDIT SUISSE FIRST BOSTON, ZURICH

As statutory auditors of Credit Suisse First Boston, we have audited the accounting records and the financial statements (balance sheet, income statement and notes to financial statements) for the year ended December 31, 1997. The financial statements as of December 31, 1996, were audited by another audit firm whose report dated February 27, 1997, expressed an unqualified opinion on those statements.

The financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the profession in Switzerland, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. We have examined, on a test basis, evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting records and the financial statements and the proposed appropriation of retained earnings comply with the law and the company's articles of association.

We recommend that the financial statements submitted to you be approved.

KPMG Klynveld Peat Marwick Goerdeler SA

Brendan Nelson
Chartered Accountant

Mario Castelnovo
Chartered Accountant

Auditors in Charge

Zurich, February 27, 1998