CREDIT SUISSE

1035304

# Credit Suisse Securities (Nederland) B.V.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

**These Financial Statements were adopted and determined by the Annual General Meeting of Shareholders held on June 27, 2008**

Chamber of Commerce, Amsterdam, No. 33.141.283

CREDIT SUISSE SECURITIES (NEDERLAND) B.V.

CREDIT SUISSE

TABLE OF CONTENTS

CREDIT SUISSE SECURITIES (NEDERLAND) B.V.

CREDIT SUISSE

## OFFICERS AND REGISTERED OFFICE

**Board of Directors**

| | |
|---|---|
| M.J.M. Jochems | Director |
| W.G. Bosch | Director |
| J.P. Egan | Director |

**Registered Office**

Honthorststraat 19

1071DC Amsterdam

The Netherlands

## CREDIT SUISSE SECURITIES (NEDERLAND) B.V.

## DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2007

CREDIT SUISSE

The directors present their report and the financial statements for the year ended 31 December 2007.

**Activities**

The primary activity of the Company is to issue Credit Linked Notes.

The Company is a wholly owned subsidiary of Credit Suisse (International) Holding AG, which is incorporated in Switzerland. The ultimate holding company is Credit Suisse Group, which is incorporated in Switzerland.

The Company employed no staff during the year and has no intention of recruiting any employees.

**Directors**

The names of the directors as at the date of this report are set out on page three.

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

**Results**

The profit for the year was EUR 128,000 (2006: EUR 56,000). No dividends were paid or are proposed for 2007 (2006: EUR Nil).

**Share Capital**

During the year no additional share capital was issued (2006: EUR Nil).

**International Financial Reporting Standards**

The Company's 2007 annual accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union ("EU").

Amsterdam, 27 June 2008

Directors:

M.J.M. Jochems W.G. Bosch J.P. Egan

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

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

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

Law and IFRS as adopted by the EU require the financial statements to present fairly the financial position of the Company and the performance for that period.

In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and prevent and detect fraud and other irregularities.

# INCOME STATEMENT FOR YEAR ENDED 31 DECEMBER 2007

| | Note | 2007 EUR'000 | 2006 EUR'000 |
|---|---|---|---|
| Interest income on deposits | 4 | 2,977 | 962 |
| Interest income on bank balances | 4 | 20 | 3 |
| Interest expense on notes issued | 4 | (3,223) | (2,671) |
| **Net interest expense** | | **(226)** | **(1,706)** |
| Gain on deposits designated at fair value through the profit and loss | 5 | 106 | 21 |
| Gain on asset/liabilities designated at fair value through the profit and loss | 6 | 34,968 | 35,908 |
| Loss on derivatives | 7 | (34,680) | (34,126) |
| Other income | 8 | 24 | 11 |
| **Net non interest income** | | **418** | **1,814** |
| **Net operating income** | | **192** | **108** |
| Administrative expenses | 9 | (24) | (27) |
| **Profit before tax** | | **168** | **81** |
| Income tax expense | 10 | (40) | (25) |
| **Profit for the year** | | **128** | **56** |

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

The notes on pages 10 to 27 form an integral part of these financial statements.

CREDIT SUISSE SECURITIES (NEDERLAND) B.V.

CREDIT SUISSE

# BALANCE SHEET FOR THE YEAR ENDED 31 DECEMBER 2007

| | Note | 2007 EUR'000 | 2006 EUR'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non current assets** | | | |
| Deposits with a group company | 11 | 55,119 | 25,117 |
| Asset designated at fair value | 12 | 13,349 | - |
| **Current assets** | | | |
| Cash and cash equivalents | 13 | 16 | - |
| Tax recoverable | | 1 | 29 |
| Other receivables | | 93 | 45 |
| Deposits with a group company | 11 | 3,245 | 2,993 |
| **Total assets** | | **71,823** | **28,184** |
| **EQUITY** | | | |
| **Capital and reserves attributable to the Company's equity holders** | | | |
| Share capital | 14 | 18 | 18 |
| Retained earnings | | 221 | 93 |
| **Total equity** | | **239** | **111** |
| **LIABILITIES** | | | |
| **Non current liabilities** | | | |
| Liabilities designated at fair value | 15 | 54,890 | 24,009 |
| **Current liabilities** | | | |
| Cash and cash equivalents | 13 | - | 1,524 |
| Tax payable | | - | - |
| Other liabilities | 16 | 91 | 81 |
| Payables to group companies | 17 | 3,179 | 1,396 |
| Derivative financial instruments | 18 | 13,424 | 1,063 |
| **Total liabilities** | | **71,584** | **28,073** |
| **Total equity and liabilities** | | **71,823** | **28,184** |

The notes on pages 10 to 27 form an integral part of these financial statements.

*Approved by the Board of Directors on 27 June 2008 and signed on its behalf by:*

J.M. Jochems    W.G. Bosch    J.P. Egan

CREDIT SUISSE

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

| | Share Capital | Retained Earnings | Total |
|---|---|---|---|
| | EUR'000 | EUR'000 | EUR'000 |
| **Balance at 31 December 2005** | 18 | 37 | 55 |
| Profit for the year | - | 56 | 56 |
| **Total recognised income and expense for the year** | - | 56 | 56 |
| **Balance at 31 December 2006** | 18 | 93 | 111 |

| | Share Capital | Retained Earnings | Total |
|---|---|---|---|
| | EUR'000 | EUR'000 | EUR'000 |
| **Balance at 31 December 2006** | 18 | 93 | 111 |
| Profit for the year | - | 128 | 128 |
| **Total recognised income and expense for the year** | - | 128 | 128 |
| **Balance at 31 December 2007** | 18 | 221 | 239 |

The notes on pages 10 to 27 form an integral part of these financial statements.

## CREDIT SUISSE SECURITIES (NEDERLAND) B.V.

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2007

| | Note | 2007 EUR'000 | 2006 EUR'000 |
|---|---|---|---|
| Profit before tax for the year | | 168 | 81 |
| **Adjustments to reconcile net income to net cash provided by/(used in) operating activities** | | | |
| Net increase in operating assets: | | | |
| (Increase) / decrease in deposits with group companies | | (30,254) | 4,034 |
| Increase in asset designated at fair value | | (13,349) | - |
| Increase in other receivables | | (48) | (45) |
| Net increase in operating liabilities: | | | |
| Increase / (decrease) in liabilities designated at fair value | | 30,881 | (7,752) |
| Increase in derivative financial instruments | | 12,361 | 706 |
| Increase in payables to group companies | | 1,783 | 1,396 |
| Increase in other liabilities | | 10 | 28 |
| **Cash from / (used in) operations** | | **1,552** | **(1,552)** |
| Income taxes paid | | (12) | (44) |
| **Net cash flow from / (used in) operating activities** | | **1,540** | **(1,596)** |
| **Net increase / (decrease) in cash and cash equivalents** | | **1,540** | **(1,596)** |
| Cash and cash equivalents at beginning of year | | (1,524) | 72 |
| **Cash and cash equivalents at end of year** | **13** | **16** | **(1,524)** |

The notes on pages 10 to 27 form an integral part of these financial statements.

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

## 1. General

Credit Suisse Securities (Nederland) B.V. ("Company") was incorporated on 18 December 1974 and is domiciled in the Netherlands.

*The primary purpose of the Company is to issue Credit Linked Notes. The Company was* previously engaged in structured finance transactions. The Company sold its principal transaction group investments in 2001 and was dormant until 2005. In 2005, the Company began trading in Credit linked Notes.

## 2. Significant accounting policies

### a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards as endorsed by the European Union (EU) promulgated by the International Accounting Standards Board (IASB), Interpretations issued by the International Financial Reporting Standards Interpretations Committee of the IASB and are in compliance with Title 9, Book 2 of the Dutch Civil Code for the year ended 31 December 2007.

### b) Basis of preparation

The Company adopted the requirements of International Financial Reporting Standards and International Accounting Standards (collectively, IFRS) for the purpose of preparing financial statements for the year ending 31 December 2007. The standards applied are those issued by the IASB and endorsed by the EU as at 31 December 2007 and are in compliance with Title 9, Book 2 of the Dutch Civil Code.

The financial statements are presented in Euros (EUR), rounded to the nearest thousand.

As of 1 January 2007, the Company has adopted the provisions of IFRS 7 'Financial Instruments – Disclosures'. The new standard addresses financial instrument disclosures and does not change the recognition and measurement of financial instruments. Accordingly, it will have no effect on the Income Statement and Statement of Changes in Equity. The new standard requires enhanced quantitative and qualitative risk disclosures for all major categories of financial instruments. Also, as of 1 January 2007, the amendments (Capital Disclosures) to IAS 1 "Presentation of Financial Statements" have been adopted. This amendment focuses on *capital disclosures and details the objectives, polices and processes for managing capital.*

Furthermore the Company adopted the following interpretations as of 1 January 2007,

- IFRIC 7 'Applying the Restatement Approach under IAS 29 "Financial Reporting in Hyperinflationary Economies';
- IFRIC 8 'Scope of IFRS 2';
- IFRIC 9 'Reassessment of Embedded Derivatives'; and
- IFRIC 10 'Interim Financial Reporting and Impairment'.

The application of these interpretations had no significant effect on the Company's financial statements.

Except for the above changes, the accounting policies set out below have been applied consistently by the Company. The accounting policies used by the Company have been applied consistently to all years presented in these financial statements.

*The financial statements have been prepared on a historical cost basis except for the following:* deposits (non-current), assets and liabilities designated at fair value, notes issued and derivative financial instruments, loans and receivables, and other liabilities which are valued at fair value,.

**2. Significant accounting policies (continued)**

**c) Foreign currency**

The functional currency and presentational currency of the Company is the Euro, reflecting the fact that the majority of the transactions are settled in Euro. Transactions denominated in currencies other than the functional currency of the Company are recorded by translating to the functional currency of the Company at the exchange rate on the date of the transaction. At the balance sheet date, monetary assets and liabilities are translated to functional currency at the spot exchange rate applicable at the reporting date. Exchange rate differences are reported in the income statement. Non-monetary assets and liabilities are reported at historical exchange rates.

**d) Interest income and interest expense recognition**

Interest received and paid is recognised on an accrual basis using effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently.

**e) Classification of financial instruments**

**i) Financial Assets and Liabilities at fair value through profit or loss - designated at fair value**

Financial assets and liabilities are classified as "at fair value through profit or loss - designated at fair value" when either:

- the assets or liabilities are managed, evaluated and reported internally on a fair value basis;
- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise or;
- the asset or liability contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract.

This is applicable for non-current and current deposits, asset designated at fair value and notes issued.

**ii) Loans and receivables**

Loans and receivables (i.e. current deposits from group companies) are non derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Company does not intend to sell immediately or in the near term.

**f) Recognition and derecognition**

The Company recognises financial assets or liabilities on its balance sheet when it becomes a party to the contractual provisions of the instrument.

Regular way purchase or sale of financial assets/financial liabilities is recognised/derecognised using trade date accounting.

**2. Significant accounting policies (continued)**

**f) Recognition and derecognition (continued)**

A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire or the Company transfers substantially the risks and rewards of ownership of the financial asset. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised from the balance sheet. Transfers of assets with retention of all or substantially all risks and rewards include securities lending and repurchase transactions.

A financial liability is removed from the balance sheet when the obligations specified in the contract are discharged or cancelled or expired.

**g) Measurement**

Financial instruments are measured initially at fair value plus transaction costs (transaction costs are not included in initial measurement of financial asset/financial liability at fair value through profit and loss) that are directly attributable to the acquisition or issue of the financial instrument.

Gains or losses arising from subsequent measurements of financial asset/liability classified as financial asset/financial liability at fair value through profit or loss are recognised in the income statement.

Loans and receivables are subsequently carried at amortised cost using the effective interest method less impairment losses.

Other than financial liabilities classified as at fair value through profit or loss, all other financial liabilities after initial recognition are recognised at amortised cost using the effective interest rate method.

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

**h) Fair Value**

Fair value of financial instruments is based on their quoted price in an active market (including recent market transactions) at balance sheet date without any deduction for transaction cost. If a quoted market price is not available, the fair value of the instrument is estimated using valuation techniques. Valuation techniques include recent arm's length prices, comparison to similar instruments for which market observable prices exist, valuation models or discounted cash flow techniques.

The best evidence of fair value of a financial instrument at initial recognition is the transaction price unless the fair value of the instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets.

**2. Significant accounting policies (continued)**

**h) Fair Value (continued)**

Where the input parameters cannot be validated using observable market data, reserves are established for unrealised gains or losses evident at the inception of the contracts so that no gain or loss is recorded at inception. Such Reserves are amortised to income over the life of the instrument or released into income when observable market data becomes available.

For subsequent measurement of financial assets or financial liabilities at fair value through profit or loss, the Company fair values such assets/liabilities using bid or offer rates.

**i) Derivative financial instruments**

All derivative contracts are recognised initially at fair value on the date on which the derivatives are entered into. Subsequent to initial recognition, the derivative financial instruments are remeasured at fair value. The gain or loss on remeasurement to fair value is recognised immediately in income statement.

When derivative features embedded in certain contracts that meet the definition of a derivative are not considered clearly and closely related to the host instrument, the embedded feature will be accounted for separately at fair value, with changes in fair value recorded in the income statement. Once separated, the derivative is recorded in the same line in the balance sheet as the host instrument. Alternatively the whole contract may be elected under fair value, with changes in fair value recorded in the income statement.

Assets, including gains, resulting from off-balance-sheet financial instruments which are marked-to-market are included in "Assets: Derivatives financial instruments". Liabilities, including losses, resulting from such contracts, are included in "Liabilities: Derivatives financial instruments".

**j) Offsetting**

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

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

**k) Income tax**

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

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

**2. Significant accounting policies (continued)**

**k) Income tax (continued)**

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax-base. The amount of deferred tax provided is based on the amount at which it is expected to recover or settle the carrying amount of assets and liabilities in the balance sheet, using tax rates enacted or substantively enacted at the balance sheet date.

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

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

Information as to the calculation of income tax on the profit or loss for the years presented is included in Note 10.

**l) Cash and cash equivalents**

Cash and cash equivalents are defined as short-term, highly liquid instruments with original maturities of three months or less.

**m) Contingent liabilities**

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

***n) Critical accounting estimates, and judgements in applying accounting policies***

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

***Fair Value***

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in accounting policy 2(h). For financial instruments that trade infrequently and have little price transparency, fair value may be subjective and require varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

**2. Significant accounting policies (continued)**

**n) Critical accounting estimates, and judgements in applying accounting policies (continued)**

***Income taxes***

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

Periodically, management evaluates the probability that taxable profits will be available against which the deductible temporary differences and unused carry forward tax losses and credits can be utilised. Within this evaluation process, management also considers tax-planning strategies. The evaluation process requires significant management judgement, primarily with respect to projecting future taxable profits.

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

**3. Segmental Analysis**

**Primary segmental reporting**

The Company has defined the primary segment reporting as geographical segments. The Company operates in only one geographical segment, namely Europe.

| As at 31 December 2007 | Europe EUR'000 | Total EUR'000 |
|---|---|---|
| Total operating income | 192 | 192 |
| Total assets | 71,822 | 71,822 |
| Total liabilities | 71,608 | 71,608 |
| **As at 31 December 2006** | | |
| Total operating income | 108 | 108 |
| Total assets | 28,184 | 28,184 |
| Total liabilities | 28,073 | 28,073 |

**3. Segmental Analysis (continued)**

**Secondary segmental reporting**

The Company has defined the secondary segment reporting as business segments. Management believes that the Company operates only in one business segment, namely the trading of credit linked notes.

| As at 31 December 2007 | Credit linked notes EUR'000 | Total EUR'000 |
|---|---|---|
| Trading revenue | 168 | 168 |
| Trading assets | 68,468 | 68,468 |
| Trading liabilities | 68,314 | 68,314 |
| **As at 31 December 2006** | | |
| Trading revenue | 97 | 97 |
| Trading assets | 25,117 | 25,117 |
| Trading liabilities | 25,072 | 25,072 |

**4. Interest income and expense**

The interest income and expense are derived from transactions with Group companies.

**5. Gain on deposits designated at fair value through the profit and loss**

The deposits designated at fair value through profit and loss are placed with CS London Branch.

**6. Gain on liabilities designated at fair value through the profit and loss**

The gain on liabilities held at fair value through the profit and loss relates to mark to market valuation on credit linked notes issued by the Company.

During the financial year, there is no change in the fair value of liabilities held at fair value through the profit and loss due to changes in the Group's own credit worthiness.

The difference between the carrying amount and the amount that the Company would be contractually required to pay at maturity to the holder of these financial liabilities is EUR 21,173,000. As at year end 2006, the amount contractually payable by the Company exceeded the carrying amount of the financial liabilities by EUR 5,596,000.

**7. Loss on derivatives**

*The loss on derivatives relates to mark to market valuation on the total return swaps with Credit Suisse Cayman Branch.*

**8. Other Income**

| | 2007<br>EUR'000 | 2006<br>EUR'000 |
|---|---|---|
| Foreign exchange gain | 24 | 11 |
| **Total other income** | **24** | **11** |

**9. Administrative expenses**

| | 2007<br>EUR'000 | 2006<br>EUR'000 |
|---|---|---|
| Auditors remuneration for audit services | 24 | 27 |
| **Total administrative expenses** | **24** | **27** |

**10. Income Tax Expense**

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the basic tax rate of the Company as follows:

| | 2007<br>EUR'000 | 2006<br>EUR'000 |
|---|---|---|
| Income tax expense computed at the statutory tax rate at 25.5% (2006: 29.6%) | 41 | 24 |
| Adjustments in respect of previous years | (1) | 1 |
| **Tax expense** | **40** | **25** |

The income tax charge for the year can be reconciled to the expected tax charge using the actual tax rate at 25.5% (2006: 29.6%) as follows:-

| | 2007<br>EUR'000 | 2006<br>EUR'000 |
|---|---|---|
| Profit before tax | 168 | 81 |
| Profit before tax multiplied by the statutory rate of income tax at the rate of 25.5% (2006: 19.6%) | 43 | 24 |
| Adjustments to current tax in respect of previous years | (1) | 1 |
| Income taxed at lower tax rate | (2) | - |
| | **40** | **25** |

**11. Deposits with a group company**

| | 2007 EUR'000 | 2006 EUR'000 |
|---|---|---|
| **Non current** | | |
| At fair value through income statement – designated at fair value | 55,119 | 25,117 |
| **Current** | | |
| At fair value through income statement – designated at fair value | 3,245 | 2,993 |
| **Total deposits with a group company** | **58,364** | **28,110** |

The currency exposure, effective interest rate and maturity on the deposits with a Group company are as follows:

| **2007** | **Principal** | **Effective interest rate** | **Maturity** |
|---|---|---|---|
| Deposits | EUR 10,000,000 | 3M EURIBOR + 0.05% | 20 March 2008 |
| Deposits | USD 2,922,000 | 3M LIBOR + 0.05% | 20 September 2009 |
| Deposits | USD 3,859,650 | 3M LIBOR + 0.05% | 20 December 2010 |
| Deposits | USD 2,107,000 | 3M LIBOR + 0.05% | 20 December 2010 |
| Deposits | USD 12,000,000 | 3M LIBOR + 0.02% | 20 March 2012 |
| Deposits | EUR 10,290,000 | 3M EURIBOR + 0.02% | 20 June 2013 |
| Deposits | USD 20,120,000 | 3M LIBOR + 0.02% | 20 June 2013 |
| Deposits | USD 10,000,000 | 3M LIBOR + 0.02% | 20 December 2016 |
| Deposits | USD 3,300,000 | 4.96% | Open |
| Deposits | EUR 1,000,000 | 3.84% | Open |

| **2006** | **Principal** | **Effective interest rate** | **Maturity** |
|---|---|---|---|
| Deposits | EUR 10,000,000 | 3M EURIBOR + 0.05% | 20 March 2008 |
| Deposits | USD 2,922,000 | 3M LIBOR + 0.05% | 20 September 2009 |
| Deposits | USD 10,911,850 | 3M LIBOR + 0.05% | 20 December 2010 |
| Deposits | USD 6,002,500 | 3M LIBOR + 0.05% | 20 December 2010 |
| Deposits | USD 2,958,618 | 0.9% | Open |
| Deposits | EUR 747,304 | 1.1% | Open |

**12. Asset designated at fair value**

Asset designated at fair value represents a USD20m Note purchased from CS International, a related company. The effective interest rate on the note is 1Y LIBOR + 0.3% and the maturity date is on 1 Sep 2015.

**13. Cash and cash equivalents**

| | 2007<br>EUR'000 | 2006<br>EUR'000 |
|---|---|---|
| Cash at bank with a group company | 16 | - |
| Bank overdrafts with a group company | - | (1,524) |
| **Cash and cash equivalents** | **16** | **(1,524)** |

Cash and cash equivalents are accounted for at nominal value. Of the cash and cash equivalents, EUR 245,000 (2006: EUR 1,302,000) is USD denominated. The bank balances and overdrafts are due to Credit Suisse Zurich.

**14. Share Capital**

| **Authorised:** | 2007<br>EUR'000 | 2006<br>EUR'000 |
|---|---|---|
| **Equity** | | |
| 90,000 ordinary voting shares of EUR 1 each | 90 | 90 |
| **Allotted, called up and fully paid:** | **18** | **18** |

| **Number of shares** | **Number of ordinary shares** | **Nominal value per share in EUR** |
|---|---|---|
| At 1 January 2005 | 1,000 | 18 |
| At 31 December 2005 | 1,000 | 18 |
| At 31 December 2006 | 18,152 | 1 |

The capital of the Company was converted from Dutch guilders into Euro by deed of amendment of the articles of association executed on 10 August 2006, resulting in 18,152 shares of EUR 1 each.

The authorised share capital consists of 90,000 ordinary shares of a nominal value of EUR 1 per shares, totaling EUR 90,000. The issued and fully paid share capital amounts to 18,152 ordinary shares of a nominal value of EUR 1 per share, totaling EUR 18,152.

### 15. Liabilities designated at fair value

*These liabilities represent credit linked notes issued by the Company to Credit Suisse* International, who acts as agent for the distribution of these notes. These notes are ultimately held by third party investors and are designated at fair value through the income statement.

The currency exposure, repayment of principal amount, outstanding fair value, effective interest rates, and maturity on the deposits with group companies are as follows:

| 2007 | Principal | Repayment of principal amount | Outstanding Fair Value in Euro | Effective interest rate | Maturity |
|---|---|---|---|---|---|
| Credit linked notes | EUR 10,000,000 | - | EUR 9,876,977 | 5.17% | 20 Mar 2008 |
| Credit linked notes [1] | USD 3,000,000 | - | EUR 1,985,863 | 6% | 20 Sep 2009 |
| Credit linked notes | USD 20,000,000 | - | EUR 13,349,193 | 1Y LIBOR + 0.3% | 20 Mar 2010 |
| Credit linked notes | USD 989,000 | USD 1,828,500 | EUR 941,451 | 10.7% | 20 Dec 2010 |
| Credit linked notes | USD 1,863,000 | USD 3,404,000 | EUR 1,752,428 | 10.7% | 20 Dec 2010 |
| Credit linked notes | USD 12,000,000 | - | EUR 7,608,302 | 3M LIBOR + 1.25% | 20 Mar 2012 |
| Credit linked notes | EUR 10,290,000 | - | EUR 3,429,512 | 3M EURIBOR + 3% | 31 May 2013 |
| Credit linked notes | USD 34,204,000 | - | EUR 11,421,992 | 0% | 20 Dec 2016 |
| Credit linked notes | USD 10,000,000 | - | EUR 4,524,307 | 1Y LIBOR + 0.5% | 20 Dec 2016 |
| TOTAL | | | EUR 54,890,025 | | |

| 2006 | Principal | Repayment of principal amount | Outstanding Fair Value in Euro | Effective interest rate | Maturity |
|---|---|---|---|---|---|
| Credit linked notes | EUR 10,000,000 | - | EUR 9,940,765 | 5.17% | 20 Mar 2008 |
| Credit linked notes [1] | USD 3,000,000 | - | EUR 2,274,444 | 6% | 20 Sep 2009 |
| Credit linked notes | USD 2,817,500 | - | EUR 4,131,529 | 10.08% | 20 Dec 2010 |
| Credit linked notes | USD 5,267,000 | - | EUR 7,662,806 | 10.08% | 20 Dec 2010 |
| TOTAL | | | EUR 24,009,544 | | |

[1] Credit linked notes with principal value of USD 3,000,000 have been listed in the Irish Stock Exchange with effect 29 September 2005 and are traded as Series 2005-1 6 per cent first to Default Credit Linked Notes due 20 September 2009 (SEDOL: BOXC1C1).

For the year ended 31 December 2007, the amount recognised in profit or loss during the period for financial instruments estimated using a valuation technique and entity specific inputs that are not supported by prices from current market transactions or observable market data was EUR Nil (2006: Nil) as the relevant credit linked note and corresponding asset designated at fair value are equal and off setting in nature.

The potential effect to the profit or loss of using reasonably possible alternative assumptions of entity specific inputs that are not supported by prices from current market transactions or observable market data in valuation models is EUR Nil (2006: Nil) as the relevant credit linked note and asset designated at fair value are equal and off setting in nature.

### 16. Other Liabilities

Other liabilities mainly relate to the accrual of the 2007 and 2005 audit fee.

### 17. Payables to group companies

The book value approximates the fair value due to the short-term nature of these instruments. Of the payables to group companies, EUR 2,326,000 (2006: EUR 700,000) is USD denominated.

### 18. Derivative financial instruments

The following table sets forth details of derivatives instruments which are all contracted with group companies:

| | 2007 | | | 2006 | | |
|---|---|---|---|---|---|---|
| | Notional amount | Positive replacement value | Negative replacement value | Notional amount | Positive replacement value | Negative replacement value |
| | EUR'000 | EUR'000 | EUR'000 | EUR'000 | EUR'000 | EUR'000 |
| Total return swaps | 54,960 | - | 13,424 | 25,055 | - | 1,063 |
| **Total derivative instruments** | **54,960** | **-** | **13,424** | **25,055** | **-** | **1,063** |

The currency exposure, contractual repricing, effective interest rate and maturity on the derivative instruments are as follows:

| 2007 | Notional principal amount | Interest rate | Maturity |
|---|---|---|---|
| Total return swaps | EUR 10,000,000 | 3M EURIBOR - 0.02% | 20 Mar 2008 |
| Total return swaps | USD 2,922,000 | 3M LIBOR - 0.02% | 20 Sep 2009 |
| Total return swaps | USD 3,859,650 | 3M LIBOR - 0.02% | 20 Dec 2010 |
| Total return swaps | USD 2,107,000 | 3M LIBOR - 0.02% | 20 Dec 2010 |
| Total return swaps | USD 12,000,000 | 3M LIBOR - 0.05% | 20 Mar 2012 |
| Total return swaps | USD 10,290,000 | 3M EURIBOR - 0.05% | 20 Jun 2013 |
| Total return swaps | EUR 20,120,000 | 3M LIBOR - 0.05% | 20 Jun 2013 |
| Total return swaps | USD 10,000,000 | 3M LIBOR - 0.05% | 20 Dec 2016 |

| 2006 | Notional principal amount | Interest rate | Maturity |
|---|---|---|---|
| Total return swaps | EUR 10,000,000 | 3M EURIBOR + 0.05% | 20 Mar 2008 |
| Total return swaps | USD 2,922,000 | 3M LIBOR + 0.05% | 20 Sep 2009 |
| Total return swaps | USD 10,911,850 | 3M LIBOR + 0.05% | 20 Dec 2010 |
| Total return swaps | USD 6,002,500 | 3M LIBOR + 0.05% | 20 Dec 2010 |

**19. Related Party Transactions**

Credit Suisse (International) Holding AG, incorporated in Switzerland, which owns 100% of the ordinary shares, controls the Company. The ultimate parent of the Company is Credit Suisse, incorporated in Switzerland.

The Company has significant related party balances, with subsidiaries and affiliates of Credit Suisse Group. The Company generally enters into these transactions in the ordinary course of business and believes that these transactions are generally on market terms that could be obtained from unrelated parties.

The related party transactions are disclosed in the respective notes.

**20. Financial Risk Management**

**a) Overview**

The Company is part of the Credit Suisse group and its risks are managed as part of the global Credit Suisse group entity. The risk management principles applied by the group which are applicable to the Company are described below. The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest risk and price risk), credit risk, liquidity risk and cash flow interest-rate risk. The overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

Risk management is carried out by a central treasury department (of Credit Suisse Group Treasury) under policies approved by the Credit Suisse Board of Directors. Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest-rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investing excess liquidity.

**b) Risk management principles**

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

The prudent taking of risk is fundamental to the business of Credit Suisse group. The primary objectives of risk management are to protect the financial strength and the reputation of the group. The group's risk management framework is based on the following principles, which apply universally across all businesses and risk types.

**20. Financial Risk Management (continued)**

**b) Risk management principles (continued)**

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

**c) Risk management oversight**

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

*Risk management oversight at the Credit Suisse management levels:*
- Credit Suisse Executive Management (Chief Executive Officers and Executive Boards): Responsible for implementing the strategy and actively managing its portfolio of businesses and its risk profile with the objective of balancing risk and return appropriately in the prevailing market conditions.
- Strategic Risk Management (SRM): At Credit Suisse, SRM is a separate function with responsibility for assessing the overall risk profile both on a bank-wide level and for individual businesses, and recommending corrective action if necessary. SRM reports to the Chief Risk Officer of Credit Suisse.
- Risk Measurement and Management (RMM): RMM is a separate function responsible for: the measurement and reporting of credit risk, market risk, operational risk and economic risk capital data; managing risk limits; and establishing policies on market risk and economic risk capital. RMM reports to the Chief Risk Officer of Credit Suisse.
- Credit Risk Management (CRM): CRM is a separate function headed by the Chief Credit Officer with responsibility for approving credit limits, monitoring and managing individual exposures and assessing and managing the quality of the segmental and business area's credit portfolios. CRM reports to the Chief Risk Officer of Credit Suisse.

**20. Financial Risk Management (continued)**

**c) Risk management oversight (continued)**

Credit Suisse risk management committees:

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

**d) Corporate Asset and Liability Management**

Credit Suisse Group Treasury oversees corporate policy with respect to interest rate and foreign exchange exposure, as well as a range of other important policy areas including debt maturity profile, internal and external capitalisation and intercompany funding. Credit Suisse Group minimises interest rate and foreign currency exposures from a corporate perspective.

**e) Foreign Exchange Risk**

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, including USD exposures on deposits with group companies. The Company's exposure to the effects of fluctuations in the prevailing foreign exchange rates on its financial position and cash flow is minimal as its foreign currency financial assets and liabilities are mainly offsetting and equal.

Foreign exchange risk arises when future commercial transactions, recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. Group Treasury is responsible for managing the net position in each foreign currency by using external forward currency contracts.

**20. Financial Risk Management (continued)**

**f) Credit Risk**

The Company is exposed to credit risk from other Credit Suisse group companies. The carrying value of deposits with group companies and other receivables represents the maximum exposure of the Company to counter-parties.

Credit exposure arising the issuance of credit linked notes is largely offset using credit hedges for risk mitigation. Credit hedges represent the notional exposure that has been transferred to other group companies generally through the use of back-to-back credit default swaps.

There were no significant concentrations of credit risk by country or by industry other than the disclosures produced in Note 3 Segmental Analysis.

**g) Liquidity Risk**

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, Group Treasury aims to maintain flexibility in funding by keeping committed credit lines available.

The remaining contractual maturity of liabilities designated at fair value and derivative financial instruments are disclosed in Note 13 and note 17 of the financial statements respectively.

The remaining contractual maturity for other financial liabilities, including cash and cash equivalents and payables to group companies are short term in nature and approximate their carrying value as at 31 December 2007 in an "on demand" categorization.

**h) Cash Flow and Fair Value Interest Rate Risk**

The Company has significant interest-bearing assets and liabilities including:

- Deposits with group companies
- Liabilities designated at fair value (credit linked notes)
- Payables to group companies
- Derivative financial instruments (total return swaps)

The interest rates associated with deposits with group companies and payables to group companies are variable and therefore the Company is exposed to some interest rate risk. Interest rates on deposits with group companies and payables to group companies are typically reset within 3 months which minimises the risk to changes in interest rates.

The interest rate risks arising from the credit linked notes and total return swaps have been largely eliminated as they are equal and off-setting in nature.

**i) Price Risk**

The Company is exposed to price risk because of the credit-linked notes and derivative financial instruments held and issued by the Company. The credit-linked notes and derivative financial instruments are marked to market through the profit and loss. The price risks are largely eliminated as they are equal and offsetting in nature.

**21. Employees**

The Company has no employees during the year (2006: EUR Nil) and receives a range of administrative services from related companies within the Credit Suisse Group. Credit Suisse Group companies have borne the cost of these services.

**22. Directors' Emoluments**

The directors did not receive any remuneration in respect of their services as directors of the Company (2006: EUR Nil). There were no loans or advances made to directors during the year (2006: EUR Nil).

**23. IFRS not yet adopted**

The Company is not required to adopt the following EU endorsed standards and interpretations which are issued but not yet effective.

- IFRS 8 'Operating Segments", which replaces IAS 14 'Segment Reporting', (effective for annual periods beginning on or after 1 January 2009 - expected adoption date 1 January 2009);

- IFRIC 11 'IFRS 2 - Group and Treasury Share Transactions' (effective 1 March 2007 - adoption date 1 January 2008)

The expected impact of the standards and interpretations issued but not yet effective is still being assessed; however, the Company does not anticipate that the above interpretations will have a material impact on the Company's Financial Statements in the period of initial application.

The accounting policies have been applied consistently by Group entities.

**24. Subsequent events**

There were no other material post balance sheet events which have a bearing on the understanding of the financial statements.

**Provisions of the Articles of Association for the appropriation of profits**

Profits are appropriated in accordance with article 18 of the Articles of Association of Credit Suisse Securities (Nederland) B.V., of which the text is stated below.

1. The allocation of profits accrued in a financial year shall be determined by the General Meeting.

2. Distribution of profits shall be made after adoption of the annual accounts if permissible under the law given the contents of the annual accounts.

3. The General Meeting may resolve to make interim distributions and/or make distributions at the expense of any reserve of the Company.

4. Distributions may be made only up to an amount which does not exceed the amount of the Distributable Equity.

**Appropriation of the results**

In accordance with articles of association, the amount of EUR 128,000 being the profit for 2007 (2006: EUR 56,000) will be allocated to retained earnings in accordance with the determination reached at the General Meeting.

To: Shareholder and Board of Directors of Credit Suisse Securities (Nederland) B.V.

# Auditor's report

## Report on the financial statements

We have audited the accompanying 2007 financial statements of Credit Suisse Securities (Nederland) B.V., Amsterdam, as set out on pages 6 to 26 which comprise the balance sheet as at 31 December 2007, income statement, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

### *Management's responsibility*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the management board report in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### *Auditor's responsibility*

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of Credit Suisse Securities (Nederland) B.V., as at 31 December 2007, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

## Report on other legal and regulatory requirements

Pursuant to the legal requirement under 2:393 sub 5 part e of the Netherlands Civil Code, we report, to the extent of our competence, that the management board report is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Amstelveen, 27 June 2008

KPMG ACCOUNTANTS N.V.

S.A. Tross RA