CREDIT SUISSE GROUP
Form 20-F
March 26, 2007

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 20-F

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g)
OF THE SECURITIES EXCHANGE ACT OF 1934

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2006

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
(Commission file number 001-15244)

Credit Suisse Group

(Exact name of Registrant as specified in its charter)

Canton of Zurich, Switzerland

(Jurisdiction of incorporation or organization)

Paradeplatz 8, P.O. Box 1, CH 8070 Zurich, Switzerland

(Address of principal executive offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
American Depositary Shares each representing one Share	New York Stock Exchange
Shares per value CHF 0.50*	New York Stock Exchange*

Securities registered or to be registered pursuant to Section 12(g) of the Act: **None**

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: **None**

The number of outstanding shares of each of the issuer s classes of capital or common stock as of December 31, 2006: 1,062,467,061

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes **No**

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes **No**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes **No**

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act.:

Large accelerated filer **Accelerated filer** **Non-accelerated filer**

Indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 **Item 18**

* Not for trading but only in connection with the registration of the American Depositary Shares.

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Credit Suisse Group Annual Report

Definitions

For the purposes of this Form 20-F, unless the context otherwise requires, the terms "Credit Suisse", "the Group", "we", "us" and "our" mean Credit Suisse Group and its consolidated subsidiaries and the term "the Bank" means Credit Suisse, the Swiss bank subsidiary of the Group, and its consolidated subsidiaries.

Sources

Throughout this Form 20-F, we describe the position and ranking of our various businesses in certain industry and geographic markets. The sources for such descriptions come from a variety of conventional publications generally accepted as relevant business indicators by members of the financial services industry. These sources include: Standard & Poor's, Thomson Financial, Dealogic, the Loan Pricing Corporation, Institutional Investor, Lipper, Moody's Investors Service and Fitch Ratings.

Accounting basis and reporting currency

Our consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States (US GAAP).

Our consolidated financial statements are denominated in Swiss francs, or CHF. For convenience, certain amounts referred to in this Form 20-F are converted from Swiss francs into US dollars (USD) at the rate of CHF 1.00 = USD 0.8200, which was the noon buying rate for Swiss francs on December 29, 2006, in New York City as certified by the Federal Reserve Bank of New York. You should not construe this convenience translation as a representation that the Swiss franc amounts actually denote the corresponding US dollar amounts or could be converted into US dollars at the indicated rate. The assumed rate also differs from the rates used in the preparation of the statement of financial position of the Group as of December 31, 2006 and 2005, and the results of operations and cash flows for each of the years in the three-year period ended December 31, 2006.

Cautionary statement regarding forward-looking information

This Form 20-F contains statements that constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act. In addition, in the future we, and others on our behalf, may make statements that constitute forward-looking statements. Such forward-looking statements may include, without limitation, statements relating to the following:

– Our plans, objectives or goals;

– Our future economic performance or prospects;

– The potential effect on our future performance of certain contingencies; and

– Assumptions underlying any such statements.

Words such as “believes,” “anticipates,” “expects,” “intends” and “plans” and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements. We do not intend to update these forward-looking statements except as may be required by applicable securities laws.

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that predictions, forecasts, projections and other outcomes described or implied in forward-looking statements will not be achieved. We caution you that a number of important factors could cause results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements. These factors include:

– The ability to maintain sufficient liquidity and access capital markets;

– Market and interest rate fluctuations;

– The strength of the global economy in general and the strength of the economies of the countries in which we conduct our operations in particular;

– The ability of counterparties to meet their obligations to us;

– The effects of, and changes in, fiscal, monetary, trade and tax policies, and currency fluctuations;

– Political and social developments, including war, civil unrest or terrorist activity;

– The possibility of foreign exchange controls, expropriation, nationalization or confiscation of assets in countries in which we conduct our operations;

– Operational factors such as systems failure, human error, or the failure to implement procedures properly;

– Actions taken by regulators with respect to our business and practices in one or more of the countries in which we conduct our operations;

– The effects of changes in laws, regulations or accounting policies or practices;

– Competition in geographic and business areas in which we conduct our operations;

– The ability to retain and recruit qualified personnel;

– The ability to maintain our reputation and promote our brand;

– The ability to increase market share and control expenses;

– Technological changes;

– The timely development and acceptance of our new products and services and the perceived overall value of these products and services by users;

– Acquisitions, including the ability to integrate acquired businesses successfully, and divestitures, including the ability to sell non-core assets and businesses;

– The adverse resolution of litigation and other contingencies; and

– Our success at managing the risks involved in the foregoing.

We caution you that the foregoing list of important factors is not exclusive. When evaluating forward-looking statements, you should carefully consider the foregoing factors and other uncertainties and events, as well as the information in Item 3 “Key Information – Risk factors.”

Item 3: Key information

Selected financial data

Credit Suisse Group is a global financial services company domiciled in Switzerland.

Effective January 1, 2006, the Group aligned its organizational structure to form a fully integrated global bank, with three segments: Investment Banking, Private Banking and Asset Management. These changes reflect the increasingly complex needs and global orientation of Credit Suisse’s clients, who require sophisticated, integrated solutions and access to a broad spectrum of products and services. They also reflect the changes in the way Credit Suisse operates as a bank as a result of globalization and new technologies, and the growing competitive pressure in the industry.

The newly integrated global bank operates under the single brand Credit Suisse.

In December 2006, the Group completed the sale of “Winterthur” Swiss Insurance Company (Winterthur). The results of operations, assets and liabilities of Winterthur are presented as discontinued operations. For further information on the gain from the sale of Winterthur and its results, see note 4 “Discontinued operations” in the Notes to the consolidated financial statements in the Credit Suisse Group Annual Report 2006.

Prior period results presented in this Form 20-F have been revised to reflect the operational and management structure in place during 2006. The Group’s segments are managed and reported on a pre-tax basis. Minority interest-related revenues and expenses resulting from the consolidation of certain private equity funds and other entities in which the Group does not have a significant economic interest in such revenues and expenses are reported in the Corporate Center. Net income is unaffected by the consolidation of these entities due to offsetting minority interests.

The following table shows the Group's condensed consolidated statements of income for the five most recent years:

in CHF m, except where indicated	2006	2005	2004	2003	2002
Net revenues	**38,603**	30,489	27,033	24,325	25,154
Provisions for credit losses	**(111)**	(144)	83	577	2,773
Total operating expenses	**24,414**	23,232	19,581	19,090	23,729

Income/(loss) from continuing operations before taxes, minority interests, extraordinary items and cumulative effect of accounting changes	**14,300**	7,401	7,369	4,658	(1,348)
Income tax expenses/(benefit)	**2,389**	927	1,293	1,239	(962)
Minority interests	**3,630**	1,948	1,080	150	150
Income/(loss) from continuing operations before extraordinary items and cumulative effect of accounting changes	**8,281**	4,526	4,996	3,269	(536)
Income/(loss) from discontinued operations, net of tax	**3,070**	1,310	639	(2,473)	(3,990)
Extraordinary items, net of tax	**(24)**	0	0	7	18
Cumulative effect of accounting changes, net of tax	**0**	14	(7)	(33)	60
Net income/(loss)	**11,327**	5,850	5,628	770	(4,448)
Earnings per share, in CHF					
Basic earnings per share from continuing operations before cumulative effect of accounting changes	**7.53**	3.98	4.25	2.78	(0.46)
Basic earnings per share	**10.30**	5.17	4.80	0.64	(3.85)
Diluted earnings per share from continuing operations before cumulative effect of accounting changes	**7.19**	3.90	4.23	2.75	(0.46)
Diluted earnings per share	**9.83**	5.02	4.75	0.63	(3.85)
Dividend/repayment of capital	**2.70**1)	2.00	1.50	0.50	0.10
Return on assets	**0.9%**	0.5%	0.5%	0.1%	(0.4%)
Return on equity	**27.5%**	15.4%	15.9%	2.2%	(11.4%)
Dividend payout ratio	**26.2%**	38.7%	31.3%	n/a	(2.6%)
Equity to asset ratio, in %	**3.5%**	3.1%	3.3%	3.4%	3.3%

1) Proposal of the Board of Directors to the Annual General Meeting on May 4, 2007 (dividend of CHF 2.24 and par value reduction of CHF 0.46).

The following table shows selected information of the Group for the five most recent years:

	2006	2005	2004	2003	2002
Assets under management, in CHF bn	**1,485.1**	1,319.4	1,068.0	1,032.8	985.0
Consolidated balance sheets, in CHF m					

Total assets	**1,255,956** 2)	1,339,052	1,089,485	1,004,308	1,027,158
Share capital	**607**	624	607	1,195	1,190
Total shareholders' equity	**43,586**	42,118	36,273	33,991	34,178
Consolidated BIS capital ratios 1)					
Risk-weighted assets, in CHF m	**253,676**	232,891	199,249	190,761	196,486
Tier 1 ratio, in %	**13.9**	11.3	12.3	11.7	9.0
Total capital ratio, in %	**18.4**	13.7	16.6	17.4	14.4
Number of employees (full-time equivalents)	**44,871** 2)	63,523	60,532	60,477	78,457
Number of shares outstanding	**1,062,467,061**	1,125,360,183	1,110,819,481	1,130,362,948	1,116,058,305

1) All calculations through December 31, 2003, are on the basis of Swiss GAAP. 2) Decrease related to the sale of Winterthur.

Exchange rate information

The following tables set forth, for the periods indicated, certain information concerning the noon buying rate for the Swiss franc expressed as USD per CHF 1.00:

Year	Period end	Average 1)	High	Low
2002	0.7229	0.6481	0.7229	0.5817
2003	0.8078	0.7484	0.8078	0.7052
2004	0.8763	0.8082	0.8820	0.7575
2005	0.7606	0.8010	0.8721	0.7544
2006	0.8200	0.8034	0.8396	0.7575

1) The average of the noon buying rates on the last business day of each month during the relevant period.

Month	High	Low
March 2007 (through March 16)	0.8279	0.8109
February 2007	0.8204	0.7980
January 2007	0.8247	0.7978
December 2006	0.8396	0.8161
November 2006	0.8357	0.7958
October 2006	0.8049	0.7842
September 2006	0.8125	0.7949

Risk factors

Our businesses are exposed to a variety of risks that could adversely affect our results of operations or financial condition, including, among others, those described below.

Liquidity risk

Our liquidity could be impaired if we were unable to access the capital markets or sell our assets

Liquidity, or ready access to funds, is essential to our businesses, particularly our investment banking business, which depend on continuous access to the debt capital and money markets to finance day-to-day operations. An inability to obtain financing in the unsecured long-term or short-term debt capital markets, or to access the secured lending markets, could have a substantial adverse effect on our liquidity. In a time of reduced liquidity, we may be unable to sell some of our assets, or we may need to sell assets at depressed prices, which in either case could adversely affect our results of operations and financial condition.

Our businesses may face asset-liability mismatches

Our businesses meet most of their funding requirements using short-term funding sources, including primarily deposits, inter-bank loans, time deposits and cash bonds. However, we have assets with medium- or long-term maturities, creating a potential for funding mismatches. Although a substantial number of depositors have, in the past, rolled over their deposited funds upon maturity and deposits have been, over time, a stable source of funding, this may not continue to occur. In that case, our liquidity position could be adversely affected and we might be unable to meet deposit withdrawals on demand or at their contractual maturity, to repay borrowings as they mature or to fund new loans, investments and businesses. For further information on the assets and liabilities of our banking businesses, see Item 5 "Operating and financial review and prospects – Information required by Industry Guide 3 – Selected statistical information – Investment portfolios – Deposits and – Short-term borrowings."

Changes in our ratings may adversely affect our business

Reductions in our assigned ratings, including in particular our credit ratings, could increase our borrowing costs, limit our access to capital markets and adversely affect the ability of our businesses to sell or market their products, engage in business transactions – particularly longer-term and derivatives transactions – and retain our customers. Ratings are assigned by rating agencies, which may reduce, indicate their intention to reduce or withdraw the ratings at any time. For more information on our credit ratings, see Item 5 "Operating and financial review and prospects – Liquidity and capital resources."

Market risk

We may incur significant losses on our trading and investment activities due to market fluctuations and volatility

We maintain large trading and investment positions and hedges in the debt, currency, commodity and equity markets, and in private equity, real estate and other assets. These positions could be adversely affected by volatility in financial and other markets, that is, the degree to which prices fluctuate over a particular period in a particular market, regardless of market levels. To the extent that we own assets, or have net long positions, in any of those markets, a downturn in those markets could result in losses from a decline in the value of our net long positions. Conversely, to the extent that we have sold assets that we do not own, or have net short positions, in any of those markets, an upturn in those markets could expose us to potentially significant losses as we attempt to cover our net short positions by acquiring assets in a rising market.

Our exposure to commodity price risk increased in 2006 as we expanded our commodities business, particularly energy trading, in our investment banking business.

We have risk management techniques and policies designed to manage our market risk. These techniques and policies, however, may not always be effective, particularly in highly volatile markets. For information on management of market risk, see "Risk management – Market risk" in the Credit Suisse Group Annual Report 2006.

Adverse market or economic conditions or trends may cause a decline in net revenues
As a global financial services company, our businesses are materially affected by conditions in the financial markets and economic conditions generally in Europe, the United States and elsewhere around the world. Adverse market or economic conditions could create a challenging operating environment for financial services companies. In particular, the impact of oil prices, interest rates and the risk of geopolitical events could materially affect financial markets and the economy. Movements in interest rates could affect our net interest income and the value of our trading and non-trading fixed income portfolios, and movements in equity markets could affect the value of our trading and non-trading equity portfolios.

Future terrorist attacks, military conflicts and economic or political sanctions could have a material adverse effect on economic and market conditions, market volatility and financial activity.

Adverse market or economic conditions could reduce the number and size of investment banking transactions in which we provide underwriting, mergers and acquisitions advice or other services and, therefore, adversely affect our financial advisory and underwriting fees. Such conditions could also lead to a decline in the volume of securities trades that we execute for customers and, therefore, adversely affect the net revenues we receive from commissions and spreads.

Underwritten transactions often have multiple managers and book runners instead of a lead manager and single book runner, and this trend has adversely affected our underwriting revenues.

Unfavorable market or economic conditions could affect our wealth management, corporate and retail banking and asset management businesses by reducing sales of our investment products and the volume of our asset management activities. In addition, a market downturn could reduce our commission and fee income that is based on the value of our clients' portfolios.

Adverse market or economic conditions could negatively affect our private equity investments since, if a private equity investment substantially declines in value, we may not receive any increased share of the income and gains from such investment (to which we are entitled in certain cases when the return on such investment exceeds certain threshold returns), may be obligated to return to investors previously received excess carried interest payments and may lose our pro rata share of the capital invested. In addition, it could become more difficult to dispose of the investment, as even investments that are performing well may prove difficult to exit in weak initial public offering markets.

In addition, we are exposed to market risk through our proprietary investments in hedge funds.

An investment performance that is below that of competitors or asset management benchmarks could result in a decline in assets under management and related fees and make it harder to attract new clients.

We may incur significant losses in the real estate sector
We finance and acquire principal positions in a number of real estate and real estate-related products, both for our own account and for major participants in the commercial and residential real estate markets, and originate loans, including sub-prime loans, secured by commercial and residential properties. We also securitize and trade in a wide range of commercial and residential real estate and real estate-related whole loans, mortgages, and other real estate and commercial assets and products, including residential and commercial mortgage-backed securities. These businesses could be adversely affected by a downturn in the real estate sector or the economy as a whole.

Our revenues may decline in line with declines in certain sectors or products
Decreasing economic growth in a sector, such as the technology and telecommunications sectors, in which we make significant commitments, for example, through underwriting or advisory services, could negatively affect net revenues of our investment banking business.

In addition, a significant portion of the net revenues of our investment banking business in 2006 was derived from fixed income trading and leveraged finance, driven in large part by financial sponsors. A decline in leveraged finance or financial sponsor activity could have a negative effect on our results of operations.

Holding large and concentrated positions may expose us to large losses
Concentrations of risk could increase losses at our wealth management, corporate and retail banking and investment banking businesses, which may have sizeable loans to and securities holdings in certain customers or industries, including the financial services industry. Risk concentration may cause us to suffer losses even when economic and market conditions are generally favorable for others in the industry. We maintain a system of risk limits designed to control concentration risks. These controls, however, may not always be effective.

Our hedging strategies may not prevent losses
If any of the variety of instruments and strategies we use to hedge our exposure to various types of risk in our businesses is not effective, we may incur losses. We may only be partially hedged, or these strategies may not be fully effective in mitigating our risk exposure in all market environments or against all types of risk. In addition, gains and losses resulting from certain ineffective hedges may result in volatility in our reported earnings.

Market risk may increase the other risks that we face
In addition to the potentially adverse effects on our businesses described above, market risk could exacerbate the other risks that we face. For example, if we were to incur substantial trading losses, our need for liquidity could rise sharply while access to liquidity could be impaired. In conjunction with a market downturn, our customers and counterparties could also incur substantial losses of their own, thereby weakening their financial condition and increasing our credit risk to them.

Credit risk
We may suffer significant losses from our credit exposures
Our businesses are subject to the risk that borrowers and other counterparties will be unable to perform their obligations. Credit exposures exist within lending relationships, commitments and letters of credit, as well as derivative, foreign exchange and other transactions. For information on management of credit risk, see “Risk management – Credit risk” in the Credit Suisse Group Annual Report 2006.

Our businesses establish provisions for loan losses at a level deemed appropriate by management. Management’s determination of the provision for loan losses is subject to significant judgment, and our banking businesses may need to increase their provisions for loan losses or may record losses in excess of the previously determined provisions if our original estimates of loss prove inadequate and this could have a material adverse effect on our results of operations. For information on provisions for loan losses and related risk mitigation, see Item 5 “Operating and financial review and prospects – Critical accounting policies – Contingencies and loss provisions” and “Risk management – Credit risk” in the Credit Suisse Group Annual Report 2006.

In recent years, our investment banking business has significantly expanded its use of swaps and other derivatives. As a result, our credit exposures have increased and may continue to increase in amount and duration. In addition, we have experienced, due to competitive factors, pressure to assume longer-term credit risk, to extend credit against less liquid collateral and to price derivative instruments more aggressively based on the credit risks that we take. Our investments in, or loans to, hedge funds, which have significant pools of capital but are unregulated, are an additional source of credit exposure. An increase in our investment bank’s provisions for credit losses, or any credit losses in excess of related provisions, could have an adverse effect on our results of operations.

Defaults by a large financial institution could adversely affect financial markets generally and us specifically
Concerns about, or a default by, one institution could lead to significant liquidity problems, losses or defaults by other institutions because the commercial soundness of many financial institutions may be closely related as a result of credit, trading, clearing or other relationships between institutions. This risk is sometimes referred to as "systemic risk" and may adversely affect financial intermediaries, such as clearing agencies, clearinghouses, banks, securities firms and exchanges with which we interact on a daily basis, and could adversely affect us.

The information that we use to manage our credit risk may be inaccurate or incomplete
Although we regularly review our credit exposure to specific clients and counterparties and to specific industries, countries and regions that we believe may present credit concerns, default risk may arise from events or circumstances that are difficult to foresee or detect, such as fraud. We may also fail to receive full information with respect to the credit or trading risks of a counterparty.

Cross border and foreign exchange risk
Cross border risks may increase market and credit risks we face
Country, regional and political risks are components of market and credit risk. Financial markets and economic conditions generally have been and may be materially affected by such risks. Economic or political pressures in a country or region, including those arising from local market disruptions, currency crises and monetary controls, may adversely affect the ability of clients or counterparties located in that country or region to obtain foreign currency or credit and, therefore, to perform their obligations to us, which in turn may have an adverse impact on our results of operations.

We may face significant losses in emerging markets
As a global financial services company and industry leader in emerging markets, we are exposed to economic instability in emerging market countries. We monitor these risks, seek diversity in the sectors in which we invest and emphasize customer-driven business. Our efforts at containing emerging market risk, however, may not always succeed.

Currency fluctuations may adversely affect our results of operations
We are exposed to risk from fluctuations in exchange rates for currencies. In particular, a substantial portion of our assets and liabilities in our investment banking and asset management businesses are denominated in currencies other than the Swiss franc, which is the primary currency of our financial reporting. Our capital is also stated in Swiss francs and we do not fully hedge our capital position against changes in currency exchange rates. Exchange rate volatility may have an adverse impact on our results of operations and capital position.

Operational risk
We are exposed to a wide variety of operational risks, particularly information technology risk
Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. In general, our businesses face a wide variety of operational risks, including technology risk that stems from dependencies on information technology and the telecommunications infrastructure and business disruption, including the infrastructure supporting our businesses and/or the areas where our businesses or third-party suppliers are situated. As a global financial services company, we rely heavily on our financial, accounting and other data processing systems, which are varied and complex. If any of these systems does not operate properly or is disabled, including as a result of terrorist attacks or other unforeseeable events, we could suffer financial loss, a disruption of our businesses, liability to our clients, regulatory intervention or reputational damage.

We may suffer losses due to employee misconduct
Our businesses are exposed to risk from potential non-compliance with policies, employee misconduct and fraud, which could result in regulatory sanctions and serious reputational or financial harm. It is not always possible to deter

employee misconduct and the precautions we take to prevent and detect this activity may not always be effective.

Legal and regulatory risks

Our exposure to legal liability is significant

We face significant legal risks in our businesses, and the volume and amount of damages claimed in litigation, regulatory proceedings and other adversarial proceedings against financial services firms are increasing.

We and our subsidiaries are subject to a number of material legal proceedings, regulatory actions and investigations, and an adverse result in one or more of these proceedings could have a material adverse effect on our operating results for any particular period, depending, in part, upon our results for such period. For information relating to these and other legal and regulatory proceedings involving our investment banking and other businesses, see Item 8 "Financial information – Legal proceedings."

It is inherently difficult to predict the outcome of many of the legal, regulatory and other adversarial proceedings involving our businesses, particularly those cases in which the matters are brought on behalf of various classes of claimants, seek damages of unspecified or indeterminate amounts or involve novel legal claims. For information on management's judgments in relation to estimating losses and taking charges for legal, regulatory and arbitration proceedings, see Item 5 "Operating and financial review and prospects – Critical accounting policies – Contingencies and loss provisions - Litigation contingencies."

Failure to comply with extensive regulation of our businesses may subject us to significant penalties and may seriously harm our reputation

As a participant in the financial services industry, we are subject to extensive regulation by governmental agencies, supervisory authorities, and self-regulatory organizations in Switzerland, Europe, the United States and virtually all other jurisdictions in which we operate around the world. Such regulation is becoming increasingly more extensive and complex. These regulations often serve to limit our activities, including through net capital, customer protection and market conduct requirements, and restrictions on the businesses in which we may operate or invest. In recent years, a major focus of international policy and regulation has been on combating money laundering and terrorist financing. Applicable regulations impose obligations to maintain appropriate policies, procedures and controls to detect, prevent and report money laundering and terrorist financing, including verifying the identity of customers. Failure of the Group and its subsidiaries to implement and maintain adequate programs to combat money laundering and terrorist financing could have serious legal and reputational consequences.

Despite our best efforts to comply with applicable regulations, there are a number of risks, particularly in areas where applicable regulations may be unclear or where regulators revise their previous guidance or courts overturn previous rulings. Authorities in many jurisdictions have the power to bring administrative or judicial proceedings against us, which could result in, among other things, suspension or revocation of our licenses, cease and desist orders, fines, civil penalties, criminal penalties or other disciplinary action which could materially adversely affect our results of operations and seriously harm our reputation.

Changes in laws, rules or regulations, or in their interpretation or enforcement, may adversely affect our results of operations and capital requirements.

For a description of our regulatory regime and capital requirements, see Item 4 "Information on the company – Regulation and supervision."

Legal restrictions on our clients may reduce the demand for our services

We may be materially affected not only by regulations applicable to us as a financial services company, but also by regulations of general application. For example, the volume of our businesses in any one year could be affected by, among other things, existing and proposed tax legislation, antitrust and competition policies, corporate governance initiatives and other governmental regulations and policies and changes in the interpretation or enforcement of existing laws and rules that affect business and the financial markets.

Competition

We face increased competition due to consolidation and new entrants

We face intense competition in all financial services markets and for the products and services we offer. Consolidation, through mergers and acquisitions, alliances and cooperation, is increasing competition. Competition is based on many factors, including the products and services offered, pricing, distribution systems, customer service, brand recognition, perceived financial strength and the willingness to use capital to serve client needs. Consolidation has created a number of firms that, like us, have the ability to offer a wide range of products, from loans and deposit-taking to brokerage, investment banking and asset management services. Some of these firms may be able to offer a broader range of products than we do, or offer such products at more competitive prices. In addition, new lower-cost competitors may enter the market and those competitors may not be subject to capital or regulatory requirements and may be able to offer their products and services on more favorable terms.

Our competitive position could be harmed if our reputation is damaged

In the highly competitive environment arising from globalization and convergence in the financial services industry, a reputation for financial strength and integrity is critical to our ability to attract and maintain customers. Our reputation could be harmed if our comprehensive procedures and controls fail, or appear to fail, to address conflicts of interest as we increase our client base and the scale of our businesses, prevent employee misconduct, produce materially accurate and complete financial and other information or prevent adverse legal or regulatory actions.

We must recruit and retain highly skilled employees

Our performance is largely dependent on the talents and efforts of highly skilled individuals. Competition for qualified employees is intense. We have devoted considerable resources to recruiting, training and compensating employees. Our continued ability to compete effectively in our businesses depends on our ability to attract new employees and to retain and motivate our existing employees.

We face competition from new trading technologies

Our investment banking, private banking and asset management businesses face competitive challenges from new trading technologies. Securities and futures transactions are now being conducted through the Internet and other alternative, non-traditional trading systems, and it appears that the trend toward alternative trading systems will continue and probably accelerate. A dramatic increase in computer-based or other electronic trading may adversely affect our commission and trading revenues, exclude our businesses from certain transaction flows, reduce our participation in the trading markets and the associated access to market information and lead to the creation of new and stronger competitors. We may also be required to make additional expenditures to develop or invest in new trading systems or otherwise to invest in technology to maintain our competitive position.

Financial services businesses that we acquire or joint ventures we undertake may not perform well or may prove difficult to integrate into our existing operations

Even though we review the records of companies we plan to acquire, it is generally not feasible for us to review in detail all such records. Even an in-depth review of records may not reveal existing or potential problems or permit us to become familiar enough with a business to assess fully its capabilities and deficiencies. As a result, we may assume unanticipated liabilities, or an acquisition may not perform as well as expected. We also face the risk that we will not be able to integrate acquisitions into our existing operations effectively as a result of, among other things, differing procedures, business practices and technology systems, as well as difficulties in adapting an acquired company into our organizational structure. We face the risk that the returns on acquisitions will not support the expenditures or indebtedness incurred to acquire such businesses or the capital expenditures needed to develop such businesses.

In addition, in recent years we have undertaken a number of new joint ventures and strategic alliances. Although we endeavor to identify appropriate partners, our joint venture efforts may prove unsuccessful or may not justify the capital we invest.

Moreover, if we fail to identify attractive businesses to acquire, or joint venture opportunities, we may be unable to expand our businesses as quickly or successfully as our competitors, which could adversely affect our results of operations and reputation.

Item 4: Information on the company

Information related to the business of Credit Suisse Group, the individual business segments and organizational changes in 2006, is set forth under the caption "Information on the company" in the Credit Suisse Group Annual Report 2006 on pages 9 to 30, and such information is incorporated herein by reference.

Regulation and supervision

Overview

The Group's operations throughout the world are regulated by authorities in each of the jurisdictions in which the Group has offices, branches and subsidiaries. Central banks and other bank regulators, financial services agencies, securities agencies and exchanges and self-regulatory organizations are among the regulatory authorities that oversee the Group's banking, investment banking and asset management businesses. Changes in the supervisory and regulatory regimes of the countries in which the Group operates will determine to some degree the Group's ability to expand into new markets, the services and products that the Group will be able to offer in those markets and how the Group structures specific operations.

In recent years, a major focus of international policy and regulation, including in Switzerland, the European Union (EU), including the United Kingdom (UK), and the United States (US), has been on combating money laundering and terrorist financing. Applicable regulations impose obligations to maintain appropriate policies, procedures and controls to detect, prevent and report money laundering and terrorist financing, including verifying the identity of customers. Failure of the Group and its subsidiaries to maintain and implement adequate programs to combat money laundering and terrorist financing could have serious legal and reputational consequences.

The principal regulatory structures that apply to the Group's operations are discussed below.

Banking

Switzerland

Although Credit Suisse Group is not a bank according to the Swiss Federal Law on Banks and Savings Banks of November 8, 1934, as amended (Bank Law), and its Implementing Ordinance of May 17, 1972, as amended (Implementing Ordinance), it is required, pursuant to a Swiss Federal Banking Commission (SFBC) decree, to comply with certain requirements for banks, including with respect to capital adequacy, solvency and risk concentration on a consolidated basis, subject to specific stipulations required by the SFBC. The Group is also subject to certain of the reporting obligations of Swiss banks. Furthermore, the Group's banks in Switzerland, including the Bank, are each regulated by the SFBC on a legal entity basis and, if applicable, on a consolidated basis.

The Group's banks in Switzerland operate under banking licenses granted by the SFBC pursuant to the Bank Law and the Implementing Ordinance. In addition, certain of these banks hold securities dealer licenses granted by the SFBC pursuant to the Swiss Federal Act on Stock Exchanges and Securities Trading of March 24, 1995 (Stock Exchange Act).

The SFBC is the highest bank supervisory authority in Switzerland and is independent from the Swiss National Bank (the National Bank). Under the Bank Law, the SFBC is responsible for the supervision of the Swiss banking system through the issuance of ordinances and circular letters to the banks and securities dealers it oversees. The National Bank is responsible for implementing the government's monetary policy relating to banks and securities dealers and for ensuring the stability of the financial system. It publishes extensive statistical data on a monthly basis.

In addition to close and continuous prudential supervision and direct audits by the SFBC, under the Bank Law, a bank's business is subject to inspection and supervision by an independent auditing firm licensed by the SFBC. These Bank Law auditors, which are appointed by the bank's Board of Directors, are required to perform annually an audit of the bank's financial statements and to assess whether the bank is in compliance with the provisions of the Bank Law, the Implementing Ordinance and SFBC regulations, as well as guidelines for self-regulation issued by the Swiss Bankers' Association and other non-governmental organizations.

Capital requirements

Under the Bank Law, a bank must maintain an adequate ratio between its capital resources and its total risk-weighted assets and this requirement applies to the Group on a consolidated basis. For purposes of complying with Swiss capital requirements, bank regulatory capital is divided into three main categories:

– Tier 1 capital (core capital);

– Tier 2 capital (supplementary capital); and

– Tier 3 capital (additional capital).

The Group calculates its regulatory capital on the basis of US GAAP, with certain adjustments required by, or agreed with, the SFBC.

The Group is required by the Bank for International Settlements (BIS) to maintain a minimum regulatory capital ratio of 8% measured on a consolidated basis, calculated by dividing total eligible capital, adjusted for certain deductions, by aggregate risk-weighted assets.

The Basel Committee introduced significant changes to existing international capital adequacy standards. These changes are known as Basel II. Certain countries, including Switzerland, are currently in the process of modifying their bank capital and regulatory standards to implement the new standards. The Swiss Federal Council enacted the new standards, subject to a "Swiss finish," as of January 1, 2007, in the new Capital Adequacy Ordinance. For most Swiss banks, the simpler methodologies of Basel II will apply. For large Swiss banks, such as the Bank, the advanced methodologies of Basel II will apply as of January 2008. The Group expects the implementation of Basel II to create an additional 15% capital requirement at year-end 2007. The final capital impact will, however, depend, among other things, on the growth in risk-weighted assets and changes in the business mix during 2007.

Liquidity requirements

Banks are required to maintain a specified liquidity ratio under Swiss law. According to the SFBC's decree, Credit Suisse Group is only required to maintain adequate levels of liquidity on a consolidated basis within the meaning of the Implementing Ordinance and it is not required to comply with the detailed calculations for banks.

Risk concentration
Under Swiss banking law, banks and securities dealers are required to manage risk concentration within specific, predefined limits. Aggregated credit exposure to any single counterparty or a group of related counterparties must bear an adequate relationship to the bank's eligible capital, taking into account counterparty risks and risk mitigation instruments.

Confidentiality requirements
Under the Bank Law and the Stock Exchange Act, Swiss banks and securities dealers are obligated to keep confidential the existence and all aspects of their relationships with customers. These customer confidentiality laws do not, however, provide protection with respect to criminal offenses such as insider trading, money laundering, terrorist financing activities or tax fraud. In particular, Swiss customer confidentiality laws do not prevent the disclosure of information to courts and administrative authorities when banks are asked to testify under applicable federal and cantonal rules of civil or criminal procedure.

European Union
Since it was announced in 1999, the EU's Financial Services Action Plan (FSAP) has given rise to numerous measures (both Directives and Regulations) aimed at increasing integration and harmonization in the European market for financial services. While Regulations have immediate and direct effect in member states, Directives must be implemented through national legislation. As a result, the terms of implementation of Directives are not always consistent from country to country.

The Capital Requirements Directive, adopted in 2006, applies the Basel II capital framework for banking groups operating in the EU. In January 2007, the Capital Requirements Directive was implemented in various EU countries, including the United Kingdom.

United States
The Group's operations are subject to extensive federal and state regulation and supervision in the United States. The Group's US banking offices are composed of a New York branch (New York Branch), a US administrative office in Florida and representative offices in New York and California. Each of these offices is licensed with, and subject to examination and regulation by, the state banking authority in the state in which it is located.

The New York Branch is licensed by the Superintendent of Banks of the State of New York (Superintendent), examined by the New York State Banking Department, and subject to laws and regulations applicable to a foreign bank operating a New York branch. Under the New York Banking Law and related regulations (amended most recently in January 2007), the New York Branch must maintain, with banks in the State of New York, eligible assets in an amount determined on the basis of a sliding scale so that the amount of assets required to be pledged as a percentage of third party liabilities decreases from 1.0% to 0.25% as such liabilities increase from USD 1 billion or less to more than USD 10 billion (up to a maximum of USD 100 million), as long as the New York Branch continues to be well rated by the Superintendent. Should the New York Branch cease to be well rated, the Group may need to maintain substantial additional amounts of eligible assets. The New York Banking Law also empowers the Superintendent to establish asset maintenance requirements for branches of foreign banks expressed as a percentage of each branch's liabilities. The Superintendent has not imposed such a requirement upon the New York Branch.

The New York Banking Law authorizes the Superintendent to take possession of the business and property of a foreign bank's New York branch under circumstances similar to those that would permit the Superintendent to take possession of the business and property of a New York state-chartered bank.

In liquidating or dealing with a branch's business after taking possession, the Superintendent would only accept for payment the claims of creditors (unaffiliated with the foreign bank) that arose out of transactions with that branch. After the claims of those creditors were paid out of the business and property of the bank in the State of New York, the Superintendent would turn over the remaining assets, if any, to the foreign bank or to its duly appointed liquidator or receiver.

In addition, under the New York Banking Law, the New York Branch is generally subject to the same single borrower lending limits applicable to a New York state-chartered bank. For the New York Branch, those limits, which are expressed as a percentage of capital, are based on the worldwide capital of Credit Suisse.

The Group’s operations are also subject to US federal banking laws. Under these laws, branches and agencies of foreign banks in the Unites States are subject to reporting and examination requirements similar to those imposed on domestic banks that are owned or controlled by US bank holding companies. Accordingly, the Group’s operations are subject to examination by the Board of Governors of the Federal Reserve System (FRB) in its capacity as the Group’s US umbrella supervisor. The New York Branch is also subject to examination by the FRB. In addition, pursuant to the FRB’s regulations, the New York Branch is subject to reserve requirements on deposits and restrictions on the payment of interest on demand deposits. Because the New York Branch does not engage in retail deposit taking, it is not a member of, and its deposits are not insured by, the Federal Deposit Insurance Corporation.

Among other things, US federal banking laws provide that a state-licensed branch or agency of a foreign bank may not engage in any type of activity that is not permissible for a federally licensed branch or agency of a foreign bank unless the FRB has determined that such activity is consistent with sound banking practice. US federal banking laws also subject a state branch or agency to the same single borrower lending limits applicable to national banks and these limits are based on the capital of the entire foreign bank. Furthermore, the FRB may terminate the activities of a US branch or agency of a foreign bank if it finds that:

– The foreign bank is not subject to comprehensive supervision on a consolidated basis in its home country; or

– There is reasonable cause to believe that such foreign bank, or an affiliate, has violated the law or engaged in an unsafe or unsound banking practice in the United States and, as a result, continued operation of the branch or agency would be inconsistent with the public interest and purposes of the banking laws.

If the FRB were to use this authority to close the New York Branch, creditors of the New York Branch would have recourse only against Credit Suisse, unless the Superintendent or other regulatory authorities were to make alternative arrangements for the payment of the liabilities of the New York Branch.

In recent years, a major focus of US policy and regulation relating to financial institutions has been to combat money laundering and terrorist financing. Laws and regulations applicable to the Group and its subsidiaries impose obligations to maintain appropriate policies, procedures and controls to detect, prevent and report money laundering and terrorist financing, verify the identity of customers and comply with economic sanctions. The Group’s failure to maintain and implement adequate programs to combat money laundering and terrorist financing, and violations of such economic sanctions, laws and regulations, could have serious legal and reputational consequences for the Group.

The Group takes its obligations to prevent money laundering and terrorist financing very seriously, while appropriately respecting and protecting the confidentiality of clients. The Group has policies, procedures and training intended to ensure that its employees know the Group's customers and understand the Group's criteria for when a client relationship or business should be evaluated as higher risk for the Group.

As part of its continuing evaluation of risk, in the first quarter of 2006, the Group determined to limit the amount of business with counterparties in, or directly relating to, Cuba, Iran, Myanmar, North Korea, Sudan and Syria. The Group has decided that it will not enter into new relationships with clients from these countries and will end all existing relationships with corporate clients and most private banking clients in these countries. Some designated relationships with private banking clients in these countries will be maintained subject to restrictions, including the centralization of the private banking relationship within Credit Suisse in Switzerland. The Group also has implemented payment and other restrictions with respect to these countries that are applicable to all its clients. These restrictions include, but are not limited to, prohibiting dealing in transactions in securities and other financial products offered, issued or administered by an entity located in these countries, such as securities issued by the government of, or a company located in, or held by custodians in, these countries. In addition, the Group has decided to close its representative office in Tehran, Iran.

The US State Department has designated such countries as state sponsors of terrorism, and US law generally prohibits US persons from doing business with such countries. The Group is aware of initiatives by governmental entities and institutions in the United States to adopt rules, regulations or policies prohibiting transactions with or investments in entities doing business with such countries. The Group is a Swiss-domiciled organization and its activities with respect to such countries are subject to policies and procedures designed to ensure that US persons are not involved and otherwise comply with applicable laws and regulations. The Group does not believe its business activities with counterparties in, or directly relating to, such countries are material to its business, and such activities represented a very small part of total assets as of December 31, 2006, and total revenues for the year ended December 31, 2006.

Non-banking activities of banking institutions

Federal and state banking laws, including the International Banking Act of 1978, as amended, and the Bank Holding Company Act of 1956, as amended, restrict the Group's ability to engage, directly or indirectly through subsidiaries, in non-banking activities in the United States. The Gramm-Leach-Bliley Act of 1999 (GLBA) significantly modified these restrictions.

Once the GLBA took effect, qualifying bank holding companies and foreign banks qualifying as financial holding companies were permitted to engage in a substantially broader range of non-banking activities in the United States, including insurance, securities, private equity and other financial activities. The GLBA does not authorize banks or their affiliates to engage in commercial activities that are not financial in nature or incidental thereto without other specific legal authority or exemption.

Certain restrictions governing the acquisition of US banks were not affected by the GLBA. Accordingly, the Group is required to obtain the prior approval of the FRB (and potentially other US banking regulators) before acquiring, directly or indirectly, the ownership or control of more than 5% of any class of voting shares of any US bank, bank holding company or many other US depository institutions and their holding companies. The New York Branch is also restricted from engaging in certain tying arrangements involving products and services.

Under the GLBA and related FRB regulations, the Group and the Bank became financial holding companies effective March 23, 2000, by certifying and demonstrating that the Bank was well-capitalized and well-managed. If in the future the Group or the Bank ceases to be well-capitalized or well-managed, or otherwise fails to meet any of the requirements for financial holding company status, then it may be required to discontinue newly authorized financial activities or terminate its New York Branch. The Group's ability to undertake acquisitions permitted by financial holding companies could also be adversely affected.

The GLBA and the regulations issued thereunder contain a number of other provisions that could affect the Group's operations and the operations of all financial institutions. One such provision relates to the financial privacy of consumers. In addition, the so-called push-out provisions of the GLBA narrow the exclusion of banks (including the New York Branch) from the definitions of broker and dealer under the Securities Exchange Act of 1934 (Exchange Act). The US Securities and Exchange Commission (SEC) has granted a series of temporary exemptions to delay the required implementation of these push-out provisions. The narrowed dealer definition took effect in September 2003, and the narrowed broker definition is currently expected to apply to the Group beginning January 1, 2009. As a result, it is likely that certain securities activities currently conducted by the New York Branch will need to be restructured or transferred to one or more US-registered broker-dealer affiliates.

United Kingdom

The UK Financial Services Authority (FSA) is the principal statutory regulator of financial services activity in the United Kingdom, deriving its powers from the Financial Services and Markets Act 2000 (FSMA). The FSA regulates banking, insurance (long-term and general), investment business and the activities of mortgage intermediaries. In undertaking its role as regulator, the FSA generally adopts a risk-based approach, supervising all aspects of a firm's business, including capital resources, systems and controls and management structures, the conduct of its business, anti-money laundering and staff training. The FSA has wide investigatory and enforcement powers, including the power to require information and documents from financial services businesses, appoint investigators, apply to the court for injunctions or restitution orders, prosecute criminal offenses, impose financial penalties, issue public statements or censures and vary, cancel or withdraw authorizations it has granted.

As a member state of the European Union, the United Kingdom is required to implement EU directives into national law. The regulatory regime for banks operating in the United Kingdom conforms to required EU standards including compliance with capital adequacy standards, customer protection requirements, conduct of business rules and anti-money laundering rules. These standards, requirements and rules are similarly implemented, under the same directives, throughout the other member states of the European Union in which the Group operates and are broadly comparable in scope and purpose to the regulatory capital and customer protection requirements imposed under US law.

The London branch of Credit Suisse, Credit Suisse International and Credit Suisse (UK) Limited are authorized to take deposits. Credit Suisse also has a number of entities authorized to conduct investment business and asset management activities. In deciding whether to grant authorization, the FSA first must determine whether a firm satisfies the threshold conditions for suitability, including the requirement for the firm to be fit and proper. In addition to regulation by the FSA, certain wholesale money markets activities are subject to the Non-Investment Products Code (NIPS Code), a voluntary code of conduct published by the Bank of England. The FSA participated in the development of the NIPS Code and expects FSA-regulated firms to take due account of it when conducting wholesale money market business.

The FSA cannot set capital requirements for the London Branch. The FSA does, however, require Credit Suisse International and Credit Suisse (UK) Limited to maintain a minimum capital ratio and to monitor and report large exposures in accordance with the rules implementing the Capital Requirements Directive. Furthermore, the FSA requires banks operating in the United Kingdom to maintain adequate liquidity.

The United Kingdom implemented the Markets in Financial Instruments Directive (MiFID) in January 2007. As a consequence, Credit Suisse's authorized entities in the United Kingdom are required to comply with the new version of the FSA Handbook on November 1, 2007. The updates include the requirement to reclassify customers in accordance with MiFID provisions. The London branch of Credit Suisse will be required to comply principally with its home country regulatory regime; however, some of the new conduct of business rules in the United Kingdom will be applicable from November 2007.

Investment banking and asset management

Switzerland

The Group's securities dealer activities in Switzerland are conducted primarily through Credit Suisse and are subject to regulation under the Stock Exchange Act. The Stock Exchange Act regulates all aspects of the securities dealer business in Switzerland, including regulatory capital, risk concentration, sales and trading practices, record-keeping requirements and procedures and periodic reporting procedures. The regulatory capital requirements and risk concentration limits for securities dealers are substantially the same as for banks. Securities dealers are supervised by the SFBC.

The Group’s asset management activities in Switzerland include the establishment and administration of mutual funds registered for public distribution. In accordance with the Swiss Law on Collective Capital Investment Schemes, which came into effect on January 1, 2007, and replaces the Swiss Law on Mutual Funds, these activities are conducted under the supervision of the SFBC.

European Union

In April 2004, as part of the FSAP, the European Union adopted MiFID. MiFID was required to be implemented into national laws by January 2007 (although this has not yet been done in most jurisdictions) and comes into force on November 1, 2007. MiFID replaces the Investment Services Directive and widens the scope of regulated investment services and instruments to include, for example, investment advice and services and activities relating to commodity derivatives. In relation to these and other investment services and activities, MiFID provides a "passport" for investment firms enabling them to conduct cross-border activities throughout Europe on the basis of authorization from their home state regulator.

MiFID establishes high-level organizational and business conduct standards that apply to all investment firms. These include new standards for managing conflicts of interest, best execution, customer classification and suitability requirements for customers. MiFID also sets standards for regulated markets (i.e., exchanges) and multilateral trading facilities and sets out pre-trade and post-trade price transparency requirements for equity trading.

United States

In the United States, the SEC is the federal agency primarily responsible for the regulation of broker-dealers, investment advisers and investment companies, while the Commodity Futures Trading Commission (CFTC) is the federal agency primarily responsible for the regulation of futures commission merchants, commodity pool operators and commodity trading advisors. In addition, the Department of the Treasury has the authority to promulgate rules relating to US Treasury and government agency securities, the Municipal Securities Rulemaking Board has the authority to promulgate rules relating to municipal securities, and the board promulgates regulations applicable to certain securities credit transactions. In addition, broker-dealers are subject to regulation by industry self-regulatory organizations, including the NASD and the New York Stock Exchange (NYSE), and by state authorities. The NYSE and the NASD have announced that they intend to merge their regulatory functions into a single regulatory organization, expected to begin operations in the second quarter of 2007. For their futures activities, broker-dealers are subject to industry self-regulatory organizations such as the National Futures Association (NFA), and regulation by state authorities.

The Group’s investment banking business includes broker-dealers registered with the SEC, all 50 states, the District of Columbia and Puerto Rico, and futures commission merchants and commodities trading advisers registered with the CFTC. As a result of these registrations, and memberships in self-regulatory organizations, such as the NASD, the NYSE and the NFA, the Group’s investment banking business is subject to overlapping schemes of regulation covering all aspects of its securities and futures activities, including:

– Capital requirements;

– The use and safekeeping of customers’ funds and securities;

– Suitability of customer investments;

– Recordkeeping and reporting requirements;

– Supervisory and organizational procedures intended to ensure compliance with securities and commodities laws and the rules of the self-regulatory organizations;

– Supervisory and organizational procedures intended to prevent improper trading on material non-public information;

– Employee-related matters;

– Limitations on extensions of credit in securities transactions;

– Required procedures for trading on securities and commodities exchanges and in the over-the-counter (OTC) market;

– Prevention and detection of money laundering and terrorist financing;

– Procedures relating to research analyst independence;

– Procedures for the clearance and settlement of trades; and

– Communications with the public.

The broker-dealers' operations are also subject to the SEC's net capital rule, Rule 15c3-1 (Net Capital Rule), promulgated under the Exchange Act, which requires broker-dealers to maintain a specified level of minimum net capital in relatively liquid form. The Group also has a "broker-dealer lite" entity (or OTC derivatives dealer), which is subject to the Net Capital Rule but calculates its capital requirements under Appendix F. The Net Capital Rule also limits the ability of broker-dealers to transfer large amounts of capital to parent companies and other affiliates. Compliance with the Net Capital Rule could limit Group operations that require intensive use of capital, such as underwriting and trading activities and the financing of customer account balances and also could restrict the Group's ability to withdraw capital from the Group's broker-dealer subsidiaries, which in turn could limit the Group's ability to pay dividends and make payments on the Group's debt. Certain of the Group's broker-dealers are also subject to the net capital requirements of various self-regulatory organizations.

As registered futures commission merchants, certain of the Group's broker-dealers are subject to the capital and other requirements of the CFTC under the Commodity Exchange Act. These requirements include the provision of certain disclosure documents, generally impose prohibitions against trading ahead of customers orders and other fraudulent trading practices, and include provisions as to the handling of customer funds and reporting and recordkeeping requirements.

The investment banking and asset management businesses include legal entities registered and regulated as investment advisers under the US Investment Advisers Act of 1940, as amended, and the SEC's rules and regulations thereunder. In addition, the SEC has recently proposed rules that clarify its ability to bring enforcement actions against investment advisers (including advisers that are not registered or required to be registered with the SEC) that defraud investors in hedge funds or other pooled investment vehicles. The SEC-registered mutual funds that the Group advises are subject to various requirements of the Investment Company Act of 1940, as amended, and the SEC's rules and regulations thereunder. For pension fund customers, the Group is subject to the Employee Retirement Income Security Act of 1974, as amended, and similar state statutes. Finally, because some of the investment vehicles the Group advises are commodity pools, the Group is subject to the Commodity Exchange Act for such vehicles.

United Kingdom

The Group's London broker-dealer subsidiaries and asset management companies are authorized under the FSMA and are subject to regulation by the FSA. In deciding whether to authorize an investment firm in the United Kingdom, the FSA will consider the threshold conditions for suitability set out in its rules, including the general requirement for a firm to be fit and proper. The FSA is responsible for regulating most aspects of an investment firm's business, including its regulatory capital, sales and trading practices, use and safekeeping of customer funds and securities, record-keeping, margin practices and procedures, registration standards for individuals carrying on certain functions, anti-money laundering systems and periodic reporting and settlement procedures.

Property and equipment

The Group's principal executive offices, which the Group owns, are located at Paradeplatz 8, Zurich, Switzerland. As of December 31, 2006, the Group maintained 634 offices and branches worldwide, of which approximately 60% were located in Switzerland.

As of December 31, 2006, approximately 29% of the Group's worldwide offices and branches were owned directly by us with the remainder being held under commercial leases, 74% of which expire after 2011. The book value of the ten largest owned properties was approximately CHF 1.7 billion as of December 31, 2006. Some of the Group's principal facilities are subject to mortgages and other security interests granted to secure indebtedness to certain financial institutions. As of December 31, 2006, the total amount of indebtedness secured by these facilities was not material to us.

The Group believes that its current facilities are adequate for existing operations. Management regularly evaluates the Group's operating facilities for suitability, market presence, renovation and maintenance.

Additional information

For additional information on the Group's principal capital expenditures, see Item 5 "Operating and financial review and prospects – Liquidity and capital resources."

For a breakdown of the Group's net revenues by geographic market for each of the past three years, see note 5 "Segment information" in the Notes to the consolidated financial statements in the Credit Suisse Group Annual Report 2006.

For selected statistical information relating to the Group's banking business, see Item 5 "Operating and financial review and prospects – Information required by Industry Guide 3."

Item 4A: Unresolved staff comments

Credit Suisse Group, a well-known seasoned issuer, has no material unresolved SEC comments on its periodic reports filed under the Exchange Act that were issued more than 180 days prior to the December 31, 2006, fiscal year end.

Item 5: Operating and financial review and prospects

Management's Discussion and Analysis of Financial Condition and Results of Operations is set forth under Operating and financial review and prospects in the Credit Suisse Group Annual Report 2006 on pages 31 to 60 and such information is incorporated herein by reference.

Critical accounting policies

In order to prepare the consolidated financial statements in accordance with US GAAP, management is required to make certain accounting estimates to ascertain the value of assets and liabilities. These estimates are based upon judgment and the information available at the time, and actual results may differ materially from these estimates. Management believes that the estimates and assumptions used in the preparation of the consolidated financial statements are prudent, reasonable and consistently applied. For further information on significant accounting policies and new accounting pronouncements, see note 1 “Summary of significant accounting policies” and note 2 “Recently issued accounting standards” in the Notes to the consolidated financial statements in the Credit Suisse Group Annual Report 2006.

The Group believes that the critical accounting policies discussed below involve the most complex judgments and assessments.

Fair value
The fair value of the majority of the Group’s financial instruments is based on quoted market prices in active markets or observable market parameters or is derived from such prices or parameters. These instruments include government and agency securities, commercial paper, most investment-grade corporate debt, most high-yield debt securities, exchange traded and certain OTC derivative instruments, most *Collateralized debt obligations* (CDO), most mortgage-backed and asset-backed securities, certain residential mortgage whole loans and listed equity securities.

In addition, the Group holds financial instruments that are thinly traded or for which no market prices are available, and which have little or no price transparency. For these instruments, the determination of fair value requires subjective assessment and varying degrees of judgment depending on liquidity, concentration, pricing assumptions and the risks affecting the specific instrument. In such circumstances, valuation is determined based on management’s best estimate of fair value. These instruments include certain investment-grade corporate debt securities, certain high-yield debt securities, distressed debt securities, certain CDOs, certain OTC derivatives, certain mortgage-backed and asset-backed securities, non-traded equity securities and private equity and other long-term investments. Valuation techniques for certain of these instruments are described more fully below.

Controls over the fair valuation process
Control processes are applied to ensure that the fair value of the financial instruments reported in the consolidated financial statements, including those derived from pricing models, are appropriate and determined on a reasonable basis. The Group determines fair value using observable market prices or market-based parameters whenever possible. In the absence of observable market prices or market-based parameters in an active market, observable prices or market-based parameters of comparable market transactions or other observable data supporting an estimation of fair value using a valuation model at the inception of a contract, fair value is based on the transaction price. Control processes are designed to assure that the valuation approach is appropriate and the assumptions are reasonable.

These control processes include the review and approval of new instruments, review of profit and loss at regular intervals, risk monitoring and review, price verification procedures and reviews of models used to estimate the fair value of financial instruments by senior management and personnel with relevant expertise who are independent of the trading and investment functions.

The Group also has agreements with certain counterparties to exchange collateral based on the fair value of derivatives contracts. Through this process, one or both parties provide the other party with the fair value of these derivatives contracts in order to determine the amount of collateral required. This exchange of information provides additional support for valuation of certain derivatives contracts. The Group and other participants in the OTC derivatives market provide pricing information to aggregation services that compile this data and provide this information to subscribers. This information is considered in the determination of fair value for certain OTC derivatives.

Price transparency of financial instruments recorded at fair value
Financial instruments recorded in the Group's consolidated balance sheet at fair value have been categorized based upon the transparency of the pricing information available.

The categories of pricing transparency have been broadly segregated as follows:

Quoted market prices or observable market parameters: these financial instruments are valued based upon directly observable market prices or through the use of valuation models and techniques for which the required parameters are directly observable.

Reduced or no observable market parameters: these financial instruments are priced using management's best estimate of fair value applying valuation techniques that are based on significant judgment since observable, market-based data is not generally available.

The following table sets forth a summary of the fair value methodology applied to the Group's financial instruments:

December 31, 2006, in CHF m	Quoted market prices or observable market parameters	Reduced or no observable market parameters
Assets		
Trading assets		
Money market instruments	4,272	72
Trading securities	340,148	19,468
Derivatives[1)]	250,335	17,861
Other	23,244	5,425
Total trading assets	**617,999**	**42,826**
Investment securities		
Money market instruments	632	0
Available-for-sale securities	19,955	34
Total investment securities[2)]	**20,587**	**34**
Other investments and other assets		
Private equity and other long-term investments	4,089	14,485
Derivative instruments used for hedging	2,304	32
Total other investments and other assets	**6,393**	**14,517**
Liabilities		
Trading liabilities		
Financial instruments sold, not yet repurchased	139,207	579

Derivatives[1]	250,992	17,741
Total trading liabilities	**390,199**	**18,320**
Other liabilities		
Derivative instruments used for hedging	1,026	6
Total other liabilities	**1,026**	**6**

1) Based on gross mark-to-market valuations of the Group's derivative positions prior to netting of CHF 210.0 billion. 2) Excludes debt securities held-to-maturity of CHF 773 million, which are carried at amortized cost, net of any amortized premium or discount.

Trading assets and liabilities

Money market instruments

Traded money market instruments include instruments such as bankers' acceptances, certificates of deposit, commercial paper, book claims, treasury bills and other rights, which are held for trading purposes. Valuations of traded money market instruments are generally based on market prices or market parameters and, therefore, typically do not require significant judgment.

Trading securities

The Group's trading securities consist of interest-bearing securities and rights and equity securities. Interest-bearing securities and rights include debt securities, residential and commercial mortgage-backed and other asset-backed securities and CDOs. Equity securities include common equity shares, convertible bonds and separately managed funds.

For debt securities for which market prices are not available, valuations are based on yields reflecting the perceived risk of the issuer and the maturity of the security, recent disposals in the market or other modeling techniques, which may involve judgment.

Values of residential and commercial mortgage-backed securities and other asset-backed securities are generally available through quoted market prices, which are often based on market information of the prices at which similarly structured and collateralized securities trade between dealers and to and from customers. Values of residential and commercial mortgage-backed securities and other asset-backed securities for which there are no significant observable market parameters are valued using valuation models incorporating prepayment scenarios and Monte Carlo simulations.

Collateralized debt, bond and loan obligations are split into various structured tranches, and each tranche is valued based upon its individual rating and the underlying collateral supporting the structure. Values are derived by using valuation models to calculate the internal rate of return of the estimated cash flows.

The majority of the Group's positions in equity securities are traded on public stock exchanges, for which daily quoted market prices are available. Fair values of preferred shares are determined by their yield and the subordination relative to the issuer's other credit obligations. Convertible bonds are generally valued using direct pricing sources. For a small number of convertible bonds no direct prices are available and valuation is determined using internal and external models, for which the key input parameters include stock price, dividend rates, credit spreads, foreign exchange rates, prepayment rates and equity market volatility.

The fair values of positions in separately managed funds, which include debt and equity securities, are determined on a regular basis by independent fund administrators. As valuations are not provided on a daily basis, models are used to estimate changes in fair value between such determination dates.

Derivatives

Positions in derivatives held for trading purposes include both OTC and exchange-traded derivatives. The fair values of exchange-traded derivatives are typically derived from the observable exchange prices and/or observable market parameters. Fair values for OTC derivatives are determined on the basis of internally developed proprietary models using various input parameters. The input parameters include those characteristics of the derivative that have a bearing on the economics of the instrument and market parameters.

The determination of the fair value of many derivatives involves only a limited degree of subjectivity because the required input parameters are observable in the marketplace. The pricing of these instruments is referred to as “direct.” For other more complex derivatives, subjectivity relating to the determination of input parameters reduces price transparency. The pricing of these instruments is referred to as “indirect.” Specific areas of subjectivity include estimating long-dated volatility assumptions on OTC option transactions and recovery rate assumptions for credit derivative transactions. Uncertainty of pricing assumptions and liquidity are also considered as part of the valuation process. The Group has applied the guidance contained in Emerging Issues Task Force (EITF) Issue No. 02-3, “Issues Involved in Accounting for Derivative Contracts Held for Trading Purposes and Contracts Involved in Energy Trading and Risk Management Activities” (EITF 02-3), prior to the adoption of Statement of Financial Accounting Standards (SFAS) No. 157, “Fair Value Measurements.” In accordance with the provisions of EITF 02-3, the Group did not recognize a dealer profit or loss, unrealized gain or loss at inception of a derivative transaction, or day one profit/loss unless the valuation underlying the unrealized gain or loss is evidenced by: (i) quoted market prices in an active market; (ii) observable prices of other current market transactions; or (iii) other observable data supporting a valuation technique. The deferred profit or loss is amortized over either the life of the derivative or the period until which observable data are available.

Derivatives that qualify for hedge accounting under US GAAP are valued at fair value but are reported in *Other assets* or *Other liabilities* rather than in *Trading assets* or *Trading liabilities*. Fair values for these instruments are determined in the same manner as for derivatives held for trading purposes.

For further information on derivatives, see note 27 “Derivatives and hedging activities” in the Notes to the consolidated financial statements in the Credit Suisse Group Annual Report 2006.

Other trading assets

Other trading assets primarily include residential mortgage loans that are purchased with the intent to securitize. Valuations for traded residential mortgage loans are based on pricing factors specific to loan level attributes, such as loan-to-value ratios, current balance and liens. In addition, current written offers or contract prices are considered in the valuation process.

Investment securities

Investment securities recorded at fair value include debt and equity securities classified as available-for-sale. These debt and equity securities are quoted on public exchanges or liquid OTC markets where the determination of fair value involves relatively little judgment. These instruments include government and corporate bonds held for asset and liability management or other medium-term business strategies. As discussed in note 1 “Summary of significant accounting policies” in the Notes to the consolidated financial statements in the Credit Suisse Group Annual Report 2006, unrealized gains and losses on securities classified as available-for-sale are recorded in *Accumulated other comprehensive income/loss* (*AOCI*); however, recognition of an impairment loss is recorded if a decline in fair value below carrying value is considered to be other than temporary. The risks inherent in the assessment methodology for impairments include the risk that market factors may differ from the Group’s expectations, that the Group may decide to sell a security for unforeseen liquidity needs or that the credit assessment or equity characteristics may change from the Group's original assessment.

Other investments and non-trading liabilities

The Group's *Other investments* include items for which the determination of fair value is generally more subjective, including hybrid instruments, private equity and other alternative capital investments.

Private equity and other long-term investments include direct investments and investments in partnerships that make private equity and related investments in various portfolio companies and funds. Private equity investments and other long-term investments consist of both publicly traded securities and private securities. Publicly traded investments are valued based upon readily available market quotes with appropriate adjustments for liquidity as a result of holding large blocks and/or having trading restrictions. Private securities, which generally have no readily available market or may be otherwise restricted as to resale, are valued taking into account a number of factors, such as the most recent round of financing involving unrelated new investors, earnings multiple analyses using comparable companies or discounted cash flow analysis.

The following table sets forth the fair value of the Group's private equity investments by category:

	2006		2005	
December 31, in CHF m, except where indicated	Fair value	Percent of total	Fair value	Percent of total
Credit Suisse managed funds	**17,273**	**92.8%**	7,952	73.4%
Direct investments	**45**	**0.2%**	148	1.4%
Funds managed by third parties and other private equity investments	**1,309**	**7.0%**	2,735	25.2%
Total	**18,627**	**100.0%**	10,835	100.0%

Internally-managed funds include partnerships and related direct investments for which the Group acts as the fund's adviser and makes investment decisions. Internally-managed funds principally invest in private securities and, to a lesser extent, publicly traded securities and fund of funds partnerships. The increase in *Credit Suisse managed funds* was primarily due to the consolidation of certain private equity funds and other entities for the first time in 2006. For further information on this first time consolidation, see note 2 "Recently issued accounting standards" in the Notes to the consolidated financial statements in the Credit Suisse Group Annual Report 2006. The fair value of investments in internally-managed fund of funds partnerships, which is reflected in "Reduced or no observable market parameters" in the table above, is based on the valuation received from the underlying fund manager and reviewed by the Group. The fair value of investments in other internally managed funds is based on the Group's valuation. Balances reported in internally-managed funds also include amounts relating to the consolidation of private equity funds under Financial Accounting Standards Board (FASB) Interpretation (FIN) No. 46 (Revised), "Consolidation of Variable Interest Entities – An Interpretation of ARB No. 51" (FIN 46(R)), which are described in further detail in note 29 "Transfers and servicing of financial assets" in the Notes to the consolidated financial statements in the Credit Suisse Group Annual Report 2006. A substantial portion of the private equity funds consolidated primarily under FIN 46(R) is reflected in "Reduced or no observable market parameters" in the table above. Funds managed by third parties include investments in funds managed by an external fund manager. The fair value of these funds is based on the valuation received from the general partner of the fund and reviewed by the Group.

Contingencies and loss provisions

A contingency is an existing condition that involves a degree of uncertainty that will ultimately be resolved upon the occurrence of future events.

Litigation contingencies

From time to time, the Group and its subsidiaries are involved in a variety of legal, regulatory and arbitration matters in connection with the conduct of its businesses. It is inherently difficult to predict the outcome of many of these matters, particularly those cases in which the matters are brought on behalf of various classes of claimants, seek damages of unspecified or indeterminate amounts or involve novel legal claims. In presenting the Group's consolidated financial statements, management makes estimates regarding the outcome of legal, regulatory and arbitration matters and takes a charge to income when losses with respect to such matters are probable and can be reasonably estimated. Charges, other than those taken periodically for costs of defense, are not established for matters when losses cannot be reasonably estimated. Estimates, by their nature, are based on judgment and currently available information and involve a variety of factors, including, but not limited to, the type and nature of the litigation, claim or proceeding, the progress of the matter, the advice of legal counsel and other advisers, the Group's defenses and its experience in similar cases or proceedings as well as the Group's assessment of matters, including settlements, involving other defendants in similar or related cases or proceedings. For further information on legal proceedings, see Item 8 "Financial Information Legal proceedings" and note 34 "Litigation and other contingencies" in the Notes to the consolidated financial statements in the Credit Suisse Group Annual Report 2006.

Allowances and provisions for losses

As a normal part of its business, the Group is exposed to credit risks through its lending relationships, commitments and letters of credit as well as counterparty risk on derivatives, foreign exchange and other transactions. Credit risk is the risk that a borrower or counterparty is unable to meet its financial obligations. In the event of a default, the Group generally incurs a loss equal to the amount owed by the counterparty, less a recovery amount resulting from foreclosure, liquidation of collateral or restructuring of the counterparty's obligation. Allowances for loan losses are maintained, as discussed in note 1 "Summary of significant accounting policies" and note 12 "Loans" in the Notes to the consolidated financial statements in the Credit Suisse Group Annual Report 2006. The allowances for loan losses are considered adequate to absorb credit losses existing at the dates of the consolidated balance sheets. These allowances are for probable credit losses inherent in existing exposures and credit exposures specifically identified as impaired.

Inherent loan loss allowance

The inherent loss allowance is for all credit exposures not specifically identified as impaired and that, on a portfolio basis, are considered to contain probable inherent loss. The loan valuation allowance is established by analyzing historical and current default probabilities, historical recovery assumptions and internal risk ratings. The methodology for investment banking adjusts the rating-specific default probabilities to incorporate not only historic third-party data over a period but also those implied from current quoted credit spreads.

Many factors are evaluated in estimating probable credit losses inherent in existing exposures. These factors include: the volatility of default probabilities; rating changes; the magnitude of the potential loss; internal risk ratings; geographic, industry and other environmental factors; and imprecision in the methodologies and models used to estimate credit risk. Overall credit risk indicators are also considered, such as trends in internal risk-rated exposures, classified exposure, cash-basis loans, recent loss experience and forecasted write-offs, as well as industry and geographic concentrations and current developments within those segments or locations. The Group's current business strategy and credit process, including credit approvals and limits, underwriting criteria and workout procedures, are also important factors.

Significant judgment is exercised in the evaluation of these factors. For example, estimating the amount of potential loss requires an assessment of the period of the underlying data. Data that does not capture a complete credit cycle may compromise the accuracy of loss estimates. Determining which external data relating to default probabilities should be used and when they should be used, also requires judgment. The use of market indices and ratings that do not sufficiently correlate to the Group's specific exposure characteristics could also affect the accuracy of loss estimates. Evaluating the impact of uncertainties regarding macroeconomic and political conditions, currency devaluations on cross-border exposures, changes in underwriting criteria, unexpected correlations among exposures and other factors all require significant judgment. Changes in the Group's estimates of probable credit losses inherent in the portfolio could have an impact on the provision and result in a change in the allowance.

Specific loan loss allowances

The Group makes provisions for specific credit losses on impaired loans based on regular and detailed analysis of each loan in the portfolio. This analysis includes an estimate of the realizable value of any collateral, the costs associated with obtaining repayment and realization of any such collateral, the counterparty's overall financial condition, resources and payment record, the extent of the Group's other commitments to the same counterparty and prospects for support from any financially responsible guarantors. For further information on specific loan loss allowances, see note 1 "Summary of significant accounting policies" and note 12 "Loans" in the Notes to the consolidated financial statements in the Credit Suisse Group Annual Report 2006.

The methodology for calculating specific allowances involves judgments at many levels. First, it involves the early identification of deteriorating credits. Extensive judgment is required in order to properly evaluate the various indicators of financial condition of a counterparty and likelihood of repayment. The failure to identify certain indicators or give them proper weight could lead to a different conclusion about the credit risk. The assessment of credit risk is subject to inherent limitations with respect to the completeness and accuracy of relevant information (for example, relating to the counterparty, collateral or guarantee) that is available at the time of the assessment. Significant judgment is exercised in determining the amount of the provision. Whenever possible, independent, verifiable data or the Group's own historical loss experience is used in models for estimating loan losses. However, a significant degree of uncertainty remains when applying such valuation techniques. Under the Group's loans policy, the classification of loan status also has a significant impact on the subsequent accounting for interest accruals.

For loan portfolio disclosures, valuation adjustment disclosures and certain other information relevant to the evaluation of credit risk and credit risk management, see "Risk management" in the Credit Suisse Group Annual Report 2006.

Goodwill impairments

As a result of acquisitions, the Group has recorded *Goodwill* as an asset in its consolidated balance sheet, the most significant component of which arose from the acquisition of Donaldson, Lufkin & Jenrette Inc. *Goodwill* was CHF 11.0 billion and CHF 12.9 billion as of December 31, 2006 and 2005, respectively. The primary decrease in *Goodwill* in 2006 was due to the sale of Winterthur. For further information on this divestiture, see note 4 "Discontinued operations" in the Notes to the consolidated financial statements in the Credit Suisse Group Annual Report 2006. The remaining decrease in *Goodwill* in 2006 was caused primarily by foreign exchange fluctuations in *Goodwill* denominated in US dollars.

Recorded *Goodwill* is not amortized, rather it is reviewed for possible impairments on an annual basis and at any other time that events or circumstances indicate that the carrying value of *Goodwill* may not be recoverable. Circumstances that could trigger an impairment test include, but are not limited to: a significant adverse change in the business climate or legal factors; an adverse action or assessment by a regulator; unanticipated competition; loss of key personnel; the likelihood that a reporting unit or significant portion of a reporting unit will be sold or otherwise disposed of; results of testing for recoverability of a significant asset group within a reporting unit; and recognition of a *Goodwill* impairment loss in the financial statements of a subsidiary that is a component of a reporting unit.

For the purpose of testing *Goodwill* for impairment, each reporting unit is assessed individually. A reporting unit is an operating segment or one level below an operating segment, also referred to as a component. A component of an operating segment is deemed to be a reporting unit if the component constitutes a business for which discrete financial information is available and management regularly reviews the operating results of that component. Investment Banking is considered to be one reporting unit, and in Private Banking, Wealth Management and Corporate & Retail

Banking, are considered to be reporting units. In Asset Management, the two primary business areas, traditional asset management and alternative investments, are considered to be reporting units. If the fair value of a reporting unit exceeds its carrying value, there is no *Goodwill* impairment. Factors considered in determining the fair value of reporting units include, among other things: an evaluation of recent acquisitions of similar entities in the market place; current share values in the market place for similar publicly traded entities, including price multiples; recent trends in the Group's share price and those of competitors; estimates of the Group's future earnings potential; and the level of interest rates.

Estimates of the Group's future earnings potential, and that of the reporting units, involve considerable judgment, including management's view on future changes in market cycles, the anticipated result of the implementation of business strategies, competitive factors and assumptions concerning the retention of key employees. Adverse changes in the estimates and assumptions used to determine the fair value of the Group's reporting units may result in a *Goodwill* impairment charge in the future.

During 2006 and 2005, no *Goodwill* impairment charges were recorded. For further information on *Goodwill*, see note 14 "Goodwill" in the Notes to the consolidated financial statements in the Credit Suisse Group Annual Report 2006.

Income taxes

Deferred tax valuation allowances

Deferred tax assets and liabilities are recognized for the estimated future tax effects of operating loss carry-forwards and temporary differences between the carrying amounts of existing assets and liabilities and their respective tax bases at the dates of the consolidated balance sheets.

The realization of deferred tax assets on temporary differences is dependent upon the generation of taxable income during the periods in which those temporary differences become deductible. The realization of such deferred tax assets on net operating losses is dependent upon the generation of taxable income during the periods prior to their expiration, if applicable. Management periodically evaluates whether deferred tax assets can be realized. If management considers it more likely than not that all or a portion of a deferred tax asset will not be realized, a corresponding valuation allowance is established. In evaluating whether deferred tax assets can be realized, management considers projected future taxable income, the scheduled reversal of deferred tax liabilities and tax planning strategies.

This evaluation requires significant management judgment, primarily with respect to projected taxable income. The estimate of future taxable income can never be predicted with certainty. It is derived from budgets and strategic business plans but is dependent on numerous factors, some of which are beyond management's control. Substantial variance of actual results from estimated future taxable profits, or changes in the Group's estimate of future taxable profits, could lead to changes in deferred tax assets being realizable, or considered realizable, and would require a corresponding adjustment to the valuation allowance.

As of December 31, 2006 and 2005, the Group had deferred tax assets resulting from temporary differences and from net operating losses that could reduce taxable income in future periods. The consolidated balance sheets as of December 31, 2006 and 2005, included gross deferred tax assets of CHF 6.3 billion and CHF 11.7 billion, respectively, and gross deferred tax liabilities of CHF 1.1 billion and CHF 6.4 billion, respectively. The decrease from 2005 to 2006 is due to the sale of Winterthur. Due to uncertainty concerning the Group's ability to generate the necessary amount and mix of taxable income in future periods, a valuation allowance was recorded against deferred tax assets in the amount of CHF 728 million and CHF 1,225 million as of December 31, 2006 and 2005, respectively, which related primarily to deferred tax assets on net operating loss carry-forwards.

For further information on deferred tax assets, see note 23 "Income taxes" in the Notes to the consolidated financial statements in the Credit Suisse Group Annual Report 2006.

Tax contingencies

Significant judgment is required in determining the effective tax rate and in evaluating certain tax positions. The Group accrues for tax contingencies. Despite the belief that its tax return positions are fully supportable, certain positions could be reviewed by local tax authorities. Once established, tax contingency accruals are 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 likelihood of adverse outcomes to determine the appropriateness of provisions for income taxes. Although the outcome of any dispute is uncertain, management believes that it has appropriately accrued for any unfavorable outcome.

Pension plans

The Group covers pension requirements, in both Swiss and non-Swiss locations, through various defined benefit pension plans and defined contribution pension plans.

The Group's funding policy with respect to the non-Swiss pension plans is consistent with local government and tax requirements. In certain non-Swiss locations, the amount of the Group contribution to defined contribution pension plans is linked to the return on equity of the respective segments and, as a result, the amount of the Group's contribution may differ materially from year to year.

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

The funded status of the Group's defined benefit and other post-retirement defined benefit plans are recorded in the consolidated balance sheet. The previously unrecognized actuarial gains and losses, prior service costs or credits, and net transition assets or obligations are recognized in equity as a component of *AOCI*.

As of December 31, 2006, the Group's Swiss defined benefit pension plans accounted for approximately 80% of the projected benefit obligations while the international defined benefit pension plans accounted for approximately 20% of the projected benefit obligations. The annual amount contributed to the Swiss plans and international plans over the last three years averaged CHF 387 million and CHF 238 million, respectively. In 2006, contributions of CHF 338 million were made to the Swiss plans and CHF 38 million were made to the international plans. The Group expects to make total contributions to the Swiss and international plans of approximately CHF 363 million in 2007.

The projected benefit obligations of the Group's total defined benefit pension plans include an amount related to future salary increases of CHF 1,402 million. On the basis of the accumulated benefit obligation, which is defined as the projected benefit obligation less the amount related to future salary increases, the under-funded status of the plans was CHF 277 million for 2006.

The Group is required to estimate the expected return on plan assets, which is then used to compute pension cost recorded in the consolidated statement of income. Estimating future returns on plan assets is particularly subjective, as the estimate requires an assessment of possible future market returns based on the plan asset mix and observed historical returns. In calculating pension expense and in determining the expected rate of return, the Group uses the market-related value of assets.

As of September 30, 2006, the Swiss plans' assets were allocated 18.6% to equity securities, 42.1% to debt securities, 16.0% to real estate, 12.1% to liquidity and 11.2% to alternative investments. The Swiss plans' assets as of December 31, 2005, were allocated 13.1% to equity securities, 32.6% to debt securities, 25.4% to insurance, 12.2% to real estate, 11.5% to liquidity and 5.2% to alternative investments. Liquidity investments are mainly cash and cash equivalents, and alternative investments may include private equity investments, hedge funds and commodities. The year-end allocations were within the plans' target ranges.

The plan assets for the international plans as of September 30, 2006, were allocated 44.7% to equity securities, 49.8% to debt securities, 4.9% to insurance, 0.2% to real estate, 0.2% to liquidity and 0.2% to alternative investments. The plan assets for the international plans as of December 31, 2005, were allocated 47.7% to equity securities, 18.1% to debt securities, 21.2% to insurance, 3.1% to real estate, 5.5% to liquidity and 4.4% to alternative investments. The year-end allocations were within the plans' target ranges.

The expected rate of return on plan assets in Switzerland increased 0.3% to 5.0% as of December 31, 2006, from 4.7% as of December 31, 2005, due mainly to an improvement in expected rates of return from the Swiss debt markets. For the year ended December 31, 2006, if the expected rate of return had been increased 1%, net pension expense for the Swiss plans would have decreased CHF 110 million and net pension expense for the international plans would have decreased CHF 19 million.

The discount rate used in determining the benefit obligation is based either upon high-quality corporate bond rates or government bond rates plus a premium in order to approximate high-quality corporate bond rates. In estimating the discount rate, the Group takes into consideration the relationship between the corporate bonds and the timing and amount of the future cash outflows of its benefit payments. The average discount rate used for Swiss plans increased 0.3% from 3.0% as of December 31, 2005, to 3.3% as of December 31, 2006, due mainly to an increase in Swiss bond market rates. The average discount rate used for international plans increased 0.4% from 4.8% as of December 31, 2005, to 5.2% as of December 31, 2006, due mainly to an increase in bond market rates in the European Union and the United States. The discount rate affects both the pension expense and the pension benefit obligation (PBO). For the year ended December 31, 2006, a 1% decline in the discount rate for the Swiss plans would have resulted in an increase in the PBO of CHF 1,936 million and an increase in pension expense of CHF 180 million, and a 1% increase in the discount rate would have resulted in a decrease in the PBO of CHF 1,527 million and a decrease in the pension expense of CHF 58 million. A 1% decline in the discount rate for the international plans would have resulted in an increase in the PBO of CHF 799 million and an increase in pension expense of CHF 63 million, and a 1% increase in the discount rate would have resulted in a decrease in the PBO of CHF 579 million and a decrease in the pension expense of CHF 50 million.

Recognized actuarial losses are amortized over the average remaining service period of active employees expected to receive benefits under the plan, which is approximately 10 years for the Swiss plans and 7 to 25 years for the international plans. The expense associated with the amortization of recognized net actuarial losses for the years ended December 31, 2006 and 2005 was CHF 121 million and CHF 48 million, respectively. The amortization of recognized actuarial losses for the year ending December 31, 2007, which is assessed at the beginning of the plan year, is expected to be CHF 122 million. The amount by which the actual return on plan assets differs from the Group's estimate of the expected return on those assets further impacts the amount of net recognized actuarial losses, resulting in a higher or lower amount of amortization expense in periods after 2007.

For further information on the Group's pension benefits, see note 26 "Pension and other post-retirement benefits" in the Notes to the consolidated financial statements in the Credit Suisse Group Annual Report 2006.

Off-balance sheet arrangements

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

Guarantees

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

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

In December 2006, the Group completed the sale of Winterthur to AXA S.A. Under the share purchase agreement, the Group gave AXA S.A. certain customary representations and warranties and covenants about Winterthur and its business. As of December 31, 2006, the Group was not aware of any circumstances that could give rise to a claim by AXA S.A. under the agreement.

FIN No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" (FIN 45), requires disclosure of our maximum potential payment obligations under certain guarantees to the extent that it is possible to estimate them and requires recognition of a liability for the fair value of guaranteed obligations for guarantees issued or amended after December 31, 2002. The recognition of these liabilities did not have a material effect on our financial position or results of operations. For disclosure of our estimable maximum payment obligations under certain guarantees and related information, see note 28 "Guarantees and commitments" in the Notes to the consolidated financial statements in the Credit Suisse Group Annual Report 2006.

Retained or contingent interests in assets transferred to unconsolidated entities

The Group originates and purchases commercial and residential mortgages for the purpose of securitization. These assets are sold directly, or through affiliates, to special purpose entities that are, in most cases, qualified special purpose entities (QSPEs) that are not consolidated by the Group. These QSPEs issue securities that are backed by the assets transferred to the QSPEs and pay a return based on the returns of those assets. Investors in these mortgage-backed securities typically have recourse to the assets in the QSPEs; however, neither the investors nor the QSPEs have recourse to the Group's assets. The Group is an underwriter of, and makes a market in, these securities.

Under SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities - A Replacement of FASB Statement No. 125," a QSPE is not required to be consolidated with the transferor. The Group's mortgage-backed securitization activities are generally structured to use QSPEs, and the assets and liabilities transferred to QSPEs are not included in the Group's consolidated financial statements.

The Group may retain interests in these securitized assets in connection with its underwriting and market-making activities. Retained interests in securitized financial assets are included at fair value in *Trading assets* in the consolidated balance sheets. Any changes in the fair value of these retained interests are recognized in the consolidated statement of income. The Group engages in these securitization activities to meet the needs of clients as part of its fixed income activities, to earn fees and to sell financial assets. These securitization activities do not provide a material source of liquidity, capital resources, credit risk or market risk support to the Group. For quantitative information on the Group's securitization activities and retained interests, see note 29 "Transfers and servicing of financial assets" in the Notes to the consolidated financial statements in the Credit Suisse Group Annual Report 2006.

Variable interest entities

FIN 46(R) requires the Group to consolidate all variable interest entities (VIE) for which it is the primary beneficiary, defined as the entity that will absorb a majority of expected losses, receive a majority of the expected residual returns, or both. The Group consolidates all VIEs for which it is the primary beneficiary.

As a normal part of its business, the Group engages in transactions with various entities that may be deemed to be VIEs, including VIEs that issue CDOs.

The Group purchases loans and other debt obligations from and on behalf of clients for the purpose of securitization. The loans and other debt obligations are sold to QSPEs or VIEs that issue CDOs. VIEs issue CDOs to fund the purchase of assets such as investment-grade and high-yield corporate debt instruments. The Group engages in CDO transactions to meet the needs of clients, to earn fees and to sell financial assets.

The Group continues to act as the administrator and provider of liquidity and credit enhancement facilities for several *Commercial paper conduits* (CP conduits). These CP conduits purchase assets, primarily receivables, from clients and provide liquidity through the issuance of commercial paper backed by these assets. The clients provide credit support to investors of the CP conduits in the form of over-collateralization and other asset-specific enhancements as described below. The Group does not sell assets to the CP conduits and does not have any ownership interest in the CP conduits.

The Group's commitments to CP conduits consist of obligations under liquidity and credit enhancement agreements. The liquidity agreements are asset-specific arrangements, which require the Group to purchase assets from the CP conduits in certain circumstances, such as if the CP conduits are unable to access the commercial paper markets. Credit enhancement agreements, which may be asset-specific or program-wide, require the Group to purchase certain assets under any condition, including default. In entering into such agreements, the Group reviews the credit risk associated with these transactions on the same basis that would apply to other extensions of credit.

The Group has significant involvement with VIEs in its role as a financial intermediary on behalf of clients. These activities include the use of VIEs to structure various fund-linked products to provide clients with investment opportunities in alternative investments. In addition, the Group provides financing to client-sponsored VIEs, established to purchase or lease certain types of assets. For certain products, structured to provide clients with investment opportunities, a VIE holds underlying investments and issues securities that provide investors with a return based on the performance of those investments. The investors typically retain the risk of loss on such transaction, but the Group may provide principal protection on the securities to limit the investors' exposure to downside risk. As a financial intermediary, the Group may administer or sponsor the VIE, transfer assets to the VIE, provide collateralized financing, act as a derivatives counterparty, advise on the transaction, act as investment adviser or investment manager, act as underwriter or placement agent or provide credit enhancement, liquidity or other support to the VIE. The Group also owns securities issued by the VIEs, structured to provide clients with investment opportunities, for market-making purposes and as investments.

For additional information, see note 29 "Transfers and servicing of financial assets" in the Notes to the consolidated financial statements in the Credit Suisse Group Annual Report 2006.

Contractual obligations and other commercial commitments

In connection with its operating activities, the Group enters into certain contractual obligations, as well as commitments to fund certain assets. Total obligations increased in 2006, primarily reflecting an increase in both *Long-term debt* and short-term obligations. *Long-term debt* increased to CHF 147.8 billion in 2006 from CHF 133.0 billion in 2005, mainly due to increases in senior debt issued in the United States. *Short-term contractual obligations* increased to CHF 641.5 billion in 2006 from CHF 601.0 billion in 2005, as a result of greater levels of Deposits due to rising interest rates in all regions and increases in *Brokerage payables* due to higher levels of business activity across the United States and Europe.

For further information on commitments see note 28 “Guarantees and commitments” in the Notes to the consolidated financial statements in the Credit Suisse Group Annual Report 2006.

The following table sets forth future cash payments associated with the Group's contractual obligations on a consolidated basis:

	Payments due by period				
December 31, 2006, in CHF m	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years	Total
Long-term debt obligations	21,139	54,574	33,432	38,687	**147,832**
Capital lease obligations	6	13	18	210	**247**
Operating lease obligations	663	1,148	964	4,908	**7,683**
Purchase obligations	360	306	170	16	**852**
Total obligations	22,168	56,041	34,584	43,821	**156,614**

The following table sets forth the Group's consolidated short-term contractual obligations:

December 31, in CHF m	2006	2005
Deposits	**388,378**	364,238
Short-term borrowings	**21,556**	19,472
Brokerage payables	**33,185**	23,068
Trading account liabilities	**198,422**	194,225
Total short-term contractual obligations	**641,541**	601,003

The total accrued benefit liability for pension and other postretirement benefit plans recognized as of December 31, 2006, was CHF 1,778 million. This accrued liability is included in *Other liabilities* in the consolidated balance sheets. This amount is impacted by the application of SFAS No. 158, “Employers Accounting for Defined Benefit Pension and Other Postretirement Plans – An Amendment of FASB Statements No. 87, 88, 106, and 132(R),” and, among other items, changes in plan demographics and assumptions, pension expense funding levels and investment return on plan assets. Because the accrued liability does not represent expected liquidity needs, we did not include this amount in the contractual obligations table above. For further information on pension and other postretirement benefits, see note 1

"Summary of significant accounting policies" and note 26 "Pension and other postretirement benefits" in the Notes to the consolidated financial statements in the Credit Suisse Group Annual Report 2006.

Derivatives

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

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

The replacement values of derivative financial instruments correspond to the fair values at the dates of the consolidated balance sheets and are those which arise from transactions for the account of customers and for the Group's own account. Positive replacement values constitute a receivable. The fair value of a derivative is the amount for which that derivative could be exchanged between knowledgeable, willing parties in an arm's-length transaction. Fair value does not indicate future gains or losses, but rather the unrealized gains and losses from marking to market all derivatives at a particular point in time. The fair values of derivatives are determined using various methodologies including quoted market prices, where available, prevailing market rates for instruments with similar characteristics and maturities, net present value analysis or other pricing models, as appropriate.

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

The following tables set forth the details of trading and hedging derivative instruments:

	Trading			Hedging		
December 31, 2006, in CHF bn	Notional amount	Positive replacement value	Negative replacement value	Notional amount	Positive replacement value	Negative replacement value
Forwards and forward rate agreements	3,144.5	2.8	2.5	0.0	0.0	0.0
Swaps	14,706.5	139.6	136.4	74.0	1.7	0.8
Options bought and sold (OTC)	2,361.0	20.1	23.1	0.3	0.0	0.0
Futures	1,308.4	0.0	0.0	0.0	0.0	0.0
Options bought and sold (traded)	1,575.5	0.2	0.5	0.0	0.0	0.0
Interest rate products	**23,095.9**	**162.7**	**162.5**	**74.3**	**1.7**	**0.8**
Forwards	1,142.1	12.4	12.4	11.6	0.0	0.1
Swaps	704.1	22.0	18.7	2.8	0.7	0.1

Options bought and sold (OTC)	584.6	6.3	6.1	0.0	0.0	0.0
Futures	9.8	0.0	0.0	0.0	0.0	0.0
Options bought and sold (traded)	2.4	0.0	0.0	0.0	0.0	0.0
Foreign exchange products	**2,443.0**	**40.7**	**37.2**	**14.4**	**0.7**	**0.2**
Forwards	7.8	1.2	3.1	0.0	0.0	0.0
Swaps	1.8	0.1	0.0	0.0	0.0	0.0
Options bought and sold (OTC)	11.5	0.6	0.4	0.0	0.0	0.0
Precious metals products	**21.1**	**1.9**	**3.5**	**0.0**	**0.0**	**0.0**
Forwards	16.2	4.2	0.0	0.0	0.0	0.0
Swaps	226.2	4.9	7.9	0.0	0.0	0.0
Options bought and sold (OTC)	493.1	24.3	26.1	0.0	0.0	0.0
Futures	69.0	0.1	0.0	0.0	0.0	0.0
Options bought and sold (traded)	378.4	1.8	1.2	0.0	0.0	0.0
Equity/index-related products	**1,182.9**	**35.3**	**35.2**	**0.0**	**0.0**	**0.0**
Credit derivatives	**2,088.0**	**19.0**	**21.4**	**2.1**	**0.0**	**0.0**
Forwards	10.4	0.5	0.5	0.0	0.0	0.0
Swaps	112.0	5.9	6.0	0.0	0.0	0.0
Options bought and sold (OTC)	25.1	1.4	2.0	0.0	0.0	0.0
Futures	83.2	0.0	0.0	0.0	0.0	0.0
Options bought and sold (traded)	15.0	0.6	0.8	0.0	0.0	0.0
Other products	**245.7**	**8.4**	**9.3**	**0.0**	**0.0**	**0.0**
Total derivative instruments	**29,076.6**	**268.0**	**269.1**	**90.8**	**2.4**	**1.0**

The notional amount for derivative instruments (trading and hedging) was CHF 29,167.4 billion and CHF 23,196.9 billion as of December 31, 2006 and 2005, respectively.

	2006		2005	
December 31, in CHF bn	Positive replacement value	Negative replacement value	Positive replacement value	Negative replacement value
Replacement values (trading and hedging) before netting	**270.4**	**270.1**	277.5	277.5
Replacement values (trading and hedging) after netting	**60.3**	**59.9**	58.8	58.8

Freestanding derivative instruments

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

Swaps

The Group's swap agreements consist primarily of interest rate, equity and credit default swaps. The Group enters into swap agreements for trading and risk management purposes. Interest rate swaps are contractual agreements to exchange interest rate payments based on agreed upon notional amounts and maturities. Equity swaps are contractual agreements to receive the appreciation or depreciation in value based on a specific strike price on an equity instrument in exchange for paying another rate, which is usually based on an index or interest rate movements. Credit default swaps are contractual agreements in which the buyer of the swap pays a periodic fee in return for a contingent payment by the seller of the swap following a credit event of a reference entity. A credit event is commonly defined as bankruptcy, insolvency, receivership, material adverse restructuring of debt or failure to meet payment obligations when due.

Options

The Group writes option contracts specifically designed to meet the needs of customers and for trading purposes. These written options do not expose the Group to the credit risk of the customer because the Group, not its counterparty, is obligated to perform. At the beginning of the contract period, the Group receives a cash premium. During the contract period, the Group bears the risk of unfavorable changes in the value of the financial instruments underlying the options. To manage this market risk, the Group purchases or sells cash or derivative financial instruments on a proprietary basis. Such purchases and sales may include debt and equity securities, forward and futures contracts, swaps and options.

The Group also purchases options to meet customer needs, for trading purposes and for hedging purposes. For purchased options, the Group obtains the right to buy or sell the underlying instrument at a fixed price on or before a specified date. During the contract period, the Group's risk is limited to the premium paid. The underlying instruments for these options typically include fixed income and equity securities, foreign currencies and interest rate instruments or indices. Counterparties to these option contracts are regularly reviewed in order to assess creditworthiness.

Forwards and futures

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

Forward contracts expose the Group to the credit risk of the counterparty. To mitigate this credit risk, the Group limits transactions with specific counterparties, regularly reviews credit limits and adheres to internally established credit extension policies.

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

Risk management

The Group uses derivatives to meet its own risk management needs, including mitigation of interest rate, foreign currency and credit risk. A description of the Group's hedging activities is set out below.

Economic hedges

Economic hedges arise when the Group enters into derivative contracts for its own risk management purposes, but the contracts entered into do not qualify for hedge accounting under US GAAP. These economic hedges include credit derivatives to manage credit risk on certain of the Group's loan portfolios and foreign exchange derivatives to manage foreign exchange risk on certain of its core banking business revenue and expense items. Additionally, the Group uses foreign exchange derivatives and interest rate derivatives to manage net interest rate risk on certain core banking business assets and liabilities. While the respective risks on the underlying assets have been hedged, an element of volatility is experienced in the accounting results because in many cases the expenses and revenue streams generated by the underlying assets are accounted for on an accruals basis, while the derivatives are accounted for at fair value.

Fair value hedges

The Group's interest rate risk management strategy incorporates the use of derivative instruments to minimize fluctuations in earnings that are caused by interest rate volatility. Interest rate sensitivity is managed by modifying the repricing or maturity characteristics of certain assets and liabilities so that movements in interest rates do not significantly affect net interest income. As a result of interest rate fluctuations, the fair value of hedged assets and liabilities will appreciate or depreciate.

In addition, the Group uses cross-currency swaps to convert foreign currency denominated fixed rate assets or liabilities to floating rate functional currency assets or liabilities and foreign currency forward contracts to hedge the foreign currency risk associated with available-for-sale-securities.

Derivatives which are designated and qualify as fair value hedges are recorded in the consolidated balance sheet at fair value with the carrying value of the underlying hedged items also adjusted to fair value for the risk being hedged. Changes in the fair value of these derivatives are recorded in the same line item of the consolidated statement of income as the change in the fair value of the risk being hedged for the hedged assets or liabilities to the extent the hedge is effective. The change in the fair value representing hedge ineffectiveness is recorded separately in *Trading revenues*.

Cash flow hedges

Cash flow hedging strategies are used to mitigate exposure to the variability of cash flows. This is achieved by using interest rate swaps to convert variable rate assets or liabilities, such as loans, deposits and other debt obligations, to fixed rates. The Group also uses cross-currency swaps to convert foreign currency denominated fixed and floating rate assets or liabilities to fixed rate assets or liabilities based on the currency profile that the Group elects to be exposed to. This includes, but is not limited to, Swiss francs and US dollars.

Further, the Group uses derivatives to hedge its cash flows associated with forecasted transactions. For these hedges, the maximum length of time over which the Group hedges its exposure to the variability in future cash flows, excluding those forecasted transactions related to the payment of variable interest on existing financial instruments, is 22 months.

The effective portion of the change in the fair value of a derivative that is designated and qualifies as a cash flow hedge is recorded in *AOCI.* These amounts are reclassified into earnings when the variable cash flow from the hedged item impacts earnings. The ineffective portion of the change in the fair value of a cash flow hedging derivative is recorded in *Trading revenues*.

Net investment hedges

The Group typically uses forward foreign exchange contracts to hedge selected net investments in foreign operations in order to protect against adverse movements in foreign exchange rates.

The change in the fair value of a derivative used as a hedge of a net investment in a foreign operation is recorded in *AOCI*, to the extent the hedge is effective. The change in the fair value representing hedge ineffectiveness is recorded in *Trading revenues*.

Over-the-counter derivatives

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

The following table sets forth the distributions, by maturity, of the Group's exposure with respect to OTC derivative receivables:

December 31, 2006, in CHF bn	Less than 1 year	1 to 5 years	More than 5 years	Positive replacement value
Interest rate products	14.7	54.8	94.7	164.2
Foreign exchange products	21.6	11.6	8.2	41.4
Precious metals products	0.6	1.3	0.0	1.9
Equity/index-related products	12.9	18.5	2.0	33.4
Credit derivatives	0.7	12.2	6.1	19.0
Other products	7.8	0.0	0.0	7.8
Total derivative instruments	58.3	98.4	111.0	267.7
Netting agreements[1]				(208.9)
Total derivative instruments, net positive replacement value[1]				**58.8**

1) Taking into account legally enforceable netting agreements.

The following table sets forth the Group's exposure with respect to OTC derivatives by counterparty credit rating. Credit ratings are determined by external rating agencies or by equivalent ratings used by our internal credit department.

December 31, 2006, in CHF bn	Net positive replacement value
AAA	24.3
AA	21.3
A	3.6
BBB	3.5
BB or lower	6.1
Total derivative instruments, net positive replacement value	**58.8**

For further information on derivatives and hedging activities, see note 27 “Derivatives and hedging activities” in the Notes to the consolidated financial statements in the Credit Suisse Group Annual Report 2006.

Related party transactions

The Group enters into related party transactions with its directors, officers and employees and those of its subsidiaries. For further information on related party transactions, see note 25 “Related parties” in the Notes to the consolidated financial statements in the Credit Suisse Group Annual Report 2006 and Item 7 "Major shareholders and related party transactions."

Summary of significant accounting policies and recently issued accounting standards

For further information on significant accounting policies and recently issued accounting standards, see note 1 "Summary of significant accounting policies" and note 2 "Recently issued accounting standards" in the Notes to the consolidated financial statements in the Credit Suisse Group Annual Report 2006.

Liquidity and capital resources

Credit Suisse Group consolidated and the Bank legal entity

Organization

Credit Suisse Group finances its operations in a manner consistent with its business mix, capitalization and ratings and in line with its asset and liability and risk management policies. Liquidity and capital management is coordinated at the Group level through the Capital Allocation and Risk Management Committee (CARMC). CARMC has primary oversight responsibility for liquidity, capital and funding. This committee, which meets on a quarterly basis, includes the Chief Executive Officers of the Group and the Investment Banking, Private Banking and Asset Management divisions; the Chief Financial Officer (CFO) and the Chief Risk Officers (CROs) of the Group and the Bank, the Chief Operating Officer of the Bank and the Treasurer. CARMC reviews the capital situation, balance sheet development and current and prospective funding and defines and monitors adherence to internal Treasury risk limits and capital and liquidity targets. Implementation of CARMC's decisions is monitored through monthly reports for the attention of the CROs, CFO, Treasurer and other senior management.

Funding sources and strategy

At the Credit Suisse Group consolidated level

The Group's funding requirements, including any supplementary capital needs, are based on regulatory requirements, liquidity requirements, rating agency criteria, economic capital optimization, taxation and other considerations. Sources of funding are diversified in liability type, currency, investor and geographic distribution. Given the depth of its private and retail banking businesses, the Group accesses core deposit funding from an international customer base that has proven to be a stable source of funds over time. This is augmented by the use of institutional market funding on both an unsecured and secured basis. Access by the Group to the institutional market is coordinated globally in an effort to ensure optimal distribution and placement of the Group's securities.

At the Credit Suisse Group legal entity level

The Group is a holding company, and its primary cash requirements result from the payment of dividends to shareholders, the servicing of Group-issued debt, the purchase of the Group's common shares and, from time to time, the acquisition of new businesses. Generally, the Group does not provide funding for its subsidiaries, as the Bank is the primary source of funding. The Group does provide capital and has issued, and may in the future issue, hybrid Tier 1 capital instruments through special purpose subsidiaries. Proceeds from these capital-related offerings are typically provided to one of the Group's operating subsidiaries on a matched basis so that the Group has limited currency, interest rate or liquidity risk. Equity investments in subsidiaries are generally funded with equity capital. Double leverage, which compares the amount of equity at the holding company level to the amount of equity investment in subsidiaries, is actively managed and constitutes an integral part of the Group's capital management strategy.

The Group expects to receive total dividends of approximately CHF 690 million for the 2006 financial year, compared with CHF 2,937 million for the 2005 financial year and CHF 2,778 million for the 2004 financial year.

At the Annual General Meeting on April 29, 2005, the Group's shareholders approved the launch of a share repurchase program of up to CHF 6 billion over a maximum period of two years. On March 16, 2007, the Group announced that it had repurchased CHF 6 billion of shares and completed this share repurchase program. From time to time the Group also repurchases its own shares for the purpose of satisfying its obligations under its employee benefit plans. The Group intends to seek shareholder approval at its next Annual General Meeting in May 2007 to launch a new share repurchase program of up to CHF 8 billion. If approved by the shareholders, the program will commence after the Annual General Meeting and last for a maximum of three years. The shares would be repurchased through a second trading line on virt-x and cancelled.

In respect of the 2006 financial year, subject to shareholder approval, the Group will make a total distribution of CHF 2.70 per share, consisting of a dividend of CHF 2.24 and a CHF 0.46 par value reduction, or a total of approximately CHF 3,100 million. For the 2005 and 2004 financial years, the Group paid dividends of CHF 2,424 million and CHF 1,821 million, respectively.

As of December 31, 2006, the Group and its finance subsidiaries had borrowings of CHF 14.3 billion, an increase of CHF 0.8 billion compared to December 31, 2005. In January 2006, the Group, through one of its special purpose vehicles, issued EUR 1 billion of subordinated bonds due in 2018. The proceeds were used for general corporate purposes outside of Switzerland.

In May 2006, the Group established a Euro medium-term note program, which allows it and its finance subsidiaries (guaranteed by the Group) to issue notes denominated in any currency up to EUR 10 billion. The Group expects to amend this program in the second quarter of 2007 to add the Bank as an issuer.

In June 2006, Credit Suisse Group Finance (Guernsey) Limited, a finance subsidiary of the Group, filed with the Kanto Local Finance Bureau a Yen 500 billion shelf registration statement that allows it to issue, from time to time, senior and subordinated debt securities, guaranteed by the Group.

The cost of servicing debt and preferred securities issued by the Group and its finance subsidiaries, after taking swap transactions into consideration, was CHF 735 million in 2006, CHF 725 million in 2005 and CHF 693 million in 2004.

The Group maintains a shelf registration statement with the SEC, which allows it to issue, from time to time, senior and subordinated debt securities, trust preferred securities and warrants to purchase equity, debt or other securities. The shelf registration statement also allows the Group to guarantee securities issued by a finance subsidiary. The Group expects to amend its shelf registration statement at the end of March 2007 to: (i) add the Bank as an issuer of non-convertible debt securities; (ii) reflect the issuance of a full and unconditional subordinated guarantee by the Group and a full and unconditional senior guarantee by the Bank of the outstanding debt securities issued by Credit Suisse (USA), Inc. (CS (USA)) off its SEC shelf registration statements; and (iii) add CS (USA) as an issuer for the purpose of market-making transactions in such CS (USA) registered debt securities. Following this amendment, CS (USA) will cease to file periodic reports under the Exchange Act.

Factors that may affect liquidity and capital resources

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

Credit ratings

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

Capital resources and capital adequacy

The Group's capital needs are a function of various factors, including economic, market and, on a consolidated basis, regulatory requirements. The economic capital requirement is defined as that amount of capital needed to remain solvent and in business even under extreme market, business and operational conditions, given the institution's targeted financial strength (i.e., long-term credit rating). This is measured through the use of internally developed statistically based models designed to quantify potential risk exposure. The Group is also subject, on a consolidated basis, to regulatory capital requirements and the risk-based capital guidelines which are set forth in the Implementing Ordinance issued by the SFBC. The Group also adheres to the risk-based capital guidelines set forth by the BIS. These guidelines take into consideration the credit and market risk associated with balance sheet assets and certain off-balance sheet transactions. As of January 1, 2004, the Group based its capital adequacy calculations on financial reporting under US GAAP, which is in accordance with SFBC Newsletter 32 (dated December 18, 2003). The SFBC has advised the Group that it may continue to include as Tier 1 capital the equity from special purpose entities, which are deconsolidated under FIN 46(R), in the amount of CHF 2.2 billion and CHF 2.2 billion as of December 31, 2006 and 2005, respectively.

The Basel Committee introduced significant changes to existing international capital adequacy standards known as Basel II. The Group expects the implementation of Basel II to create an additional 15% capital requirement at year-end 2007. The final capital impact will, however, depend, among other things, on the growth in risk-weighted assets and changes in the business mix during 2007. For further information on our risk-based capital guidelines, see Item 4 "Information on the company – Regulation and supervision."

For further information on the components of our consolidated capital structure, see note 32 "Capital adequacy" in the Notes to the consolidated financial statements in the Credit Suisse Group Annual Report 2006.

The following table sets forth the Group's consolidated capital and BIS capital ratios:

December 31, in CHF m, except where indicated	2006	2005
Tier 1 capital	**35,147**	26,348
of which non-cumulative perpetual preferred securities	**2,167**	2,170
Tier 1 ratio	**13.9%**	11.3%
Total BIS regulatory capital	**46,764**	31,918
Total BIS regulatory capital ratio	**18.4%**	13.7%

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

In addition, various subsidiaries engaged in both banking and broker-dealer activities are regulated by the local regulators in the jurisdictions in which they operate.

Certain Group broker-dealer subsidiaries are subject to capital adequacy requirements. As of December 31, 2006, the Group and its subsidiaries complied with all applicable regulatory capital adequacy requirements.

Contractual cash obligations and other commercial commitments
The Group has contractual obligations to make future payments under long-term bonds and mortgage-backed bonds, medium-term notes, long-term, non-cancelable lease agreements and other long-term obligations. For further information on future cash payments associated with our contractual obligations pursuant to certain medium- and long-term debt operating leases on a consolidated basis as of December 31, 2006, see Item 5 “Critical Accounting Policies – Contractual obligations and other commercial commitments.”

For further information on off-balance sheet commitments, see note 28 “Guarantees and commitments” in the Notes to the consolidated financial statements in the Credit Suisse Group Annual Report 2006.

The Bank legal entity
The Bank believes that maintaining access to liquidity is fundamental for firms operating in the financial services industry. The Bank includes the investment banking, private banking and asset management businesses. Liquidity is managed on both a consolidated and legal entity basis within the international organizational structure.

The Bank’s Treasury department is responsible for the day-to-day management of capital, liquidity and funding, and relationships with creditor banks and fixed income investors. It also maintains regular contact with rating agencies and regulators on liquidity and capital issues.

Recent changes in the SFBC’s regulation of the Bank allow for a single funding book at the Bank to fund all branches and subsidiaries for capital and liquidity purposes.

Liquidity management
The Bank manages liquidity so as to ensure that sufficient funds are either on-hand or readily available on short notice in the event that it experiences any impairment in its ability to borrow in the unsecured debt markets. In this way, the Bank seeks to ensure that, even in the event of a liquidity dislocation, it has sufficient funds to repay maturing liabilities and other obligations so that it is able to carry out its business plans with as little disruption as possible.

The Bank has access to stable deposit-based core funds, the interbank markets and secured funding through the repurchase and securities lending markets. Historically, the Bank’s deposit base has proven extremely stable and is comprised of a diversified customer base, including retail and private bank deposits and wholesale and institutional deposits. In a stressed liquidity environment, the Bank could access the secured funding markets.

The majority of the Bank’s assets – principally trading inventories that support its institutional securities business – are highly liquid, consisting of securities inventories and collateralized receivables, which fluctuate depending on the levels of proprietary trading and customer business. Collateralized receivables consist primarily of securities purchased under agreements to resell and securities borrowed, both of which are primarily secured by government and agency securities, and marketable corporate debt and equity securities. In addition, the Bank has significant receivables from customers and broker-dealers, which turn over frequently. To meet client needs as a securities dealer, the Bank may carry significant levels of trading inventories.

As part of its Swiss domestic business, the Bank provides residential and commercial mortgages and secured and unsecured advances to a wide range of borrowers, including individuals, small and medium-sized corporate entities and utilities in Switzerland, Swiss public entities and local and regional governments. These assets are generally in the form of fixed customer-based term loans and loans callable on demand after a contractual notice period. These assets are well diversified by geography, customer type and instrument. Other assets include loans to corporate and other institutional clients, money market holdings and foreign exchange positions held directly in the Bank's consolidated balance sheets.

The Bank's other assets include less-liquid assets such as certain mortgage whole loans, distressed securities, high-yield debt securities, asset-backed securities, and private equity and other long-term investments. These assets may be relatively illiquid at times, especially during periods of market stress.

The principal measure used to monitor the liquidity position of the Bank is the "liquidity barometer," which estimates the time horizon over which the adjusted market value of unencumbered assets (including cash) exceeds the aggregate value of maturing unsecured liabilities plus a conservative forecast of anticipated contingent commitments. The Bank's objective, as mandated by CARMC, is to ensure that the liquidity barometer is maintained at a sufficient level such that, in the event that the Bank is unable to access unsecured funding, it will have sufficient liquidity for an extended period. The liquidity barometer parameters reflect various liquidity assumptions which are reviewed periodically and, if needed, updated.

The Bank's objective is to ensure that the liquidity barometer equals or exceeds a time horizon of 120 days. The liquidity barometer reflects the relative stability of the unsecured funding base. Non-deposit liabilities are measured at their contractual maturities because historically, investors in publicly issued debt securities and commercial paper are highly sensitive to liquidity events, such that the Bank believes access to these markets would be quickly diminished. Conversely, the Bank's retail and institutional deposit base is measured using contractual maturities which have been adjusted to reflect behavioral stability. Historically, this core deposit base has proven extremely stable, even in stressed markets. The conservative parameters the Bank uses in establishing the time horizon assumes that business franchise assets will not be sold to generate cash, no new unsecured debt can be issued and funds, which are assumed to be trapped because of regulatory restrictions, are not available to be distributed upstream in a stressed liquidity environment. Contingent commitments include such things as commitments to invest in private equity funds, letters of credit, credit rating-related collateralization requirements, backup liquidity lines provided to asset-backed CP conduits and committed credit facilities to clients that are currently undrawn. The adjusted market value of unencumbered assets includes a conservative reduction from market value, or "haircut," reflecting the amount that could be realized by pledging an asset as collateral to a third-party lender in a secured funding transaction. The Bank regularly stress tests its liquidity resources using scenarios designed to represent highly adverse conditions.

The Bank maintains two large secondary sources of liquidity. The first is via a large portfolio of liquid fixed income securities, which is segregated and managed to provide for emergency liquidity needs only. This liquidity portfolio is maintained at a level well beyond regulatory requirements and could provide a significant source of liquidity for an extended period in the event of stressed market conditions. In addition to these assets held directly in the Bank, the Bank maintains another large source of secondary liquidity through the Bank's principal broker-dealers and other regulated entities. The Bank has historically been able to access significant liquidity through the secured funding markets (securities sold under agreements to repurchase, securities loaned and other collateralized financing arrangements), even in periods of market stress. The Bank continually monitors its overall liquidity by tracking the extent to which unencumbered marketable assets and alternative unsecured funding sources exceed both contractual obligations and anticipated contingent commitments.

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

– Stage I – Market disruption or Group/Bank event

– Stage II – Unsecured markets partially inaccessible

– Stage III – Unsecured funding totally inaccessible

In the event of a liquidity crisis, a meeting of the Liquidity Crisis Committee would be convened by Treasury to activate the contingency plan. The Liquidity Crisis Committee's membership includes senior business line, funding and finance department management. This committee would meet frequently throughout the crisis to ensure that the plan is executed.

Pursuant to the centralization of funding at the Bank, the secured bilateral committed credit arrangements between various third-party banks and Bank subsidiaries will not be renewed. As of December 31, 2006, the Bank maintained eight such credit facilities that collectively totaled USD 3.95 billion. These facilities require the relevant subsidiaries to pledge unencumbered marketable securities to secure any borrowings. Borrowings under each facility would bear interest at short-term rates related to either the Federal Funds rate, LIBOR or other money market indices and can be used for general corporate purposes. The facilities contain customary covenants that the Bank believes will not impair its ability to obtain funding.

Funding sources and strategy

Funding is centralized at the Bank. The Bank's assets are principally funded with a mixture of unsecured and secured funding. Unsecured funding is primarily accessed through the Bank's substantial retail and private bank deposit base, which is well diversified across customer categories, funding types and geography. The retail and private bank funding base is primarily comprised of time deposits and deposits callable on demand. While the contractual maturity of these deposits is typically under three months, they have historically shown remarkable stability, even under extreme market conditions. Additional unsecured funding is accessed via borrowings in the wholesale and institutional deposit markets. Secured funding consists of collateralized short-term borrowings, which include securities sold under agreements to repurchase and securities loaned. Additional funding is also sourced via short-term intercompany borrowings from other Group entities on both a secured and unsecured basis.

Secured funding consists of collateralized short-term borrowings, while unsecured funding principally includes long-term borrowings and, to a lesser extent, commercial paper. The Bank typically funds a significant portion of less-liquid assets, such as private equity investments, with long-term capital markets borrowings and shareholder's equity. Unsecured liabilities are issued through various debt programs. Other significant funding sources include financial instruments sold not yet purchased, payables to customers and broker-dealers and shareholder's equity.

Short-term funding is generally obtained at rates related to the Federal Funds rate, LIBOR or other money market indices, while long-term funding is generally obtained at fixed and floating rates related to US Treasury securities, LIBOR or other interest rate benchmarks, depending upon prevailing market conditions. The Bank continually aims to broaden its funding base by geography, investor and funding instrument.

The Bank lends funds, as needed, to its operating subsidiaries and affiliates on both a senior and subordinated basis, the latter typically to meet capital requirements in regulated subsidiaries. The Bank generally tries to ensure that loans to its operating subsidiaries and affiliates have maturities equal to or shorter in tenor than the maturities of its market borrowings. As such, senior funding to operating subsidiaries and affiliates is typically extended on a demand basis. Subordinated financing to regulated subsidiaries is extended on a term basis, and the Bank structures its long-term borrowings with maturities which extend beyond those of its subordinated advances to subsidiaries and affiliates.

In addition, the Bank generally funds investments in subsidiaries with shareholder's equity. To satisfy the Swiss and local regulatory capital needs of its regulated subsidiaries, the Bank enters into subordinated long-term borrowings. As of December 31, 2006, the Bank had consolidated long-term debt of CHF 144.0 billion, including CHF 16.7 billion of subordinated debt.

Funding activity highlights

Prior to the centralization of funding in the Bank, CS (USA) issued long-term debt. For the year ended December 31, 2006, CS (USA) issued: USD 1.0 billion of 5.375% and USD 500 million of 5.85% notes due 2016; USD 1.0 billion of floating rate notes due 2013; USD 750 million of 5.5%, USD 750 million of 5.25%, and USD 2.5 billion of floating rate notes due 2011; USD 5.75 billion of floating rate notes due 2009; and USD 750 million of floating rate notes due 2008 under an SEC shelf registration statement; MXN 900 million of 8.82% medium-term notes; and USD 194 million of structured notes. CS (USA) did not issue any medium-term notes in 2006 under its USD 5 billion Euromarket program established in July 2001.

During the year ended December 31, 2006, CS (USA) repaid approximately USD 1.45 billion of medium-term notes, USD 2.25 billion of senior notes and USD 17 million of structured notes.

Credit ratings

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

A reduction in credit ratings could limit the Bank’s access to capital markets, increase its borrowing costs, require it to post additional collateral or allow counterparties to terminate transactions under certain of its trading and collateralized financing contracts. This, in turn, could reduce its liquidity and negatively impact its operating results and financial position. Its liquidity planning takes into consideration those contingent events associated with a reduction in its credit ratings.

Capital resources and capital adequacy

Certain of the Bank’s businesses are capital intensive. Capital is required to cover risks (economic and regulatory) on various asset classes, including, but not limited to, securities inventories, loans and other credit products, private equity investments and investments in fixed assets. The Bank’s overall capital needs are continually reviewed to ensure that its capital base can appropriately support the anticipated needs of its business and the regulatory capital requirements of its subsidiaries. Based on these analyses, the Bank believes that its capital base is adequate for current operating levels.

As a Swiss bank, the Bank is subject to regulation by the SFBC. These regulations include risk-based capital guidelines set forth in the Implementing Ordinance. The Bank also adheres to the risk-based capital guidelines set forth by the BIS. The SFBC has advised the Group that the Bank may continue to include as Tier 1 capital CHF 6.2 billion of equity from special purpose entities which are deconsolidated under FIN 46(R).

At the Bank, the regulatory guidelines are used to measure capital adequacy. These guidelines take into consideration the credit and market risk associated with balance sheet assets as well as certain off-balance sheet transactions.

The following table sets forth the Bank's consolidated capital and BIS capital ratios:

December 31, in CHF m, except where indicated	2006	2005
Tier 1 capital	**26,600**	20,563
of which non-cumulative perpetual preferred securities	**1,065**	1,044
Tier 1 ratio	**11.4%**	9.6%

Total BIS regulatory capital	**38,441**	29,815
Total BIS regulatory capital ratio	**16.5%**	14.0%

For further information on regulatory capital requirements, see Item 4 "Information on the company – Regulation and supervision."

Information required by Industry Guide 3

Selected statistical information
The tables below set forth additional selected statistical information based on information in the consolidated financial statements.

Average balances and interest rates
The following tables set forth average interest-earning assets, average interest-bearing liabilities and average rates for the years presented. Month-end balances were predominantly used in computing the averages disclosed below. The Group believes these amounts approximate daily averages.

	2006			2005			2004		
Year ended December 31, in CHF m except where indicated	Average balance	Interest income	Average rate	Average balance	Interest income	Average rate	Average balance	Interest income	Average rate
Assets									
Cash and due from banks									
Switzerland	**1,756**	**42**	**2.39%**	1,526	28	1.83%	1,470	20	1.36%
Foreign	**20,125**	**674**	**3.35%**	14,324	368	2.57%	14,288	225	1.57%
Interest-bearing deposits with banks									
Switzerland	**161**	**5**	**3.11%**	83	3	3.61%	63	1	1.59%
Foreign	**6,874**	**235**	**3.42%**	4,836	110	2.27%	3,397	64	1.88%
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions[1)]									
Switzerland	**4,389**	**181**	**4.12%**	16,555	420	2.54%	11,266	298	2.65%
Foreign	**378,974**	**18,960**	**5.00%**	333,448	12,264	3.68%	289,173	6,439	2.23%
Trading assets									
Switzerland	**5,070**	**151**	**2.98%**	9,383	675	7.19%	6,526	391	5.99%
Foreign	**389,994**	**17,508**	**4.49%**	320,362	13,119	4.10%	273,333	11,945	4.37%
Investment securities									
Switzerland	**1,706**	**41**	**2.40%**	1,917	38	1.98%	2,004	36	1.80%
Foreign	**20,495**	**655**	**3.20%**	16,715	479	2.87%	14,756	366	2.48%

Loans									
Switzerland	**125,628**	**4,113**	**3.27%**	118,469	3,663	3.09%	114,882	3,355	2.92%
Foreign	**74,242**	**3,396**	**4.57%**	62,979	2,428	3.86%	54,383	1,971	3.62%
Other interest-earning assets									
Switzerland	**327**	**45**	**13.76%**	180	14	7.78%	202	11	5.45%
Foreign	**84,057**	**4,263**	**5.07%**	60,501	2,507	4.14%	42,589	1,190	2.79%
Interest-earning assets	**1,113,798**	**50,269**	**4.51%**	961,278	36,116	3.76%	828,332	26,312	3.18%
Specific allowance for losses	**(2,750)**			(3,774)			(4,935)		
Noninterest-earning assets	**209,668**			134,313			147,014		
Total assets	**1,320,716**			1,091,817			970,411		
Percentage of assets attributable to foreign activities	**85.11%**			81.55%			81.38%		

Average balances and interest rates exclude discontinued operations.
1) Average balances of Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions are reported net in accordance with FIN 41, "Offsetting of Amounts Related to Certain Repurchase and Reverse Repurchase Agreements—An Interpretation of APB Opinion No. 10 and a Modification of FASB Interpretation No. 39," while interest income excludes the impact of FIN 41.

	2006			2005			2004		
Year ended December 31, in CHF m except where indicated	Average balance	Interest expense	Average rate	Average balance	Interest expense	Average rate	Average balance	Interest expense	Average rate
Liabilities									
Deposits of banks									
Switzerland	**4,324**	**138**	**3.19%**	4,707	97	2.06%	5,420	45	0.83%
Foreign	**96,879**	**3,502**	**3.61%**	76,575	2,243	2.93%	66,331	1,357	2.05%
Deposits of non-banks									
Switzerland	**113,197**	**1,354**	**1.20%**	102,731	829	0.81%	98,763	605	0.61%
Foreign	**165,066**	**7,402**	**4.48%**	145,597	4,351	2.99%	114,784	2,028	1.77%
Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions[1)]									
Switzerland	**11,291**	**394**	**3.49%**	27,916	536	1.92%	19,657	345	1.76%
Foreign	**333,940**	**17,484**	**5.24%**	285,339	11,138	3.90%	247,581	5,543	2.24%
Trading liabilities									
Switzerland	**440**	**12**	**2.73%**	2,491	0	–	1,993	22	1.10%
Foreign	**155,446**	**6,594**	**4.24%**	125,375	4,845	3.86%	109,072	5,233	4.80%
Short-term borrowings									
Switzerland	**9**	**0**	**0.00%**	559	18	3.22%	1,843	35	1.90%

Foreign	**21,659**	**630**	**2.91%**	15,143	337	2.23%	13,590	210	1.55%
Long-term debt									
Switzerland	**12,338**	**388**	**3.14%**	12,911	491	3.80%	12,342	399	3.23%
Foreign	**128,925**	**4,083**	**3.17%**	107,818	3,466	3.21%	86,809	2,504	2.88%
Other interest-bearing liabilities									
Switzerland	**0**	**0**	**–**	0	0	–	12	0	0.00%
Foreign	**31,830**	**1,722**	**5.41%**	20,630	847	4.11%	15,736	470	2.99%
Interest-bearing liabilities	**1,075,344**	**43,703**	**4.06%**	927,792	29,198	3.15%	793,933	18,796	2.37%
Noninterest-bearing liabilities	**203,993**			123,167			140,082		
Total liabilities	**1,279,337**			1,050,959			934,015		
Shareholders' equity	**41,379**			40,858			36,396		
Total liabilities and shareholders' equity	**1,320,716**			1,091,817			970,411		
Percentage of liabilities attributable to foreign activities	**87.76%**			82.79%			82.14%		

Average balances and interest rates exclude discontinued operations.
1) Average balances of Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions are reported net in accordance with FIN 41, "Offsetting of Amounts Related to Certain Repurchase and Reverse Repurchase Agreements—An Interpretation of APB Opinion No. 10 and a Modification of FASB Interpretation No. 39," while interest expense excludes the impact of FIN 41.

The following table sets forth net interest income and the interest rate spread:

	2006		2005		2004	
Year ended December 31	Net interest income in CHF m	Interest rate spread in %	Net interest income in CHF m	Interest rate spread in %	Net interest income in CHF m	Interest rate spread in %
Switzerland	**2,292**	**1.70%**	2,870	2.00%	2,661	2.00%
Foreign	**4,274**	**0.30%**	4,048	0.30%	4,855	0.50%
Total net	**6,566**	**0.40%**	6,918	0.70%	7,516	0.80%

The average rates earned and paid on related assets and liabilities can fluctuate within wide ranges and are influenced by several key factors. The most significant factor is changes in global interest rates. Additional factors include changes in the geographic and product mix of the Group’s business and foreign exchange rate movements between the Swiss franc and the currency of the underlying individual assets and liabilities.

The following table shows selected margin information:

Average rate

Year ended December 31	2006	2005	2004
Switzerland	**1.65%**	1.94%	1.95%
Foreign	**0.44%**	0.50%	0.70%
Net interest margin	**0.59%**	0.72%	0.91%

The US Federal Reserve continued to increase short-term interest rates throughout the first half of 2006, raising the federal funds target rate by 25 basis points on four occasions, from 4.25% as of December 31, 2005, to 5.25% as of June 30, 2006, which then held constant until December 31, 2006. The yield curve continued to flatten throughout the first six months of 2006 and inverted in July, with long-term interest rates falling below short-term rates. This situation remained to the end of the year.

Throughout 2006, the European Central Bank periodically raised its benchmark interest rate by 25 basis points, from 2.25% as of December 31, 2005, to 3.50% as of December 31, 2006. The Bank of England increased its benchmark rate twice, by 25 basis points, during the last five months of 2006 while the Bank of Japan's overnight call rate increased from zero to 0.25 basis points in July, which then held constant until December 31, 2006.

The Swiss National Bank sets a target range for 3-month Swiss franc LIBOR in order to manage money supply. On December 31, 2005, the target range for the three-month LIBOR was 0.50–1.50%. This increased by 25 basis points at each quarterly meeting throughout 2006, finishing with a target range of 1.50-2.50% as of December 31, 2006.

Analysis of changes in net interest income

The following tables allocate, by categories of interest-earning assets and interest-bearing liabilities, changes in net interest income due to changes in volume and in rates for 2006 compared to 2005 and for 2005 compared to 2004. Volume and rate variances have been calculated in movements in average balances and changes in average rates. Changes due to a combination of volume and rate have been allocated to the change due to average rate.

	2006 vs. 2005			2005 vs. 2004		
	Increase/(decrease) due to changes in			Increase/(decrease) due to changes in		
Year ended December 31, in CHF m	Average volume	Average rate	Net change	Average volume	Average rate	Net change
Cash and due from banks						
Switzerland	**4**	**10**	**14**	1	7	8
Foreign	**149**	**157**	**306**	1	142	143
Interest-bearing deposits with banks						
Switzerland	**3**	**(1)**	**2**	0	2	2
Foreign	**46**	**79**	**125**	27	19	46
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions						
Switzerland	**(309)**	**70**	**(239)**	140	(18)	122
Foreign	**1,675**	**5,021**	**6,696**	987	4,838	5,825
Trading assets						

Switzerland	**(310)**	**(214)**	**(524)**	171	113	284
Foreign	**2,855**	**1,534**	**4,389**	2,055	(881)	1,174
Investment securities						
Switzerland	**(4)**	**7**	**3**	(2)	4	2
Foreign	**108**	**68**	**176**	49	64	113
Loans						
Switzerland	**221**	**229**	**450**	105	203	308
Foreign	**435**	**533**	**968**	311	146	457
Other interest-earning assets						
Switzerland	**11**	**20**	**31**	(1)	4	3
Foreign	**975**	**781**	**1,756**	500	817	1,317
Interest-earning assets						
Switzerland	**(384)**	**121**	**(263)**	414	315	729
Foreign	**6,243**	**8,173**	**14,416**	3,930	5,145	9,075
Change in interest income	**5,859**	**8,294**	**14,153**	4,344	5,460	9,804

Average balances and interest rates exclude discontinued operations.

	2006 vs. 2005			2005 vs. 2004		
	Increase/(decrease) due to changes in			Increase/(decrease) due to changes in		
Year ended December 31, in CHF m	Average volume	Average rate	Net change	Average volume	Average rate	Net change
Deposits of banks						
Switzerland	**(8)**	**49**	**41**	(6)	58	52
Foreign	**595**	**664**	**1,259**	210	676	886
Deposits of non-banks						
Switzerland	**85**	**440**	**525**	24	200	224
Foreign	**582**	**2,469**	**3,051**	545	1,778	2,323
Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions						
Switzerland	**(319)**	**177**	**(142)**	145	46	191
Foreign	**1,895**	**4,451**	**6,346**	846	4,749	5,595
Trading liabilities						
Switzerland	**0**	**12**	**12**	5	(27)	(22)
Foreign	**1,161**	**588**	**1,749**	783	(1,171)	(388)
Short-term borrowings						
Switzerland	**(18)**	**0**	**(18)**	(24)	7	(17)
Foreign	**145**	**148**	**293**	24	103	127

Long-term debt						
Switzerland	**(22)**	**(81)**	**(103)**	18	74	92
Foreign	**678**	**(61)**	**617**	605	357	962
Other interest-bearing liabilities						
Switzerland	**0**	**0**	**0**	0	0	0
Foreign	**460**	**415**	**875**	146	231	377
Interest-bearing liabilities						
Switzerland	**(282)**	**597**	**315**	162	358	520
Foreign	**5,516**	**8,674**	**14,190**	3,159	6,723	9,882
Change in interest expense	**5,234**	**9,271**	**14,505**	3,321	7,081	10,402
Change in net interest income						
Switzerland	**(102)**	**(476)**	**(578)**	252	(43)	209
Foreign	**727**	**(501)**	**226**	771	(1,578)	(807)
Total change in net interest income	**625**	**(977)**	**(352)**	1,023	(1,621)	(598)

Average balances and interest rates exclude discontinued operations.

Deposits

Deposits by foreign depositors in Swiss offices amounted to CHF 44.6 billion, CHF 42.5 billion and CHF 37.2 billion as of December 31, 2006, 2005 and 2004, respectively.

The following table presents information on deposits for the years indicated. Designation of Switzerland versus Foreign was based upon the location of the office recording the deposit. Month-end balances were predominantly used in computing the averages disclosed below. The Group believes these amounts approximate daily averages.

	2006			2005			2004		
Year ended December 31, in CHF m except where indicated	Average balance	Interest expense	Average rate	Average balance	Interest expense	Average rate	Average balance	Interest expense	Average rate
Noninterest-bearing demand	**13,650**	**–**	**–**	12,691	–	–	10,246	–	–
Interest-bearing demand	**48,099**	**321**	**0.7%**	47,428	196	0.4%	52,183	139	0.3%
Savings deposits	**43,489**	**254**	**0.6%**	44,389	255	0.6%	43,605	257	0.6%
Time deposits	**50,275**	**1,343**	**2.7%**	37,608	572	1.5%	31,650	359	1.1%
Switzerland	**155,513**	**1,918**	**1.2%**	142,116	1,023	0.7%	137,684	755	0.5%
Noninterest-bearing demand	**1,484**	**–**	**–**	1,194	–	–	1,396	–	–
Interest-bearing demand	**16,001**	**480**	**3.0%**	12,308	297	2.4%	9,023	116	1.3%
Savings deposits	**29**	**0**	**0.0%**	26	0	0.0%	12	0	0.0%
Time deposits	**221,573**	**9,998**	**4.5%**	187,851	6,200	3.3%	148,825	3,164	2.1%
Foreign	**239,087**	**10,478**	**4.4%**	201,379	6,497	3.2%	159,256	3,280	2.1%
Total deposits	**394,600**	**12,396**	**3.1%**	343,495	7,520	2.2%	296,940	4,035	1.4%

The following table presents the aggregate of individual time deposits issued in Switzerland and in foreign offices, in the CHF equivalent of amounts greater than USD 100,000, together with their remaining maturities:

December 31, 2006, in CHF m	Switzerland	Foreign	Total
3 months or less	10	20,179	**20,189**
Over 3 through 6 months	0	13,674	**13,674**
Over 6 through 12 months	35	9,413	**9,448**
Over 12 months	0	1,051	**1,051**
Certificates of deposit	45	44,317	**44,362**
3 months or less	48,512	149,769	**198,281**
Over 3 through 6 months	2,678	7,614	**10,292**
Over 6 through 12 months	1,467	3,831	**5,298**
Over 12 months	343	7,396	**7,739**
Other time deposits	53,000	168,610	**221,610**
Total time deposits	53,045	212,927	**265,972**

Short-term borrowings

The short-term borrowings of the Group's operations consist of central bank funds purchased, securities sold under repurchase agreements, commercial paper and other short-term borrowings. Generally, original maturities of securities sold under repurchase agreements are less than six months, commercial paper are less than nine months and other short-term borrowings are one year or less.

The following table shows details of the Group's significant short-term borrowings:

Year ended December 31, in CHF m	2006	2005	2004
Central bank funds purchased and securities sold under repurchase agreements and securities lending transactions			
Outstanding as of December 31	**288,444**	309,803	239,724
Maximum amount outstanding at any month-end during the year	**390,626**	373,987	309,555
Approximate average amount outstanding during the year	**345,231**	313,255	267,238
Interest expense for the year ended December 31	**17,878**	11,674	5,888
Approximate weighted-average interest rate during the year	**5.2%**	3.7%	2.2%
Approximate weighted-average interest rate at year-end	**4.6%**	3.0%	2.4%

Commercial paper			
Outstanding as of December 31	**15,019**	10,376	8,518
Maximum amount outstanding at any month-end during the year	**17,429**	10,376	17,636
Approximate average amount outstanding during the year	**14,591**	7,122	9,357
Interest expense for the year ended December 31	**406**	232	148
Approximate weighted-average interest rate during the year	**2.8%**	3.3%	1.6%
Approximate weighted-average interest rate at year-end	**2.9%**	1.4%	2.7%
Other short-term borrowings			
Outstanding as of December 31	**6,537**	9,096	6,825
Maximum amount outstanding at any month-end during the year	**9,846**	10,248	7,518
Approximate average amount outstanding during the year	**7,077**	8,580	6,076
Interest expense for the year ended December 31	**224**	123	97
Approximate weighted-average interest rate during the year	**3.2%**	1.4%	1.6%
Approximate weighted-average interest rate at year-end	**4.4%**	1.5%	1.3%

Investment portfolio

Investment strategy

Our investment strategy is determined within the respective asset and liability management committee of each business. Exposures to market and interest rate risk are managed by modifying the components of the investment portfolio, either directly or through the use of derivatives. For additional information, see "Risk management – Market risk" in the Credit Suisse Group Annual Report 2006.

The following table presents the carrying value of financial investments:

December 31, in CHF m	2006	2005	2004
Debt securities issued by the Swiss federal, cantonal or local government entities	**320**	12,636	12,937
Debt securities issued by foreign governments	**19,121**	42,873	28,360
Corporate debt securities	**984**	41,364	42,119
Other	**706**	15,612	10,934
Total debt securities	**21,131** 1)	112,485	94,350

1) Decrease related to the sale of Winterthur.

The following table presents the maturities and weighted-average yields of debt securities included in financial investments:

	Within 1 year		1 to 5 years		5 to 10 years		Over 10 years		Total
December 31, 2006	Amount in CHF m	Yield in %	Amount in CHF m	Yield in %	Amount in CHF m	Yield in %	Amount in CHF m	Yield in %	Amount in CHF m
Debt securities issued by the Swiss federal, cantonal or local government entities	60	2.54%	170	3.14%	86	2.92%	0	–	**316**
Debt securities issued by foreign governments	2,843	2.10%	6,960	2.65%	9,850	3.22%	51	2.68%	**19,704**
Corporate debt securities	718	2.34%	52	2.06%	164	1.94%	49	2.94%	**983**
Other	484	4.49%	161	3.23%	50	2.51%	0	–	**695**
Total debt securities	4,105	2.43%	7,343	2.67%	10,150	3.19%	100	2.81%	**21,698**

Since substantially all investment securities are taxable securities, the yields presented above are on a tax-equivalent basis.

As of December 31, 2006, no aggregate investment in debt securities from any specific counterparty was in excess of 10% of consolidated shareholders' equity.

Loan portfolio

The following table shows the movements in the allowance for loan losses:

in CHF m, except where indicated	2006	2005	2004	2003	2002
Balance January 1	**2,241**	3,038	4,646	7,427	9,348
Discontinued operations	**(51)**	0	0	0	0
Allowances acquired/(deconsolidated)	**0**	0	(24)	26	4
Discontinued operations/Change in scope of consolidation	**(51)**	0	(24)	26	4
Switzerland	**(46)**	(104)	65	410	880
Foreign	**(82)**	(30)	14	205	1,624
Net additions charged to the consolidated statements of income	**(128)**	(134)	79	615	2,504
Commercial	**(256)**	(515)	(663)	(1,418)	–
Consumer	**(140)**	(140)	(197)	(315)	–
Public authorities	**(1)**	(3)	(88)	0	–
Lease financings	**(9)**	(10)	6	(7)	–
Switzerland	**(406)**	(668)	(942)	(1,740)	–
Banks	**0**	0	(1)	(55)	–
Commercial	**(318)**	(269)	(811)	(1,511)	–
Consumer	**(7)**	(8)	(13)	(22)	–

Public authorities	**0**	0	(5)	(5)	–
Lease financings	**0**	(22)	(9)	0	–
Foreign	**(325)**	(299)	(839)	(1,593)	–
Gross write-offs[1)]	**(731)**	(967)	(1,781)	(3,333)	(3,692)
Commercial	**24**	27	22	28	–
Consumer	**7**	2	2	3	–
Switzerland	**31**	29	24	31	–
Banks	**0**	2	2	0	–
Commercial	**110**	102	32	17	–
Consumer	**0**	3	0	0	–
Foreign	**110**	107	34	17	–
Recoveries[1)]	**141**	136	58	48	61
Net write-offs	**(590)**	(831)	(1,723)	(3,285)	(3,631)
Provisions for interest	**48**	67	92	155	187
Foreign currency translation impact and other adjustments, net	**(36)**	101	(32)	(292)	(985)
Balance December 31	**1,484**	2,241	3,038	4,646	7,427
Average loan balance	**199,870**	196,593	184,787	181,723	184,299
Ratio of net write-offs to average loans	**0.30%**	0.42%	0.93%	1.81%	1.97%

Prior years not adjusted for discontinued operations.
1) The split of gross write-offs and recoveries by Switzerland and Foreign was implemented in 2003, and has not been applied retroactively.

The following table shows the analysis of the allowance for loan losses by Switzerland, Foreign and category:

	2006		2005		2004		2003		2002	
December 31	in CHF m	% of allowance in each category to total loans	in CHF m	% of allowance in each category to total loans	in CHF m	% of allowance in each category to total loans	in CHF m	% of allowance in each category to total loans	in CHF m	% of allowance in each category to total loans
Banks	**0**	**0.0%**	0	0.0%	0	0.0%	0	0.0%	1	0.0%
Commercial	**806**	**0.4%**	1,091	0.5%	1,704	0.9%	2,339	1.3%	3,365	1.9%
Consumer	**287**	**0.1%**	418	0.2%	537	0.3%	694	0.4%	927	0.5%
Public authorities	**1**	**0.0%**	4	0.0%	11	0.0%	29	0.0%	24	0.0%
Lease financings	**34**	**0.0%**	45	0.0%	60	0.0%	21	0.0%	22	0.0%
Switzerland	**1,128**	**0.5%**	1,558	0.8%	2,312	1.2%	3,083	1.7%	4,339	2.4%
Banks	**7**	**0.0%**	10	0.0%	8	0.0%	9	0.0%	4	0.0%

Commercial	**329**	**0.2%**	628	0.3%	655	0.4%	1,496	0.9%	3,011	1.7%
Consumer	**13**	**0.0%**	39	0.0%	49	0.0%	51	0.0%	59	0.0%
Public authorities	**7**	**0.0%**	6	0.0%	5	0.0%	7	0.0%	14	0.0%
Lease financings	**0**	**0.0%**	0	0.0%	9	0.0%	0	0.0%	0	0.0%
Foreign	**356**	**0.2%**	683	0.3%	726	0.4%	1,563	0.9%	3,088	1.7%
Total allowance for loan losses	**1,484**	**0.7%**	2,241	1.1%	3,038	1.6%	4,646	2.6%	7,427	4.1%
of which on principal	**1,272**	**0.6%**	1,917	0.9%	2,526	1.4%	3,837	2.2%	6,331	3.5%
of which on interest	**212**	**0.1%**	324	0.2%	512	0.3%	809	0.5%	1,096	0.6%

The following table summarizes gross write-offs of loans by industry:

Year ended December 31, in CHF m	2006	2005	2004	2003	2002
Financial services	**2**	80	34	411	135
Real estate companies	**34**	91	144	321	712
Other services	**145**	82	131	106	298
Manufacturing	**137**	150	298	897	590
Wholesale and retail trade	**41**	208	492	188	320
Construction	**31**	21	58	101	173
Transportation	**113**	42	89	316	70
Health and social services	**3**	9	3	29	15
Hotels and restaurants	**13**	39	41	48	80
Agriculture and mining	**49**	7	13	51	177
Telecommunications	**2**	55	169	459	451
Non-profit and international organizations	**4**	0	2	2	2
Commercial	**574**	784	1,474	2,929	3,023
Banks	**0**	0	1	55	2
Consumer	**147**	148	210	337	661
Public authorities	**1**	3	93	5	0
Lease financings	**9**	32	3	7	6
Total gross write-offs	**731**	967	1,781	3,333	3,692

The following table sets forth the details of the Switzerland and Foreign loan portfolio:

December 31, in CHF m, except where indicated	2006	2005	2004	2003	2002
Banks	**24**	1,801	1,558	1,254	1,416

Commercial	**44,253**	43,972	43,000	42,811	47,693
Consumer	**82,133**	81,388	76,010	70,932	65,029
Public authorities	**1,263**	3,481	3,894	3,419	3,107
Lease financings	**3,360**	2,979	2,696	3,481	3,230
Switzerland	**131,033**	133,621	127,158	121,897	120,475
Banks	**8,940**	8,555	7,233	7,876	8,841
Commercial	**55,424**	46,110	33,873	31,264	38,648
Consumer	**13,073**	18,398	18,248	19,741	18,330
Public authorities	**905**	1,026	679	797	1,586
Lease financings	**228**	138	130	144	165
Foreign	**78,570**	74,227	60,163	59,822	67,570
Loans, gross	**209,603**	207,848	187,321	181,719	188,045
Deferred expenses, net	**8**	64	116	106	179
Allowance for loan losses	**(1,484)**	(2,241)	(3,038)	(4,646)	(7,427)
Total loans, net	**208,127**	205,671	184,399	177,179	180,797
Percentage of allowance for loan losses	**0.7%**	1.1%	1.6%	2.6%	4.1%

The following table sets forth the details of the loan portfolio by industry:

December 31, in CHF m	2006	2005
Financial services	**24,330**	23,967
Real estate companies	**19,734**	18,900
Other services	**16,805**	13,123
Manufacturing	**10,406**	9,563
Wholesale and retail trade	**7,232**	8,001
Construction	**1,751**	2,686
Transportation	**5,444**	4,453
Health and social services	**1,479**	2,184
Hotels and restaurants	**1,143**	1,161
Agriculture and mining	**8,194**	4,557
Telecom	**2,924**	1,222
Non-profit and international organizations	**235**	265
Commercial	**99,677**	90,082
Car leasing	**1,202**	935
Real estate leasing	**598**	575
Leasing of capital goods	**1,788**	1,607

Lease financings	**3,588**	3,117
Banks	**8,964**	10,356
Consumers	**95,206**	99,786
Public authorities	**2,168**	4,507
Loans, gross	**209,603**	207,848
Deferred expenses, net	**8**	64
Allowance for loan losses	**(1,484)**	(2,241)
Total loans, net	**208,127**	205,671

The following table sets forth the details of the loan portfolio by time remaining until contractual maturity by category:

December 31, 2006, in CHF m	1 year or less	1 year to 5 years	After 5 years	Loans with no stated maturity 1)	Self-amortizing loans 2)	Total
Banks	24	0	0	0	0	**24**
Commercial	19,861	12,601	3,747	7,101	943	**44,253**
Consumer	24,494	38,151	8,817	9,227	1,444	**82,133**
Public authorities	447	566	203	47	0	**1,263**
Lease financings	0	184	0	0	3,176	**3,360**
Switzerland	44,826	51,502	12,767	16,375	5,563	**131,033**
Banks	1,783	1,667	5,447	43	0	**8,940**
Commercial	34,416	10,125	4,022	2,126	4,735	**55,424**
Consumer	9,302	968	289	1,146	1,368	**13,073**
Public authorities	257	91	393	0	164	**905**
Lease financings	3	113	13	0	99	**228**
Foreign	45,761	12,964	10,164	3,315	6,366	**78,570**
Loans, gross	90,587	64,466	22,931	19,690	11,929	**209,603**
of which fixed rate	57,215	57,598	20,126	0	8,359	**143,298**
of which variable rate	33,372	6,868	2,805	19,690	3,570	**66,305**
Deferred expenses, net						**8**
Allowance for loan losses						**(1,484)**
Total loans, net						**208,127**

1) Loans with no stated maturity include primarily certain loan products within Switzerland without a stated maturity within the original loan agreement. 2) Self-amortizing loans include loans with monthly interest and principal payments. These loans are principally consumer loans and lease financings.

Non-performing loans

For additional information about non-performing loans see "Risk management – Credit risk" in the Credit Suisse Group Annual Report 2006.

The following table sets forth management's estimate of non-performing loans, without giving effect to available security or related specific allowances:

						Interest income which would have been recognized		Interest income which was recognized	
December 31, in CHF m	2006	2005	2004	2003	2002	2006	2005	2006	2005
Switzerland	**814**	1,031	1,423	1,893	3,888	**34**	43	**8**	16
Foreign	**233**	292	348	1,084	2,485	**23**	21	**15**	10
Non-performing loans	**1,047**	1,323	1,771	2,977	6,373	**57**	64	**23**	26
Switzerland	**522**	760	1,237	1,619	1,986	**46**	55	**0**	0
Foreign	**23**	85	44	150	340	**4**	7	**0**	0
Noninterest-earning loans	**545**	845	1,281	1,769	2,326	**50**	62	**0**	0
Total non-performing loans	**1,592**	2,168	3,052	4,746	8,699	**107**	126	**23**	26

Potential problem loans

For additional information about potential problem loans see "Risk management – Credit risk" in the Credit Suisse Group Annual Report 2006.

December 31, in CHF m	2006	2005	2004	2003	2002
Switzerland	**372**	700	1,012	1,636	1,810
Foreign	**145**	374	491	542	1,774
Total potential problem loans	**517**	1,074	1,503	2,178	3,584

Restructured loans

						Interest income which would have been recognized		Interest income which was recognized	
December 31, in CHF m	2006	2005	2004	2003	2002	2006	2005	2006	2005
Switzerland	**22**	21	95	21	52	**1**	1	**1**	1

Foreign	**0**	56	22	262	231	**1**	3	**1**	3
Total restructured loans	**22**	77	117	283	283	**2**	4	**2**	4

Cross-border outstandings

Cross-border outstandings represent net claims against non-local country counterparties. These include loans plus accrued interest, acceptances, interest earning deposits with other banks, other interest earning investments and any other monetary assets, including securities. To the extent material local currency outstandings are hedged or are funded by local currency borrowings, such amounts are not included as cross-border outstandings.

The following table represents cross-border outstandings as of the end of each of the last three years, stating the name of the country and the aggregate amount of cross-border outstandings to borrowers in each foreign country where such outstandings exceed 0.75% of total assets as of December 31, 2006, 2005 and 2004. Deducted from the gross outstandings are guaranteed or secured loans, provided the political and transfer risks are also covered explicitly by the guarantee or security.

in CHF m	Banks	Commercial (includes lease financing)	Consumer	Public authorities	Subtotal	Net local country assets over liabilities	Commit-ments	Total
December 31, 2006								
United States	19,385	43,411	268	7,673	70,737	96,922	88,524	**256,183**
France	17,805	12,446	294	11,560	42,105	0	7,604	**49,709**
Germany	14,263	15,888	404	12,016	42,571	495	5,801	**48,867**
United Kingdom	6,439	6,514	114	19	13,086	0	21,414	**34,500**
Cayman Islands	561	26,555	13	32	27,161	0	3,658	**30,819**
The Netherlands	6,946	9,393	145	3,880	20,364	6	1,032	**21,402**
Japan	3,843	9,313	12	1,596	14,764	2,923	1,051	**18,738**
Italy	3,007	3,395	252	9,448	16,102	0	782	**16,884**
Luxembourg	3,160	6,467	28	426	10,081	1,288	1,042	**12,411**
Ireland	2,377	9,063	5	28	11,473	0	562	**12,035**
Russia	2,833	6,279	77	1,212	10,401	0	1,254	**11,655**
South Korea	906	3,884	1	28	4,819	5,419	714	**10,952**
Spain	1,430	3,976	39	4,067	9,512	182	670	**10,364**
December 31, 2005								
United States	30,023	36,991	93	1,285	68,392	30,428	122,019	220,839
Germany	15,849	11,453	555	13,925	41,782	0	2,141	43,923
United Kingdom	6,193	9,141	323	210	15,867	0	25,134	41,001
France	13,217	9,922	119	8,309	31,567	0	4,671	36,238
The Netherlands	12,550	10,703	3,283	3,381	29,917	0	2,338	32,255
Cayman Islands	2,295	17,082	583	0	19,960	0	935	20,895

Italy	3,124	5,866	309	6,723	16,022	3	548	16,573
Japan	2,129	3,808	21	1,906	7,864	5,493	915	14,272
Luxembourg	2,080	8,460	40	211	10,791	1,631	494	12,916
Ireland	5,329	5,728	3	72	11,132	0	320	11,452
December 31, 2004								
United States	25,062	40,866	942	1,786	68,656	0	68,547	137,203
Germany	21,217	8,786	956	8,476	39,435	0	4,629	44,064
France	10,551	10,437	385	6,032	27,405	320	3,628	31,353
United Kingdom	7,868	9,437	1,433	1,017	19,755	0	5,650	25,405
The Netherlands	8,213	8,389	3,534	1,002	21,138	0	2,353	23,491
Italy	7,936	3,790	334	8,246	20,306	292	844	21,442
Cayman Islands	337	10,483	77	11	10,908	0	1,853	12,761
Luxembourg	2,195	4,431	809	170	7,605	1,731	677	10,013
Spain	2,432	1,495	64	4,790	8,781	0	308	9,089

Item 6: Directors, senior management and employees

Information on Credit Suisse Group’s directors, senior management and employees is included in “Corporate governance” in the Credit Suisse Group Annual Report 2006 on pages 85 to 131 and such information is incorporated herein by reference.

For further information on compensation, see note 24 “Employee share-based compensation and other benefits” and note 25 “Related parties” in the Notes to the consolidated financial statements in the Credit Suisse Group Annual Report 2006.

Item 7: Major shareholders and related party transactions

For further information on Credit Suisse Group’s major shareholders and related party transactions, see “Corporate governance” on pages 85 to 131 in the Credit Suisse Group Annual Report 2006, in particular page 88, Shareholders, and note 25 “Related parties” in the Notes to the consolidated financial statements in the Credit Suisse Annual Report 2006, and such information is incorporated herein by reference.

Item 8: Financial information

Consolidated financial statements

See the section “Financial information” in the Credit Suisse Group Annual Report 2006.

Legal proceedings

The Group is involved in a number of judicial, regulatory and arbitration proceedings (including those described below) concerning matters arising in connection with the conduct of its businesses. Some of these actions have been brought on behalf of various classes of claimants and seek damages of material and/or indeterminate amounts. The Group believes, based on currently available information and advice of counsel, that the results of such proceedings, in the aggregate, will not have a material adverse effect on its financial condition but might be material to operating results for any particular period, depending, in part, upon the operating results for such period. For further information on legal proceedings, see note 34 “Litigation and other contingencies” in the Notes to the consolidated financial statements in the Credit Suisse Group Annual Report 2006.

In accordance with SFAS No. 5, “Accounting for Contingencies,” the Group recorded in 2005 a CHF 960 million (USD 750 million) charge before tax, CHF 624 million after tax, in Investment Banking, to increase the reserve for private litigation involving Enron, certain IPO allocation practices, research analyst independence and other related litigation. The charge was in addition to the reserve for these private litigation matters of CHF 702 million (USD 450 million) before tax, originally established in 2002, and brings the total reserve for these private litigation matters as of December 31, 2006, to CHF 1.2 billion (USD 1.0 billion) after deductions for settlements.

South Africa litigation
Two purported class action lawsuits were filed in the US District Court for the Southern District of New York (SDNY), in June 2002 and August 2002, respectively, alleging that Credit Suisse Group and numerous other defendants are liable under international and US law by virtue of having conducted business in South Africa during the apartheid era prior to 1995. In one of these cases, the complaint has since been amended to delete the Group as a defendant. In addition, another case that is not a class action was filed in the US District Court for the Eastern District of New York (EDNY) in November 2002 in respect of the same allegations. These cases (and similar cases against others) have been transferred to the SDNY for coordinated pre-trial proceedings. The Group has been served with process in the non-class action case, and joined in a motion to dismiss that case. Motions to dismiss these three cases were fully briefed and argued. Both the South African government and the US government filed papers supporting dismissal of the plaintiffs’ claims. In November 2004, the court granted the motions to dismiss. Plaintiffs in all three cases have appealed to the US Court of Appeals for the Second Circuit (Second Circuit). The appeal was argued in early 2006, and a decision from the Second Circuit is expected in 2007.

A related case that is not a class action was filed in the EDNY in March 2003 and names a number of corporate defendants, including Credit Suisse, which has been served. This case was transferred to the SDNY and has effectively been stayed pending resolution of matters in the cases discussed above.

Litigation relating to IPO allocation
Since January 2001, Credit Suisse Securities (USA) LLC (CSS LLC), one of its affiliates and several other investment banks have been named as defendants in a large number of putative class action complaints filed in the SDNY concerning IPO allocation practices. In April 2002, the plaintiffs filed consolidated amended complaints alleging various violations of the federal securities laws resulting from alleged material omissions and misstatements in registration statements and prospectuses for the IPOs and, in some cases, follow-on offerings, and with respect to transactions in the aftermarket for those offerings. The complaints contain allegations that the registration statements

and prospectuses either omitted or misrepresented material information about commissions paid to investment banks and aftermarket transactions by certain customers that received allocations of shares in the IPOs. The complaints also allege that misleading analyst reports were issued to support the issuers' allegedly manipulated stock price and that such reports failed to disclose the alleged allocation practices or that analysts were allegedly subject to conflicts of interest.

In October 2004, the SDNY granted in substantial part plaintiffs' motion for class certification in each of six "focus" cases. The SDNY stated that the order "is intended to provide strong guidance, if not dispositive effect, to all parties when considering class certification in the remaining actions." In June 2005, the Second Circuit granted the underwriter defendants permission to appeal the class certification order. In June 2006, the Second Circuit heard oral argument on the underwriter defendants' appeal. In December 2006, the Second Circuit vacated the SDNY's decision and ruled that the cases pending on the appeal "may not be certified as class actions." In January 2007, the plaintiffs in the six focus cases filed a petition for rehearing with the Second Circuit.

Separately, in February 2005, the SDNY preliminarily approved a settlement between plaintiffs and the issuer defendants and the issuers' officers and directors.

Since March 2001, CSS LLC and several other investment banks have been named as defendants in a number of putative class actions filed with the SDNY, alleging violations of the federal and state antitrust laws in connection with alleged practices in allocation of shares in IPOs in which such investment banks were a lead or co-managing underwriter. The amended complaint in these lawsuits, which have now been consolidated into a single action, alleges that the underwriter defendants engaged in an illegal antitrust conspiracy to require customers, in exchange for IPO allocations, to pay non-competitively determined commissions on transactions in other securities, to purchase an issuer's shares in follow-on offerings and to commit to purchase other less desirable securities. The complaint also alleges that the underwriter defendants conspired to require customers, in exchange for IPO allocations, to agree to make aftermarket purchases of the IPO securities at a price higher than the offering price, as a precondition to receiving an allocation. These alleged "tie-in" arrangements are further alleged to have artificially inflated the market price for the securities.

In November 2003, the SDNY dismissed the action with prejudice as to all defendants. In September 2005, the Second Circuit vacated the SDNY's dismissal of the action and remanded the case to the SDNY for further proceedings. The underwriter defendants filed a motion in the Second Circuit to stay the issuance of the mandate remanding the cases to the SDNY pending the filing of a petition for writ of certiorari to the US Supreme Court, which was granted. In March 2006, the underwriter defendants filed a petition for a writ of certiorari, and that petition was granted by the US Supreme Court in December 2006.

Research-related litigation
Putative class action lawsuits were filed against CSS LLC in the wake of publicity surrounding the 2002 industry-wide governmental and regulatory investigations into research analyst practices. Currently, two federal class action cases are pending, one in the SDNY and one in the US District Court for the District of Massachusetts. These cases were brought on behalf of purchasers of shares of Lantronix, Inc. and AOL Time Warner Inc., respectively.

Enron-related litigation and inquiries
Numerous actions have been filed against CSS LLC and certain affiliates relating to Enron Corp. or its affiliates (Enron). In April 2002, CSS LLC and certain of its affiliates and certain other investment banks were named as defendants along with, among others, Enron, Enron executives and directors and external law and accounting firms in a putative class action complaint filed in the US District Court for the Southern District of Texas (Newby, et al. v. Enron, et al.). The Newby action was filed by purchasers of Enron securities and alleges violations of the federal securities laws. In May 2003, the lead plaintiff in Newby filed an amended complaint that, among other things, named as defendants additional Credit Suisse entities, expanded the putative class to include purchasers of certain Enron-related securities and alleged additional violations of the federal securities laws. In June 2006, the Credit Suisse

entities filed a motion for summary judgment to dismiss the action, which is pending. That motion is now fully briefed. In July 2006, the court certified a class in the action. The Credit Suisse entities and other defendants have appealed this class certification decision to the US Court of Appeals for the Fifth Circuit (Fifth Circuit), and oral argument was held in February 2007. In a decision on March 19, 2007, the Fifth Circuit reversed the class certification decision and remanded the matter back to the district court "for further proceedings as appropriate." In light of this decision, the district court has stayed the trial of this matter while the plaintiffs consider further appellate options.

In April 2005, the bank defendants in the Newby action, including CSS LLC and its affiliates, filed a cross-claim against Arthur Andersen LLP and cross-claims or third-party claims against certain former Enron executives, for contribution in the event that the bank defendants are found liable on any of the plaintiffs' claims.

Several remaining actions filed against CSS LLC and certain of its affiliates and other parties have been consolidated or coordinated with the Newby action. In four of those cases, plaintiffs have filed amended complaints, and CSS LLC and other defendants have moved, or will move, to dismiss. In one case, plaintiffs have moved for leave to file an amended complaint and that motion is fully briefed and pending. Several actions against Arthur Andersen LLP, in which Andersen brought claims for contribution against CSS LLC and its affiliates and other parties as third-party defendants, have been dismissed with prejudice, and plaintiffs in those cases are appealing the dismissals to the Fifth Circuit.

In December 2001, Enron filed a petition for Chapter 11 relief in the US Bankruptcy Court for the Southern District of New York. In November 2003, a court-appointed bankruptcy examiner filed a final report that contained the examiner's conclusions with respect to several parties, including CSS LLC and certain of its affiliates. Enron subsequently brought four adversary proceedings against CSS LLC and certain of its affiliates seeking to recoup money allegedly owed to the bankruptcy estate. All but one of those adversary proceedings have now been settled. The remaining adversary proceeding relates to equity forward and swap transactions.

CSS LLC and certain of its affiliates have received periodic requests for information and/or subpoenas from certain governmental and regulatory agencies, including the Enron Task Force (a joint task force of the US Department of Justice and the SEC), regarding Enron and its affiliates. CSS LLC and its affiliates have cooperated with such inquiries and requests.

NCFE-related litigation

Since February 2003, lawsuits have been filed against CSS LLC with respect to services that it provided to National Century Financial Enterprises, Inc. and its affiliates (NCFE). From January 1996 to May 2002, CSS LLC acted as a placement agent for bonds issued by NCFE that were to be collateralized by health-care receivables and, in July 2002, as a placement agent for a sale of NCFE preferred stock. NCFE filed for bankruptcy protection in November 2002. In these lawsuits, which have since been consolidated in the US District Court for the Southern District of Ohio and are known as the MDL cases, investors in NCFE's bonds and preferred stock have sued numerous defendants, including the founders and directors of NCFE, the trustees for the bond issuances, NCFE's auditors and law firm, the rating agencies that rated NCFE's bonds and NCFE's placement agents, including CSS LLC. The allegations include claims for breach of contract, negligence, fraud and violation of federal and state securities laws. CSS LLC has filed motions to dismiss these cases.

In addition, in November 2004, the trust created through NCFE's confirmed bankruptcy plan commenced two actions against CSS LLC and certain affiliates. The trust filed an action in the US District Court for the Southern District of Ohio asserting common law claims similar to those asserted in the MDL cases against several of the same defendants and it also alleged statutory claims under the Ohio Corrupt Practices Act, claims for professional negligence and claims under the US Bankruptcy Code. CSS LLC and its affiliates have filed a motion to dismiss that action.

The trust also filed an action in the US Bankruptcy Court for the Southern District of Ohio objecting to the proofs of claim filed by CSS LLC and its affiliates in NCFE's bankruptcy and seeking disgorgement of amounts previously distributed to CSS LLC and its affiliates under the bankruptcy plan. CSS LLC and its affiliates have answered that complaint.

A claims trust also commenced a suit in the bankruptcy court against certain affiliates of Credit Suisse seeking to recover an alleged preference payment from NCFE prior to its bankruptcy filing. A settlement was reached in this matter in August 2006.

Refco-related litigation
In October 2005, CSS LLC was named, along with other financial services firms, accountants, officers, directors and controlling persons, as a defendant in several federal class action lawsuits filed in the SDNY relating to Refco Inc. The actions allege violations of the disclosure requirements of the federal securities laws in connection with a Refco notes offering in 2004 and Refco's IPO in August 2005. The actions have been consolidated into the matter In re Refco, Inc. Securities Litigation. In July 2006, CSS LLC and certain other defendants filed a motion to dismiss plaintiffs' claims related to the Refco notes offering in 2004.

CSS LLC and certain of its affiliates have received subpoenas and requests for information from certain regulators, including the SEC, regarding Refco. CSS LLC and its affiliates have cooperated with such inquiries and requests.

Parmalat-related legal proceedings
Credit Suisse International is the subject of legal proceedings commenced in August 2004 before the Court of Parma in Italy by Dr. Enrico Bondi, as extraordinary administrator, on behalf of Parmalat SpA (in extraordinary administration), relating to an agreement entered into between Credit Suisse International and Parmalat SpA in December 2001. The extraordinary administrator seeks to have the agreement set aside and demands repayment by Credit Suisse International of approximately EUR 248 million.

The extraordinary administrator also commenced two further actions before the Court of Parma against: (i) Credit Suisse International and Credit Suisse Securities (Europe) Limited (CSSEL), seeking damages on the basis of allegations that, through the December 2001 transaction, Credit Suisse International delayed the insolvency of Parmalat Participações of Brazil and consequently of Parmalat SpA, with the result that Parmalat's overall loss increased by approximately EUR 7.1 billion between January 2002 and the declaration of its insolvency in December 2003; and (ii) Credit Suisse International and certain other banks, seeking damages on the basis of allegations that, through various derivatives transactions in 2003, Credit Suisse International and those other banks delayed the insolvency of Parmalat SpA with the result that its overall loss increased by approximately EUR 2 billion between July and December 2003. In addition, claims for unquantified damages have been filed in Italy against Credit Suisse entities on behalf of a number of individuals claiming to have suffered losses as a result of the actions of a Credit Suisse employee.

Credit Suisse International has made a claim in the reorganization proceedings of Parmalat Participações of Brazil in respect of EUR 500 million of bonds issued by that entity and held by Credit Suisse International. This claim has so far been rejected by the trustee. Credit Suisse International has also made a claim in the same proceedings in relation to a USD 5 million promissory note guaranteed by Parmalat and assigned to Credit Suisse International. This claim has so far been admitted by the trustee. Parmalat Participações has made a claim in response alleging that the debt represented by the bonds has already been paid and asserting that it is therefore entitled under Brazilian law to twice the amount of the debt claimed by Credit Suisse International.

In connection with two loans granted to Parmalat Participacoes of Brazil evidenced by promissory notes and guaranteed by Parmalat SpA, Credit Suisse has brought claims in the amount of USD 45 million in Brazilian and Italian courts for its recognition as a creditor in the insolvency proceedings of the two entities. A decision by the Brazilian courts is still pending. The claim has been refused by the Extraordinary Commissioner in Italy, and Credit Suisse has appealed to the Italian courts. A decision by the Italian courts is still pending.

Proceedings have been filed in the SDNY against Credit Suisse by Farmland Dairies and Parmalat-USA Corporation, US subsidiaries of Parmalat. The allegations against Credit Suisse make reference to the December 2001 transaction. In August 2006, the SDNY dismissed the complaint in the Farmland Dairies action, with leave to re-plead. In September 2006, both Farmland Dairies and Parmalat-USA Corporation filed amended complaints asserting claims against Credit Suisse, Credit Suisse International and CSSEL. The Credit Suisse entities have filed motions to dismiss in both actions.

Proceedings were also brought in the SDNY by Parmalat investors against various defendants, including Credit Suisse, seeking unquantified damages. The allegations against Credit Suisse make reference to the December 2001 transaction. The claims against Credit Suisse were subsequently dismissed except to the extent that they were brought by US investors. The complaint was then amended to assert claims against the Group, Credit Suisse International and CSSEL. The Credit Suisse entities have entered into a memorandum of understanding which, subject to final documentation, will settle the case.

Dividend policy

Under Swiss law, dividends may be paid out only if and to the extent the corporation has distributable profits from previous business years, or if the free reserves of the corporation are sufficient to allow distribution of a dividend. Within these legal constraints, we maintain a flexible dividend policy.

For 2006, Credit Suisse Group's Board of Directors will propose a distribution of CHF 2.70 per share to the shareholders at the Annual General Meeting on May 4, 2007. The proposed distribution consists of a dividend of CHF 2.24, to be paid out on May 10, 2007, and a par value reduction of CHF 0.46, to be paid out on July 18, 2007. Both distributions are subject to approval at the Annual General Meeting.

The following table outlines the dividends paid for the years ended December 31:

Dividend per ordinary share	USD 1)	CHF
2005	1.61	2.00
2004	1.20	1.50
2003 2)	0.40	0.50
2002	0.07	0.10
2001 3)	1.20	2.00

1) For details of the period-end exchange rates used, see Item 3 "Key information – Exchange rate information." 2) Repayment out of share capital as approved on April 30, 2004, in lieu of a dividend for financial year 2003. 3) Repayment out of share capital as approved on May 31, 2002, in lieu of a dividend for financial year 2001.

Item 9: The offer and listing

Listing details

Credit Suisse Group's shares are listed on the SWX Swiss Exchange (SWX). Since June 25, 2001, the principal trading market for the Group's shares has been
virt-x. The Group's American Depositary Shares, or ADSs, are traded on the New York Stock Exchange.

The following table sets forth, for the periods indicated, the reported highest and lowest closing prices for one share on the SWX or from June 25, 2001, virt-x, and the average daily trading volume as reported by the SWX or virt-x:

		Shares in CHF	
Period	Average trading volumes	High	Low
2007			
March (through March 16)	10,527,999	88.0	82.0
February	6,851,935	93.6	84.5
January	6,490,925	88.5	83.7
2006	**5,966,280**	85.4	62.7
Fourth quarter	5,765,243	85.4	72.1
December	4,927,349	85.4	79.2
November	6,699,172	81.5	75.0
October	5,554,949	77.3	72.1
Third quarter	5,537,712	74.2	62.7
Second quarter	6,644,744	78.9	62.9
First quarter	5,956,685	78.5	68.3
2005	**5,509,548**	68.5	46.9
Fourth quarter	5,431,395	68.5	54.4
Third quarter	5,271,434	58.4	50.1
Second quarter	5,865,559	53.0	47.9
First quarter	5,481,944	53.0	46.9
2004	**5,687,787**	**49.5**	**37.4**
2003	**6,599,622**	**48.7**	**20.7**
2002	**6,828,666**	**73.6**	**20.6**

The Group's shares are in registered form with a par value of CHF 0.50 per share. The Group's Board of Directors will propose a par value reduction and capital repayment of CHF 0.46 per share to the shareholders at the Annual General Meeting on May 4, 2007.

Official trading of the Group's shares in the form of ADSs on the New York Stock Exchange began on September 25, 2001, under the symbol "CSR."

The following table sets forth, for the periods indicated, the reported highest and lowest closing prices of ADSs, each representing one share on the New York Stock Exchange and the average daily trading volume, as reported by the New York Stock Exchange:

		American Depositary Shares in USD	
Period	Average trading volumes	High	Low
2007			
March (through March 16)	835,881	71.6	67.8
February	646,539	75.9	69.3
January	367,218	71.7	53.5
2006	**342,040**	**70.0**	**50.1**
Fourth quarter	422,998	70.0	58.0
December	401,785	70.0	66.6
November	458,190	66.3	59.7
October	408,691	61.2	58.0
Third quarter	257,470	59.3	50.3
Second quarter	338,029	63.9	50.1
First quarter	349,787	60.2	53.4
2005	**215,985**	**52.9**	**38.8**
Fourth quarter	296,321	52.9	42.1
Third quarter	161,584	46.6	38.8
Second quarter	182,372	44.3	38.9
First quarter	225,359	45.9	39.5
2004	**173,123**	**42.5**	**30.0**
2003	**193,805**	**36.4**	**15.9**
2002	**111,352**	**44.6**	**13.7**

Trading in our own shares

The Group buys and sells its own shares and derivatives on its own shares within its normal trading and market-making activities mainly through its Swiss broker-dealer operations. In the Swiss market, the Group buys and sells its shares and derivatives on these shares to facilitate customer orders, to provide liquidity as a market maker and to hedge derivative instruments.

The net long or short position held by the Group's Swiss bank subsidiaries in the Group's own shares has been at non-material levels relative to the number of the Group's outstanding shares, due in part to SFBC regulations requiring a 100% capital charge to the relevant legal entity for the entire net position in the Group's shares. In addition to SFBC rules, the Group's trading in its own shares in the Swiss market is subject to regulation under the Stock Exchange Act, the rules of the SWX and the EUREX electronic exchange, and the SBA Code of Conduct for Securities Dealers. Trading is also limited by the Group's risk management limits, internal capital allocation rules, balance sheet requirements, counterparty restrictions and other internal regulations and guidelines. Swiss law further limits the Group's ability to hold or repurchase its own shares. For further information on trading in the Group's shares, see Item 10 "Additional information – Repurchase of shares."

The Group may from time to time place orders for its own shares to satisfy obligations under various employee and management incentive share plans, and potentially for shares to be used as payment in acquisitions. In addition, the Group may purchase shares with the intent of cancellation. Typically in Switzerland, the purchase of shares for cancellation is done under a separate program from the repurchase of shares to be re-issued under employee and management incentive share plans.

Following the approval by the Annual General Meeting 2005, the Group commenced a share repurchase program for a value of up to CHF 6 billion for a maximum of two years. This share repurchase program was completed as of March 16, 2007, with a repurchase of 87,789,000 shares with a value of CHF 6 billion. Subject to approval of the shareholders at the Annual General Meeting 2007, the Group's Board of Directors will launch a share repurchase program for a value of up to CHF 8 billion. If approved, the program will commence after the Annual General Meeting 2007 and will last for a maximum of three years. The registered shares are repurchased via a second trading line on virt-x and then cancelled.

For further information related to share repurchases, see Item 16E "Purchases of equity securities by the issuer and affiliated purchasers."

Item 10: Additional information

Articles of association

For a summary of the material provisions of the Group's Articles of Association (AoA) and the Swiss Code of Obligations *(Schweizerisches Obligationenrecht)* as they relate to the Group's shares, see the summaries contained in the sections "Corporate governance – Shareholders and – Changes of control and defense measures" on pages 88 and 128, respectively, in the Credit Suisse Group Annual Report 2006. That description does not purport to be complete and is qualified in its entirety by reference to the Swiss Code of Obligations and to the AoA, copies of which are available at the Group's main office, Paradeplatz 8, P.O. Box 1, CH 8070 Zurich, Switzerland, or on the Group's website *www.credit-suisse.com.*

Registration and business purpose

The Group is registered as a Swiss corporation *(Aktiengesellschaft)* in the Commercial Register of the Canton of Zurich under the registration number CH-020.3.906.075-9 and has its registered offices in Zurich, Switzerland. The Group's business purpose, as set forth in Article 2 of its AoA, is to hold direct or indirect interests in all types of businesses in Switzerland and abroad, in particular in the areas of banking, finance, asset management and insurance. The Group has the power to establish new businesses, acquire a majority or minority interest in existing businesses and provide related financing. The Group also has the power to acquire, mortgage and sell real estate properties both in Switzerland and abroad.

Directors

The Swiss Code of Obligations requires directors and members of senior management to safeguard the interests of the corporation and, in connection with this requirement, imposes a duty of care and a duty of loyalty on directors and members of senior management. While Swiss law does not have a general provision on conflicts of interest, the duties of care and loyalty are generally understood to disqualify directors and members of senior management from participating in decisions that could directly affect them. Directors and members of senior management are personally liable to the corporation for any breach of these provisions. In addition, Swiss law contains a provision pursuant to which payments made to a shareholder or a director or any person associated with them (for example, family members, business partners, agents or financing providers), other than at arms' length, must be repaid to the corporation if the shareholder or director was acting in bad faith. The Group's AoA provides that the Board of Directors determines the yearly remuneration of the directors. Such remuneration is determined by the Group's Board of Directors upon recommendation of the Compensation Committee of the Group's Board of Directors.

The Group's AoA provides that the Board of Directors shall consist of a minimum of seven members. The members of the Group's Board of Directors are elected for a period of three years and are eligible for re-election, without any term limitations. According to the Organizational Guidelines and Regulations (OGR), the age limit for members of the Board of Directors is 70.

Neither Swiss law nor the AoA restricts in any way the Group's power to borrow and raise funds. The decision to borrow funds is passed by or under the direction of the Group's Board of Directors, with no shareholders' resolution required.

Dividends

Under Swiss law, dividends may be paid out only if and to the extent the corporation has distributable profits from previous business years, or if the free reserves of the corporation are sufficient to allow distribution of a dividend. In addition, at least 5% of the annual net profits must be retained and booked as general legal reserves for so long as these reserves amount to less than 20% of the paid-in share capital. The Group's reserves currently exceed this 20% threshold. Furthermore, dividends may be paid out only after approval at the shareholders' meeting. The Board of Directors may propose that a dividend be paid out, but cannot itself set the dividend. The auditors must confirm that the dividend proposal of the Board of Directors conforms to statutory law. In practice, the shareholders usually approve the dividend proposal of the Board of Directors. Dividends are usually due and payable after the shareholders' resolution relating to the allocation of profits has been passed. Under Swiss law, the statute of limitations in respect of dividend payments is five years.

Pre-emptive subscription rights

Under Swiss law, any share issue, whether for cash or non-cash consideration or no consideration, is subject to the prior approval of the shareholders' meeting. Shareholders of a Swiss corporation have certain pre-emptive subscription rights to subscribe for new issues of shares in proportion to the nominal amount of shares held. A resolution adopted at a shareholders' meeting with a supermajority may, however, limit or suspend preferential subscription rights in certain limited circumstances.

Repurchase of shares

Swiss law limits a corporation's ability to hold or repurchase its own shares. The Group may only repurchase shares if it has sufficient free reserves to pay the purchase price, and if the aggregate nominal value of the repurchased shares does not exceed 10% of the Group's nominal share capital. Furthermore, the Group must create a special reserve in its consolidated balance sheets in the amount of the purchase price of the acquired shares. Shares repurchased by the Group do not carry any voting rights at shareholders' meetings. For further information on shares repurchased, see Item 16E "Purchases of equity securities by the issuer and affiliated purchasers for a description of the Group's recent share repurchases."

Notices

Notices to shareholders are made by publication in the Swiss Official Commercial Gazette (*Schweizerisches Handelsamtsblatt)*. The Board of Directors may designate further means of communication for publishing notices to shareholders. Notices required under the listing rules of the SWX will either be published in two Swiss newspapers in German and French and sent to the SWX or otherwise be communicated to the SWX in accordance with applicable listing rules. The SWX may disseminate the relevant information on its online exchange information system "Newsboard."

Liquidation

Under Swiss law and the Group's AoA, the Group may be dissolved at any time by a shareholders' resolution which must be passed by: (i) a supermajority of at least three quarters of the votes cast at the meeting in the event the Group is to be dissolved by way of liquidation; or (ii) a supermajority of at least two-thirds of the votes represented and an absolute majority of the par value of the shares represented at the meeting in other events. Dissolution by court order is possible if the Group becomes bankrupt. Under Swiss law, any surplus arising out of liquidation (after the settlement of all claims of all creditors) is distributed to shareholders in proportion to the paid-up par value of shares held.

Disclosure of principal shareholders

Under the applicable provisions of the Stock Exchange Act, persons acting individually or in concert who acquire or dispose of shares and thereby reach, exceed or fall below the respective thresholds of 5%, 10%, 20%, 33 1/3%, 50% or 66 2/3% of the total voting rights of a Swiss listed corporation must notify the corporation and the SWX of such transactions, whether or not the voting rights can be exercised. Following receipt of such notification, the corporation has the obligation to inform the public. In addition, pursuant to the Swiss Code of Obligations, the Group must disclose in the notes to its annual consolidated financial statements the identity of any shareholders who own in excess of 5% of the Group's shares.

Exchange controls

There are no restrictions presently in force under the Group's AoA or Swiss law that limit the right of non-resident or foreign owners to hold the Group's securities freely or, when entitled, to vote its securities freely. The Swiss federal government may from time to time impose sanctions, including exchange control restrictions, on particular countries, regimes, organizations or persons. These sanctions include those imposed on persons or organizations with links to Osama bin Laden, the "al Qaeda" group or the Taliban, to Iraq, Liberia, Myanmar, Zimbabwe, Sierra Leone, Ivory Coast, Sudan, Democratic Republic of Congo, Uzbekistan, Belarus and North Korea and to certain persons linked to the murderer of former Lebanese Prime Minister Rafik Hariri. A current list, in German, of such sanctions can be found at *www.seco-admin.ch*. Other than these sanctions, there are currently no Swiss exchange control laws or laws restricting the import or export of capital, including, but not limited to, the remittance of dividends, interest or other payments to non-resident holders of the Group's securities.

Indemnification

Neither the Group's AoA nor Swiss statutory law contains provisions regarding the indemnification of directors and officers. According to general principles of Swiss employment law, an employer may, under certain circumstances, be required to indemnify an employee against losses and expenses incurred by such person in the execution of such person's duties under an employment agreement, unless the losses and expenses arise from the employee's gross negligence or willful misconduct. It is the Group's policy to indemnify its current or former directors and/or employees against certain losses and expenses in respect of service as a director or employee of the Group, one of the Group's affiliates or another entity, which the Group has approved, subject to specific conditions or exclusions. The Group maintains directors' and officers' insurance for its directors and officers.

American Depositary Shares (ADSs)

Under Swiss law, holders of ADSs are not shareholders and are not recorded in the Group's share register. A nominee for the ADS depositary is the registered holder of the shares underlying the ADSs. Rights of ADS holders to exercise voting rights, receive dividends and other matters are governed by the deposit agreement pursuant to which the ADSs are issued. For further information relating to our ADSs, see the Registration Statement on Form F-6 filed with the SEC. Subject to any applicable law to the contrary, with respect to ADSs for which timely voting instructions are not received by the ADS depositary in relation to any proposed resolution or for which voting instructions are received by the ADS depositary but do not specify how the ADS depositary shall vote in relation to any proposed resolution, the ADS depositary shall, or shall instruct the nominee to, vote such shares underlying the ADSs in favor of such resolution if it has been proposed by the Board of Directors or otherwise in accordance with the recommendation of the Board of Directors.

Material contract

On June 13, 2006, the Group entered into a share purchase agreement for the sale of Winterthur, its insurance subsidiary, to AXA S.A. for a cash payment of CHF 12.3 billion. Under the terms of the agreement, AXA S.A acquired 100% of Winterthur. The transaction, which was subject to customary regulatory approvals and closing conditions, closed on December 22, 2006. A non-compete clause will remain in effect between the parties for two years from the closing date. The Group did not provide any indemnification in respect of Winterthur's insurance reserves in the agreement. A copy of the share purchase agreement is filed as an exhibit.

Taxation

The following summary contains a description of the principal Swiss and US federal income tax consequences of the purchase, ownership and disposition of our shares or ADSs, which we refer to collectively in this section as Shares, but it does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to own or dispose of Shares. In particular, the summary is directed only to holders that hold Shares as capital assets, and does not address tax considerations applicable to investors that may be subject to special tax rules, such as banks, tax-exempt entities, insurance companies, dealers in securities or currencies, traders in securities electing to mark to market, persons that actually or constructively own 10% or more of our voting stock, persons that hold Shares as a position in a "straddle" or "conversion" transaction, or as part of a "synthetic security" or other integrated financial transaction, or persons that have a "functional currency" other than CHF or USD.

This summary is based on the current tax laws of Switzerland and the United States, including the current Convention Between the United States and the Swiss Confederation for the Avoidance of Double Taxation with Respect to Taxes on Income (Treaty), the US Internal Revenue Code of 1986, as amended (Code), existing and proposed regulations thereunder, published rulings and court decisions, all of which are subject to change, possibly with retroactive effect.

This discussion does not generally address any aspects of US taxation other than federal income taxation or any aspects of Swiss taxation other than income and capital taxation. Prospective investors are urged to consult their tax advisors regarding the US federal, state and local, Swiss and other tax consequences of owning and disposing of Shares.

Swiss taxation

Withholding tax on dividends and similar distributions

Dividends paid and other similar cash, in-kind taxable distributions made by us to a holder of Shares (including dividends on liquidation proceeds and stock dividends) and taxable income resulting from partial liquidation as referred to below under Capital gains tax realized on shares are subject to a federal withholding tax at a rate of 35%. The withholding tax will be withheld by us on the gross distributions and will be paid to the Swiss Federal Tax Administration.

Swiss resident recipients

Swiss resident individuals or legal entities are generally entitled to a full refund or tax credit for the withholding tax if they are the beneficial owners of such distributions at the time the distribution is due and duly report the receipt thereof in the relevant income tax return.

Non-resident recipients

The recipient of a taxable distribution who is an individual or a legal entity not resident in Switzerland for tax purposes may be entitled to a total or partial refund of the withholding tax if the country in which such recipient resides for tax purposes has entered into a bilateral treaty for the avoidance of double taxation with Switzerland and the further conditions of such treaty are met. Holders of Shares not resident in Switzerland should be aware that the procedures for claiming treaty benefits (and the time frame required for obtaining a refund) may differ from country to country. Holders of Shares not resident in Switzerland should consult their own legal, financial or tax advisors regarding receipt, ownership, purchases, sales or other dispositions of Shares and the procedures for claiming a refund of the withholding tax.

Residents of the United States

A non-Swiss resident holder who is a resident of the United States for purposes of the Treaty is eligible for a reduced rate of withholding tax on dividends equal to 15% of the dividend, provided that such holder: (i) qualifies for benefits under the Treaty; (ii) holds, directly or indirectly, less than 10% of our voting stock; and (iii) does not conduct business through a permanent establishment or fixed base in Switzerland to which Shares are attributable. Such an eligible US holder may apply for a refund of the amount of the withholding tax in excess of the 15% Treaty rate. The claim for refund must be filed on Swiss Tax Form 82 (82C for corporations; 82I for individuals; 82E for other entities), which may be obtained from any Swiss consulate general in the United States or from the Federal Tax Administration of Switzerland at the address below, together with an instruction form. Four copies of the form must be duly completed, signed before a notary public of the United States, and sent to the Federal Tax Administration of Switzerland, Eigerstrasse 65, CH-3003, Berne, Switzerland. The form must be accompanied by suitable evidence of deduction of Swiss tax withheld at source, such as certificates of deduction, signed bank vouchers or credit slips. The form may be filed on or after July 1 or January 1 following the date the dividend was payable, but no later than December 31 of the third year following the calendar year in which the dividend became payable.

Income and profit tax on dividends and similar distributions

Individuals

An individual who is a Swiss resident for tax purposes, or who is a non-Swiss resident holding Shares as part of a Swiss business operation or Swiss permanent establishment, is required to report the receipt of taxable distributions received on the Shares in her or his relevant Swiss tax returns.

Legal entities

Legal entities resident in Switzerland and non-Swiss resident legal entities holding Shares as part of a Swiss establishment are required to include taxable distributions received on the Shares in their income subject to Swiss corporate income taxes. A Swiss corporation or co-operative or a non-Swiss corporation or co-operative holding Shares as part of a Swiss permanent establishment may, under certain circumstances, benefit from relief from taxation with respect to dividends (Beteiligungsabzug).

Non-resident recipients

Recipients of dividends and similar distributions on Shares who are neither residents of Switzerland for tax purposes nor holders of Shares as part of a Swiss business operation or a Swiss permanent establishment are not subject to Swiss income taxes in respect of such distributions.

Capital gains tax realized on shares

Individuals

Swiss resident individuals who hold Shares as part of their private property generally are exempt from Swiss federal, cantonal and communal taxes with respect to capital gains realized upon the sale or other disposal of Shares, unless such individuals are qualified as security trading professionals for income tax purposes. Gains realized upon a repurchase of Shares by us for the purpose of a capital reduction are characterized as a partial liquidation of the company. In this case, the difference between the nominal value of the shares and their repurchase price may qualify as taxable income. The same would be true for gains realized upon a repurchase of Shares if we were not to dispose of the repurchased Shares within six years after the repurchase, or if such Shares were repurchased in connection with a capital reduction, or if 10% of outstanding Shares were exceeded. Taxable income would be the difference between the repurchase price and the nominal value of the Shares. Individuals who are Swiss residents for tax purposes and who hold the Shares as business assets, or who are non-Swiss residents holding Shares as part of a Swiss business operation or Swiss permanent establishment, are required to include capital gains realized upon the disposal of Shares in their income subject to Swiss income tax.

Legal entities

Legal entities resident in Switzerland or non-Swiss resident legal entities holding Shares as part of a Swiss permanent establishment are required to include capital gains realized upon the disposal of Shares in their income subject to Swiss corporate income tax.

Non-resident individuals and legal entities

Individuals and legal entities which are not resident in Switzerland for tax purposes and do not hold Shares as part of a Swiss business operation or a Swiss permanent establishment are not subject to Swiss income taxes on gains realized upon the disposal of the Shares.

Net worth and capital taxes

Individuals

Individuals who are Swiss residents for tax purposes, or who are non-Swiss residents holding Shares as part of a Swiss business operation or Swiss permanent establishment, are required to include their Shares in their assets that are subject to cantonal and communal net worth taxes.

Legal entities

Legal entities resident in Switzerland or non-Swiss resident legal entities holding Shares as part of a Swiss permanent establishment are required to include their Shares in their assets that are subject to cantonal and communal capital tax.

Non-resident individuals and legal entities

Individuals and legal entities, which are not resident in Switzerland for tax purposes and do not hold Shares as part of a Swiss business operation or a Swiss permanent establishment are not subject to Swiss cantonal and communal net worth and capital taxes.

Stamp duties upon transfer of securities

The transfer of Shares, whether by Swiss residents or non-resident holders, may be subject to a Swiss securities transfer duty of 0.15% (0.075% for each party to a transaction) of the transaction value if the transfer occurs through or with a Swiss bank or other Swiss or foreign securities dealer as defined in the Swiss Federal Stamp Duty Act. The stamp duty is paid by the securities dealer and may be charged to the parties in a taxable transaction who are not securities dealers. In addition to this stamp duty, the sale of Shares by or through a member of the SWX/virt-x may be subject to a minor SWX/virt-x levy on the sale proceeds (this levy also includes the SFBC surcharge).

US federal income tax

For purposes of this discussion, a "US Holder" is any beneficial owner of Shares that is: (i) a citizen or resident of the United States; (ii) a corporation organized under the laws of the United States or any political subdivision thereof; or (iii) any other person that is subject to US federal income tax on a net income basis in respect of Shares. A "Non-US Holder" is any beneficial owner of Shares that is a foreign corporation or non-resident alien individual.

Taxation of dividends

US Holders

For US federal income tax purposes a US Holder will be required to include the full amount (before reduction for Swiss withholding tax) of a dividend paid with respect to Shares, generally as ordinary income. Subject to certain exceptions for short-term and hedged positions, the US dollar amount of dividends received by an individual prior to January 1, 2011, with respect to our Shares will be subject to taxation at a maximum rate of 15% if the dividends are "qualified dividends." Dividends paid on the Shares will be treated as qualified dividends if we were not, in the year prior to the year in which the dividend was paid, and are not, in the year in which the dividend is paid, a passive foreign investment company (PFIC). Based on our audited consolidated financial statements and relevant market and shareholder data, we believe that we were not treated as a PFIC for US federal income tax purposes with respect to our 2005 or 2006 taxable years. In addition, based on our audited consolidated financial statements and our current expectations regarding the value and nature of our assets, the sources and nature of our income and relevant market and shareholder data, we do not anticipate becoming a PFIC for our 2007 taxable year. Holders of our Shares should consult their own tax advisers regarding the availability of the reduced dividend tax rate in light of the considerations discussed above and their own particular circumstances. For this purpose, a "dividend" will include any distribution paid by us with respect to Shares, but only to the extent such distribution is not in excess of our current and accumulated earnings and profits as defined for US federal income tax purposes. Such dividend will constitute income from sources outside of the United States. Subject to the limitations and conditions provided in the Code, a US Holder may deduct from its US federal taxable income, or claim as a credit against its US federal income tax liability, the Swiss withholding tax withheld. Under the Code, dividend payments by us on Shares are not eligible for the dividends received deduction generally allowed to corporate shareholders. Any distribution that exceeds our earnings and profits will be treated as a non-taxable return of capital to the extent of the US Holder's tax basis in Shares and thereafter as capital gain.

In general, a US Holder will be required to determine the amount of any dividend paid in CHF by translating the CHF into USD at the "spot rate" of exchange on the date of receipt. The tax basis of CHF received by the US Holder generally will equal the USD equivalent of such CHF, translated at the spot rate of exchange on the date such CHF dividends are received. Upon a subsequent exchange of such CHF for USD, or upon the use of such CHF to purchase property, a US Holder will generally recognize ordinary income or loss in the amount equal to the difference between such US Holder's tax basis for the CHF and the USD received or, if property is received, the fair market value of the property. In addition, a US Holder may be required to recognize domestic-source foreign currency gain or loss on the receipt of a refund in respect of Swiss withholding tax to the extent the USD value of the refund differs from the USD equivalent of the amount on the date of receipt of the underlying dividend.

Non-US Holders
Dividends paid to a Non-US Holder in respect of Shares will generally not be subject to US federal income tax unless such dividends are effectively connected with the conduct of a trade or business within the United States by such Non-US Holder.

Capital gains tax upon disposal of shares
US Holders
Gain or loss realized by a US Holder on the sale or other disposition of Shares will be subject to US federal income taxation as capital gain or loss in an amount equal to the difference between the US Holder's basis in Shares and the amount realized on the disposition. Such gain or loss will generally be long-term capital gain or loss if the US Holder holds Shares for more than one year. Long-term capital gain realized by a US Holder that is an individual generally is subject to reduced rates.

Non-US Holders
A Non-US Holder will generally not be subject to US federal income tax in respect of gains realized on a sale or other disposition of Shares unless the gain is effectively connected with a trade or business of the Non-US Holder in the United States.

Backup withholding tax and information reporting requirements
Dividends paid on, and proceeds from the sale or other disposition of, Shares paid to a US Holder generally may be subject to the information reporting requirements of the Code and may be subject to backup withholding unless the holder: (i) establishes that it is a corporation or other exempt holder; or (ii) provides an accurate taxpayer identification number on a properly completed Internal Revenue Service Form W-9 and certifies that no loss of exemption from backup withholding has occurred. The amount of any backup withholding from a payment to a holder will be allowed as a credit against the US Holder's US federal income tax liability and may entitle such holder to a refund, provided that certain required information is furnished to the Internal Revenue Service.

A Non-US Holder may be required to comply with certification and identification procedures in order to establish its exemption from information reporting and backup withholding.

Item 11: Quantitative disclosure about market risk

Information regarding quantitative and qualitative disclosures about market risk is set forth under “Risk management” in the Credit Suisse Group Annual Report 2006 on pages 61 to 84 and such information is incorporated herein by reference.

Item 15: Controls and procedures

Information regarding controls and procedures is set forth under “Controls and procedures” in the Credit Suisse Group Annual Report 2006 on page 229 and such information is incorporated herein by reference.

Item 16A: Audit committee financial expert

Information regarding the audit committee financial expert is set forth under “Corporate governance” in the Credit Suisse Group Annual Report 2006 on page 94 and such information is incorporated herein by reference.

Item 16B: Code of ethics

Information regarding Credit Suisse Group’s Code of Ethics (Code of Conduct) is set forth under “Corporate governance” in the Credit Suisse Group Annual Report 2006 on page 87 and such information is incorporated herein by reference.

Item 16C: Principal accountant fees and services

Information on Credit Suisse Group’s Principal Accountant Fees and Services is set forth under “Corporate governance” in the Credit Suisse Group Annual Report 2006 on page 130 and such information is incorporated herein by reference.

Item 16E: Purchases of equity securities by the issuer and affiliated purchasers

The table below sets forth the information with respect to purchases of common shares made by or on behalf of Credit Suisse Group during 2006:

Period	Total number of shares purchased [1)]	Average price paid	Total number of shares purchased as part of publicly announced plans [2)]	Maximum value of shares in CHF that may yet be purchased under the plans or programs

		for share in CHF	or programs	
January 1 to January 31, 2006	16,722,305	70.88	0	4,632,433,219
February 1 to February 28, 2006	38,487,548	73.72	2,855,000	4,422,362,487
March 1 to March 31, 2006	33,128,646	71.63	5,092,800	4,051,675,950
April 1 to April 30, 2006	16,295,755	75.02	1,600,000	3,933,220,240
May 1 to May 31, 2006	48,707,400	70.52	5,925,000	3,508,227,932
June 1 to June 30, 2006	38,290,439	67.06	9,765,000	2,854,459,741
July 1 to July 31, 2006	15,983,065	66.22	3,100,000	2,647,736,959
August 1 to August 31, 2006	18,719,788	67.59	4,700,000	2,329,463,859
September 1 to September 30, 2006	19,494,740	71.61	3,520,000	2,079,777,328
October 1 to October 31, 2006	19,339,681	74.96	1,490,000	1,968,254,310
November 1 to November 30, 2006	33,652,624	79.58	6,400,000	1,455,543,296
December 1 to December 31, 2006	24,214,907	82.31	5,835,000	981,541,545
Total shares repurchased during the period	323,036,898		50,282,800	
Total shares sold or re-issued during the period[3)]	259,033,929			

1) In 2006, of the total number of shares purchased throughout the year, 272,754,098 were purchased on the first trading line of virt-x as part of the Group's normal trading and market-making activities, and 50,282,800 were purchased on the second trading line of virt-x as part of a publicly announced share repurchase program. These shares are only held for a limited period before being sold back into the market. 2) On April 29, 2005, the Annual General Meeting (AGM) approved the launch of a repurchase program of up to a maximum of CHF 6 billion. The program commenced after the AGM and will last for a maximum of two years from that date. These shares are repurchased exclusively by Credit Suisse Group via a second trading line on virt-x and will be subsequently cancelled, subject to shareholder approval. The Board of Directors will also propose a new share repurchase program of up to CHF 8 billion at the AGM on May 4, 2007. If approved by the shareholders, the program will commence after the AGM and last for a maximum of three years. The shares would be repurchased through a second trading line on virt-x and cancelled. 34,000,000 treasury shares were cancelled in the third quarter of 2006. 3) During 2006, 238,906,412 shares were sold as part of market-making activities and 20,127,517 shares were delivered to employees as part of their share-based compensation.

Item 18: Consolidated financial statements

Credit Suisse Group’s consolidated financial statements, together with the notes and schedules thereto and the “Report of the Independent Registered Public Accounting Firm” thereon, are set forth in the Credit Suisse Group Annual Report 2006 on pages 133 to 228 and such information is incorporated herein by reference.

Item 19: Exhibits

No. Exhibit title

1.1 Articles of association (Statuten) of Credit Suisse Group as of January 30, 2007.

1.2 Regulations governing the conduct of business of Credit Suisse Group (OGR) as of January 1, 2007.

4.1 Share Purchase Agreement, dated June 13, 2006, by and between Credit Suisse Group and AXA S.A. regarding Purchase and Sale of all Shares of Winterthur.

8.1 Significant subsidiaries of the Registrant are set forth in note 35, Significant subsidiaries and associates, in the Credit Suisse Group Annual Report 2006 and such information is incorporated herein by reference.

10.1 Consent of KPMG Klynveld Peat Marwick Goerdeler SA, Zurich.

12.1 Rule 13a-14(a) certification of the Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

12.2 Rule 13a-14(a) certification of the Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

13.1 Certification pursuant to 18 U.S.C. Section 1350, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

15.1 Computation of ratio of earnings to fixed charges.

The total amount of long-term debt securities of Credit Suisse Group authorized under any instrument does not exceed 10% of the total assets of the Group on a consolidated basis. The Group hereby agrees to furnish to the SEC upon its request a copy of any instrument defining the rights of holders of long-term debt of the Group or of its subsidiaries for which consolidated or unconsolidated financial statements are required to be filed.

Signatures

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and has duly caused and authorized the undersigned to sign this Annual Report on its behalf.

Credit Suisse Group

(Registrant)

Zurich, March 26, 2007

/s/ Urs Rohner	/s/ Renato Fassbind
Name: Urs Rohner	Name: Renato Fassbind
Title: General Counsel	Title: Chief Financial Officer

Credit Suisse Group
Annual Report 2006

Highlights 2006

CHF 38,603 million

Credit Suisse Group's net revenues amounted to CHF 38,603 million in 2006, an increase of 27% compared to 2005.

CHF 11,327 million

Net income for 2006 totaled CHF 11,327 million, up 94%
compared to 2005.

CHF 8,281million

Income from continuing operations was CHF 8,281 million, up 83%
compared to 2005.

CHF 95.4 billion

In 2006, Credit Suisse Group recorded net new assets of CHF 95.4 billion,
compared to CHF 57.4 billion in 2005.

CHF 1,485.1 billion

Assets under management stood at CHF 1,485.1 billion
as of December 31, 2006, up 12.6% from December 31, 2005.

44,871

At year end 2006, Credit Suisse Group employed 44,871 people,
of which 20,353 were in Switzerland and 24,518 were in more than
50 countries around the globe.

For purposes of the Annual Report, unless the context otherwise requires, the terms “Credit Suisse”, “the Group”, “we”, “us” and “our” mean Credit Suisse Group and its consolidated subsidiaries and the term “the Bank” means Credit Suisse, the Swiss bank subsidiary of the Group, and its consolidated subsidiaries.

Credit Suisse Group financial highlights

Year ended December 31, in CHF m, except where indicated	2006	2005	2004
Consolidated statements of income			
Net revenues	**38,603**	30,489	27,033
Income from continuing operations	**8,281**	4,526	4,996
Income from discontinued operations, net of tax[1)]	**3,070**	1,310	639
Net income	**11,327**	5,850	5,628
Return on equity	**27.5%**	15.4%	15.9%
Earnings per share, in CHF			
Basic earnings per share from continuing operations[1)]	**7.53**	3.98	4.25
Basic earnings per share	**10.30**	5.17	4.80
Diluted earnings per share from continuing operations[1)]	**7.19**	3.90	4.23
Diluted earnings per share	**9.83**	5.02	4.75
Cost/income ratio - reported	**63.2%**	76.2%	72.4%
Cost/income ratio[2)]	**69.6%**	81.6%	75.4%
Net new assets, in CHF bn	**95.4**	57.4	28.2

December 31, in CHF m, except where indicated	2006	2005
Assets under management, in CHF bn	**1,485.1**	1,319.4
Consolidated balance sheet		
Total assets	**1,255,956**[3)]	1,339,052
Shareholders' equity	**43,586**	42,118
Consolidated BIS capital data		
Risk-weighted assets	**253,676**	232,891

Tier 1 ratio	**13.9%**	11.3%
Total capital ratio	**18.4%**	13.7%
Number of employees		
Switzerland - Banking	**20,353**	20,194
Outside Switzerland - Banking	**24,518**	24,370
Winterthur	**0** 3)	18,959
Number of employees (full-time equivalents)	**44,871**	63,523
Stock market data		
Share price per registered share, in CHF	**85.25**	67.00
Share price per American Depositary Share, in USD	**69.85**	50.95
Market capitalization	**90,575**	75,399
Market capitalization, in USD m	**74,213**	57,337
Book value per share, in CHF	**41.02**	37.43
Par value reduction, in CHF	**0.46** 4)	–
Dividend per registered share, in CHF	**2.24** 4)	2.00

1) Before extraordinary items and cumulative effect of accounting changes. 2) Excludes minority interest revenues of CHF 3,663 million, CHF 2,074 million and CHF 1,088 million and minority interest expenses of CHF 103 million, CHF 32 million and CHF 16 million in 2006, 2005 and 2004, respectively, from the consolidation of certain private equity funds and other entities in which the Group does not have a significant economic interest in such revenues and expenses. 3) Impacted by the sale of Winterthur on December 22, 2006. 4) Proposal of the Board of Directors to the Annual General Meeting on May 4, 2007.

Financial calendar

First quarter results 2007	Wednesday, May 2, 2007
Annual General Meeting	Friday, May 4, 2007
Dividend payment	Thursday, May 10, 2007
Par value reduction payment	Wednesday, July 18, 2007
Second quarter results 2007	Thursday, August 2, 2007
Third quarter results 2007	Thursday, November 1, 2007

Ticker symbols / Stock exchange listings

	Bloomberg	Reuters	Telekurs
SWX Swiss Exchange/virt-x	CSGN VX	CSGN.VX	CSGN,380
New York Stock Exchange (ADS)[1]	CS US	CS.N	CS,065

	CSG share	ADS 1)

Swiss security number	1213853	570660
ISIN number	CH0012138530	US2254011081
CUSIP number		225 401 108

1) One ADS represents one common share.

Ratings

		Moody's	Standard & Poor's	Fitch Ratings
Credit Suisse Group	Short term	–	A-1	F1+
	Long term	Aa3	A+	AA-
	Outlook	Stable	Stable	Stable
Credit Suisse	Short term	P-1	A-1+	F1+
	Long term	Aa3	AA-	AA-
	Outlook	Stable	Stable	Stable

Share data

December 31	2006	2005
Shares issued	**1,214,862,013**	1,247,752,166
Treasury shares	**(152,394,952)**	(122,391,983)
Shares outstanding	**1,062,467,061**	1,125,360,183

Share price

in CHF	2006	2005	2004
High (closing price)	**85.35**	68.50	49.50
Low (closing price)	**62.70**	46.85	37.35

The following table shows principal Swiss franc foreign exchange rates:

			Closing rate		Average rate		
in CHF			31.12.06	31.12.05	2006	2005	2004
1	US dollar	(USD)	**1.2208**	1.3137	**1.25**	1.24	1.24
1	Euro	(EUR)	**1.6085**	1.5572	**1.57**	1.55	1.54
1	British pound sterling	(GBP)	**2.3987**	2.2692	**2.31**	2.26	2.28
100	Japanese yen	(JPY)	**1.0260**	1.1190	**1.08**	1.13	1.15

The 2006 Business Review provides an overview of Credit Suisse's activities during 2006, a record year for the bank. In addition, specialists from Credit Suisse explore current topics such as the financing of infrastructure projects, the rise of the emerging markets and the transformation of the banking industry in the 21st century. The publication will be available in English and German. The Business Review should be read in conjunction with the Credit Suisse Group Annual Report 2006.

Message from the Chairman

Walter B. Kielholz
Chairman of the Board of Directors
Credit Suisse Group

Dear shareholders, clients and colleagues
Credit Suisse celebrated its long history of banking expertise and innovation in 2006 in the context of its 150th anniversary, while building a solid platform for its future growth. It is particularly satisfying to note that 2006 was also the year in which we reported our best ever financial result, confirming the success of our efforts to realign the business over the last three years.

Our 150 years of banking experience have provided us with a strong foundation that allows us to constantly look ahead and anticipate the needs of our clients in a rapidly changing environment. It was this experience that enabled us to quickly adapt to the impact of globalization on our industry and to devise an appropriate response in the form of our integrated global banking model that mirrors the increasingly integrated global marketplace in which we operate. As a result, we began repositioning our business and – as one of the most highly integrated banks worldwide – now have the necessary structure, flexibility and resources to satisfy our clients' demands for holistic solutions and global execution capabilities.

Our efforts to create an integrated global bank in 2006 included the sale of our insurance business, Winterthur, to AXA S.A. for cash consideration of CHF 12.3 billion. This key strategic step provided us with the best opportunity to deliver the full value of Winterthur to our shareholders in a single transaction, while providing an opportunity for the future growth of the business within a leading global insurance company. The creation of an integrated bank and the sale of Winterthur mean that we now have a very clear strategic focus and can concentrate our capital and resources on our banking business and the global expansion of Credit Suisse.

We already have a leading presence in Europe and North America, as well as in rapidly developing emerging markets such as Brazil, Mexico, China, Russia and the Middle East. Going forward, we will continue to leverage our position in our existing markets and will target new high-growth regions throughout the world.

Our integrated banking model not only provides us with a platform for growth, it also enables us to generate significant operating efficiencies, increase the scale of our business and generate the necessary cash flow and capital to fund our ambitious growth plans.

The strongest capital base in our history
Credit Suisse today has the strongest capital base in its history. At the Annual General Meeting on May 4, 2007, the Board of Directors will propose a further share buyback program of up to CHF 8 billion over three years. It will also propose a distribution of CHF 2.70 per share for the financial year 2006, comprising a dividend of CHF 2.24 per share and a par value reduction of CHF 0.46 per share, the latter of which returns capital from the sale of Winterthur to our shareholders. This compares to a dividend of CHF 2.00 per share for the financial year 2005.

In addition, the sale of Winterthur has provided us with additional capital to invest in the growth of our business. Of the total capital from the Winterthur sale, the majority – CHF 7.5 billion – will be invested in the organic growth of the business as well as in small and medium-sized acquisitions, joint ventures and partnerships. Our plans for organic growth include investments in our highly promising alternative investments, commercial mortgage-backed securities and leveraged finance businesses, as well as in the expansion of our lending activities and our mortgage business for private banking clients.

We have set aside CHF 3.5 billion for targeted acquisitions of small and medium-sized institutions such as the Brazilian asset manager and private bank Hedging-Griffo, which we signed an agreement to purchase in the fourth quarter of 2006. HedgingGriffo will complement our already strong Investment and Private Banking operations in Brazil and enable us to offer asset and wealth management services and products to onshore clients, thus leveraging our integrated banking model in this market.

Strong leadership for sustained success
The future of every company is charted by its leaders. Having successfully positioned Credit Suisse for future growth, the Board of Directors had to reach an important decision regarding the bank's future leadership in 2006. After more than 38 years with the company, Oswald J. Grübel informed the Board last year of his intention to retire from his position as Chief Executive Officer of Credit Suisse Group. He and his management team have worked relentlessly over the last three years to create a new organization and the integrated business model which leverages the expertise of the entire bank, combining its clear client focus with its truly global reach. Oswald J. Grübel has made an enormous contribution to the success of Credit Suisse, for which the Board of Directors owes him considerable thanks.

We are very fortunate that we were able to appoint a highly qualified and experienced successor to Oswald J. Grübel from within our management team. Brady W. Dougan, who has been with Credit Suisse for 17 years, will assume the position of CEO of Credit Suisse Group on May 5, 2007. He is currently the head of our Investment Banking business, which delivered a particularly pleasing performance in 2006 following its realignment under his expert guidance. As a member of the Executive Board, Brady W. Dougan was also instrumental in designing our integrated banking model. Together with his colleagues in Credit Suisse's senior management team, he will continue to build on the strengths of our powerful organization and integrated banking model in the future.

I personally look forward to working together with Brady Dougan and his management team.

Today, the global economy offers outstanding growth opportunities for internationally active financial institutions such as Credit Suisse. We believe that we have the right organizational structure and business model to capture this potential. At the same time, we are convinced that the systematic execution of our strategy will pave the way for sustained earnings growth in 2007 and beyond. 2006 was a vitally important year for Credit Suisse. We are confident that as we enter into our next growth phase, we will have the necessary financial strength, human capital and expert leadership to deliver results against our ambitious targets.

Yours sincerely

Walter B. Kielholz
March 2007

Message from the Chief Executive Officer

Oswald J. Grübel
Chief Executive Officer
Credit Suisse Group

Dear shareholders, clients and colleagues
2006 was a record year for Credit Suisse. Our new integrated banking model proved successful and provided us with an effective platform to capture the growth opportunities arising from high levels of client activity while significantly improving our profitability. Thanks to strong revenue generation and enhanced operating efficiency, we posted the best ever result in the history of the bank. Net income totaled CHF 11.3 billion, including a net capital gain of CHF 1.8 billion from the sale of Winterthur, which was recorded in the fourth quarter of 2006. Basic earnings per share were CHF 10.30. Income from continuing operations was CHF 8.3 billion or CHF 7.53 per share. Our return on equity improved significantly to 27.5% in 2006 from 15.4% in 2005. We also generated net new assets of CHF 95.4 billion in 2006, compared to CHF 57.4 billion in 2005, reflecting our strength in asset gathering and our positioning as a trusted partner to private clients, companies and institutions worldwide.

This outstanding performance is the result of our efforts to realign Credit Suisse and position it for success in a rapidly changing environment. If we consider the developments at Credit Suisse over the past five years, the extent of our achievement becomes clear. At the time, Credit Suisse – like the rest of the industry – faced major challenges in an environment characterized by global economic uncertainty and weak financial markets. Our financial performance was severely impacted as a result. Our subsequent efforts to return the bank to profitability centered on strengthening our core businesses, reducing costs and maintaining our leadership in key markets. By 2003, we had successfully achieved the turnaround and demonstrated the fundamental strength of our business. 2004 was a milestone year for Credit Suisse as we announced our plans for integration and our decision to focus exclusively on banking. We began to implement our new integrated business model and our growth strategy in 2005 with the merger of our two banking entities. With this, we created the foundations for the integrated bank, which we launched successfully at the start of 2006.

Our record result in our first year as an integrated bank not only reflects our progress across all our businesses – as outlined below – but also the immense potential we can unlock by working together as one bank to create holistic solutions for our clients, drawing on our expertise in Investment Banking, Private Banking and Asset Management.

A strong performance in Investment Banking
We achieved record results in Investment Banking last year, reflecting a strong performance in all key businesses and regions benefiting from favorable market conditions, high levels of client activity and improved market share in a range of products. Against this backdrop, we generated record revenues in advisory and debt and equity underwriting and significantly increased our trading revenues. Income from continuing operations before taxes grew by 272% compared to 2005. Excluding credits from insurance settlements for litigation and related costs in 2006 and a charge to increase litigation reserves in 2005, income from continuing operations before taxes grew by 113%. Our strong results reflect continued progress against our strategy to deliver a more profitable business.

Highlights in Investment Banking in 2006 included our continued leadership position in some of the world's fastest-growing emerging markets, such as China, Russia, Brazil and Mexico. This was demonstrated, among other things, by our number one market share ranking in equity issuance and announced mergers and acquisitions in Latin America and our recognition as the "China Equity House" in *International Financing Review's* Asia Awards 2006. At the same time, we maintained our leadership position in other important growth areas such as commercial mortgage-backed securities, leveraged finance and financial sponsors. Credit Suisse also advised on a number of landmark deals in 2006, including the USD 21.9 billion IPO of China's leading commercial bank, Industrial and Commercial Bank of China Limited, in the largest transaction of its type to date, and the USD 12.1 billion acquisition of Corus Group plc in the United Kingdom by Tata Steel of India.

Continued expansion in Private Banking
In our Private Banking segment, which comprises the Wealth Management and Corporate & Retail Banking businesses, we delivered very strong results with significantly higher net revenues in 2006. This revenue growth outpaced an increase in total operating expenses driven partly by ongoing strategic investments in the Wealth Management business. This resulted in record income from continuing operations before taxes for 2006. Asset gathering also reached a record level, with net new assets of CHF 50.5 billion in Wealth Management, representing a growth rate of 7.3%. We continued to expand our global reach in Wealth Management throughout 2006 and announced the launch of new onshore operations in Brazil, Russia, Australia, Qatar, Lebanon and Orange County, California.

Realignment of Asset Management
In our Asset Management segment, we generated strong net new assets of CHF 50.8 billion in 2006, including alternative investment assets of CHF 15.3 billion. Our net revenues before private equity and other investment-related gains increased 12%, driven by higher asset management revenues and private equity commissions and fees. However, income from continuing operations before taxes decreased by half compared to 2005, reflecting higher total operating expenses, partly due to realignment expenses, and lower private equity and other investment-related gains.

We achieved progress in the realignment of Asset Management in the second half of the year, as part of the previously announced strategy to reposition businesses with low profitability, reshape the product offering, improve investment and sales processes and reduce the overall cost base. In addition, we continued to invest in expanding the geographic footprint of our Asset Management business in key markets, while also taking steps to broaden our alternative investment business with a series of strategic alliances aimed at adding new capabilities and at increasing our product offering.

Strategic priorities
While we made excellent progress in strengthening our operating efficiency during our first year as an integrated bank, we still have great potential for further improvement. We are now embarking on the next phase in our growth

plan and have defined three clear strategic priorities to accelerate the expansion of our business going forward.

First, we will continue to capitalize on our integrated banking model by building on a series of targeted internal initiatives that drive revenue growth and reduce costs.

Second, we will deploy our capital as efficiently as possible. The target for our investments is an annual rate of return on equity of 20% or above in the medium term.

Finally, we will continue to expand our activities in high-growth markets and products. For example, we signed an agreement to acquire a majority stake in the Brazilian asset manager and private bank Hedging-Griffo in the fourth quarter of 2006. This strategic step will help us to leverage our integrated banking model in Brazil in order to provide a comprehensive range of investment banking, private banking and asset management services to onshore clients in this market. We also aim to realize our third priority through measures such as the expansion of our activities in dynamic emerging markets and the growth of leading businesses and products, including alternative investments and structured products. Our objective is to generate long-term, sustainable returns. We will therefore focus on and invest in businesses which fit our model and are in line with this objective.

Our clients have responded well to our new business model. Credit Suisse is now very well positioned to capture the growth potential resulting from globalization, which we expect to create attractive business opportunities for the foreseeable future.

Yours sincerely

Oswald J. Grübel
March 2007

Information on the company

Credit Suisse at a glance

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

Global banking divisions

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

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

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

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

The year at Credit Suisse

2006 was a landmark year for Credit Suisse, which began with the launch of the new, integrated global organization and the introduction of a single brand. Credit Suisse is now increasingly able to combine its experience, resources and expertise across different businesses and geographies in order to deliver holistic financial solutions to its global clients.

Launch of the integrated global organization
The new, integrated global organization was officially launched on January 1, 2006. The integrated structure provides a strong platform from which Credit Suisse can offer comprehensive financial solutions to its clients, create synergies for revenue growth, increase efficiency and enhance shareholder value. The structure includes the three divisions, Investment Banking, Private Banking and Asset Management, as well as a regional structure, which allows it to leverage resources and to develop cross-divisional strategies that span the Americas, Asia Pacific, Europe, Middle East and Africa (EMEA) and Switzerland. The divisions and regions are supported by the Shared Services functions, which provide a range of corporate services and business support. Credit Suisse expects to generate significant revenue and cost synergies in the coming years as a result of its new business model and structure.

The integrated model is Credit Suisse's response to changing client needs in an industry driven by globalization and rapid technological developments. These two trends are transforming the requirements and expectations of clients, who are demanding an even broader range of offerings, improved performance, greater transparency and continuous access to global execution capabilities. Credit Suisse believes this newly integrated organization has the necessary flexibility and resources to deliver solutions to clients and to compete successfully in the global marketplace.

Credit Suisse underpinned the launch of its integrated global structure with the introduction of a single brand and new logo. The Credit Suisse brand is based on its 150-year tradition of banking excellence, which has provided the foundation to enable it to develop innovative solutions for its clients – a tradition to innovate.

Further strengthening of the integrated organization

Credit Suisse continued to strengthen its operational structure and activities. Its efforts are based on five key initiatives that are designed to improve the use of its resources, increase focus on clients and improve productivity. In addition, the initiatives are expected to increase cost awareness as a foundation for sustained and profitable growth. These five initiatives are:

One Bank Delivery

The full potential of the integrated organization, including the generation of revenue synergies, can only be realized if cooperation is maximized and the combined execution and distribution capabilities are utilized. Credit Suisse implemented its One Bank Delivery initiative, which centers on the systematic identification of business opportunities that enable it to deliver its entire expertise to clients, including, but not limited to:

– Providing ultra-high-net-worth clients in Private Banking with customized solutions and access to Investment Banking and Asset Management;

– Leveraging Investment Banking relationships for referrals to Private Banking and Asset Management;

– Leveraging Investment Banking relationships to market cross-divisional solutions to pension funds globally;

– Growing sales of Asset Management's alternative investment products and services to Private Banking clients; and

– Offering Investment Banking prime services and execution to hedge and mutual funds.

Client Centricity

Credit Suisse has a long tradition of providing innovative solutions to its clients. The Client Centricity initiative is designed to ensure that Credit Suisse delivers its full capability to clients in a scalable and profitable manner, by adopting an increasingly client-oriented perspective rather than a product-driven approach. By applying Client Centricity, Credit Suisse is pursuing client-driven innovation. Using sophisticated segmentation analysis, as well as extensive client interviews, which consider aspects of client conduct such as behavior and buying patterns, Credit Suisse is able to identify the needs of existing and potential clients. Credit Suisse then draws on these insights to deliver comprehensive financial solutions using the capability of the entire organization.

Centers of Excellence

In a competitive global marketplace, it is important for Credit Suisse to manage its resources and to expand its global infrastructure and footprint to meet the requirements of clients. Credit Suisse has responded to this need by establishing Centers of Excellence that leverage its global talent pool and resources in order to supply high-quality internal services at competitive costs.

In November 2006, Credit Suisse announced plans to open a Center of Excellence in India as part of its global sourcing initiative. The new Credit Suisse branded facility in Pune commenced operations in January 2007. The Pune site complements Credit Suisse's existing Centers of Excellence in Singapore and Raleigh, North Carolina.

In February 2007, Credit Suisse announced the launch of a new Center of Excellence in Wroclaw, Poland, which is expected to be operational in the third quarter of 2007. The new site will support Credit Suisse's global businesses and highlights Credit Suisse's commitment to the Eastern European region.

In March 2007, Credit Suisse further expanded its Center of Excellence in Singapore to meet the increased demand.

Operational Excellence

Operational Excellence is an initiative based on principles and methodologies such as Lean Sigma, which provides the tools and processes needed to deliver substantial and sustained improvements in service quality, control, productivity and revenues. Operational Excellence was first introduced in Private Banking in 2004 and was extended to the rest of Credit Suisse in 2006. The initiative is based on three basic principles:

– The creation of a cultural mindset for continuous improvement;

– The implementation of a standardized problem-solving methodology throughout the organization; and

– The creation of a management culture that is increasingly driven by client perspectives and focuses on data relating to client needs and process performance.

Examples of successful Operational Excellence projects in 2006 include: an improved real estate appraisal project resulting in faster mortgage application processing in Switzerland; a plan to reduce the administrative workload of relationship managers in Wealth Management, enabling them to devote more time to their clients; and a fund access project, providing financial institutions with funds trading services, such as settlement, execution and custody, allowing them to save internal resources and staffing costs. At the end of 2006, Credit Suisse had various Operational Excellence projects in its global project portfolio, generating significant benefits across all areas of the organization.

Cost Management

Credit Suisse can only make optimal use of the growth and synergies resulting from the integration of the business if it maintains a disciplined approach to costs. It therefore rolled out a Cost Management initiative with the aim of further developing a cost-conscious culture, more actively managing costs and increasing the flexibility of the cost structure and the efficiency of business processes. The cost savings generated by this initiative are expected to make a noticeable contribution towards sustained, long-term profitability.

Sale of the insurance business

In June 2006, Credit Suisse announced that it had entered into a definitive agreement to sell its insurance business, "Winterthur" Swiss Insurance Company (Winterthur), to AXA S.A. for cash consideration of CHF 12.3 billion. As part of the sale agreement, AXA S.A. agreed to repay approximately CHF 1.1 billion of debt outstanding between Credit Suisse and Winterthur. On December 22, 2006, the Group completed the sale of Winterthur and realized a net capital gain of CHF 1,817 million.

For further information on the sale of Winterthur, see note 4 "Discontinued operations" in the Notes to the consolidated financial statements.

Expansion of Credit Suisse's global footprint

In addition to maintaining a close proximity to its clients in mature markets, Credit Suisse is also committed to growing its footprint in emerging markets in order to meet the increasing demand for innovative and integrated financial services and advice. In 2006, Credit Suisse expanded its operations in a number of key growth markets by opening offices, expanding its onshore activities, recruiting staff and extending its range of product offerings.

Latin America is an important growth market for Credit Suisse. In December 2006, Credit Suisse announced that it had signed an agreement to acquire a majority interest in Hedging-Griffo, a leading independent asset management and private banking company in Brazil. Subject to the approval of the Central Bank of Brazil, the transaction is expected to close by mid-2007. This acquisition will significantly strengthen Credit Suisse's onshore asset management businesses, expand its private banking operations and complement its leading position in investment banking in the Brazilian market.

In Russia, Credit Suisse launched an onshore wealth management business in Moscow in September 2006, which complements its leading investment banking business. Credit Suisse became one of the first international banks to offer onshore wealth management services to meet the needs of clients in Russia who are increasingly seeking local access to global execution capabilities and integrated solutions.

In South Africa, Credit Suisse formed a partnership with Standard Bank to expand its equities business, offering its clients access to the South African equities market, which is an important component of many emerging market indices. Credit Suisse also expects to leverage this partnership into developing relationships with local clients to benefit its other businesses.

In the Middle East, Credit Suisse further expanded its footprint through onshore initiatives in Qatar and Lebanon. Credit Suisse became one of the first major global financial institutions to be awarded a license to operate in the Qatar Financial Centre in March 2006. This license enabled Credit Suisse to open a subsidiary in Doha, from which it offers high-net-worth individuals and institutional clients a comprehensive range of investment advisory services and products. Furthermore, Credit Suisse's subsidiary in Lebanon was registered as a financial institution in March 2006, enabling Credit Suisse to offer a comprehensive range of global and local products and services to clients in the Lebanese market. With these two new locations, in addition to the well-established full-service bank in Dubai, Saudi Swiss Securities, and the equities business in Saudi Arabia, Credit Suisse is well placed to respond to the demand for financial solutions in this dynamic region.

In China, Credit Suisse acted as a joint book runner on the USD 21.9 billion initial public offering (IPO) of China's leading commercial bank, the Industrial and Commercial Bank of China Limited, in the largest transaction of this type to date. Credit Suisse also acted as a joint book runner on the IPO of China Construction Bank, which was the largest IPO globally in 2005, making Credit Suisse the only international bank that has completed two large Chinese state-owned-bank privatizations so far. In addition, Credit Suisse received approval to participate in the Qualified Domestic Institutional Investor program launched by the Chinese government in 2006. This will allow Credit Suisse to provide tailored solutions for qualified domestic investors to access international investment opportunities.

In Vietnam, Credit Suisse received regulatory approval to engage in the trading of domestic equities and government and corporate bonds. Credit Suisse is one of the first foreign banks to receive certificates to trade both domestic equity and fixed income securities. This move further underpins Credit Suisse's commitment to Vietnam, where we have been acting as a bridge between the country and the international investment community.

In Indonesia, PT Credit Suisse Investment Management Indonesia (PT CSIMI) became operational in February 2006. With its investment manager license, PT CSIMI offers investment advisory services to high-net-worth individuals in Indonesia and allows them to invest in local investment products.

Credit Suisse also announced the launch of private banking operations in Australia in a move to strengthen its presence in Asia Pacific. Credit Suisse already has well-established investment banking and asset management businesses in Australia. With the introduction of private banking activities, Credit Suisse should be well positioned to satisfy the growing need for comprehensive asset and liability management solutions among high-net-worth individuals in this market.

Credit Suisse continued to develop its business in India. India is one of the most promising markets, with significant business opportunities in wealth management and investment banking.

Launch of new business initiatives through joint ventures and alliances

Credit Suisse believes that the establishment of joint ventures offers valuable opportunities for business development by enabling it to combine its know-how and distribution capabilities with the specialized expertise of proven partners. In 2006, Credit Suisse launched a number of new business initiatives across its different regions in conjunction with first-class providers.

As part of its strategy to develop its presence in Asia, Credit Suisse announced a joint venture in South Korea with Woori Asset Management in April 2006. This initiative created one of the largest joint venture asset management companies between a South Korean company and a foreign asset manager. The venture brings together Woori's strong distribution network in South Korea with Credit Suisse's expertise and knowledge of global markets.

Credit Suisse and General Electric Infrastructure announced the launch of Global Infrastructure Partners, a joint venture that combines the expertise, global footprint and financial strength of the two partners in order to meet the growing need for investment in energy and transportation infrastructure worldwide.

Credit Suisse started a new strategic alliance with Glencore International AG (Glencore) to build a new derivatives and structured products trading business in the metals business. The alliance will provide risk management and investment products to Credit Suisse and Glencore customers globally.

Credit Suisse also announced a series of strategic growth initiatives in conjunction with leading industry partners in September 2006 as part of its strategy to further expand its alternative investment capabilities. This included an investment partnership with the Abu Dhabi Future Energy Company in the area of alternative energy projects and a strategic partnership with Ospraie Management to expand its private equity business into the commodities area. Credit Suisse also broadened its private equity activities with strategic partnerships in China and Latin America, including a partnership with China Renaissance Capital Investment to invest in smaller, developing companies in the Chinese market. Each of these strategic alliances represents a synergistic venture combining Credit Suisse's investment ideas, client relationships and distribution capabilities with the specialized investment expertise of its partners.

Realignment of Asset Management

Credit Suisse undertook the realignment of Asset Management as part of its efforts to better leverage the asset management capabilities within the integrated organization. It implemented a series of initiatives within the division, including the repositioning of businesses with low profitability, the streamlining of the product portfolio, the launch of new sales processes and initiatives, the enhancement of investment processes and capabilities and measures to lower its overall cost base.

Integration of Credit Suisse's independent private banks

In April 2006, Credit Suisse announced plans to merge its four independent private banks, Clariden, Bank Leu, Bank Hofmann and BGP Banca di Gestione Patrimoniale, as well as the securities dealer Credit Suisse Fides, to form a single private bank, Clariden Leu, effective January 1, 2007. The main aim of the merger is to create a platform for continued profitable growth by using the joint identity, wider product range and increased geographical reach to generate higher earnings, while still maintaining the specialized, individual service standards of these private banks. The integration process is expected to be completed by the end of 2007.

Appointment of Brady W. Dougan as the new CEO of Credit Suisse and other changes in the Executive Board

In February 2007, Credit Suisse announced the appointment of Brady W. Dougan as its new Chief Executive Officer, effective May 5, 2007. He will succeed Oswald J. Grübel, who will retire at the Annual General Meeting in 2007. Brady W. Dougan is currently the CEO of the Investment Banking division. Paul Calello, the current CEO of the Asia Pacific region, will replace Brady W. Dougan as the CEO of Investment Banking. Robert Shafir will join as CEO of the Americas region and become a member of the Executive Board of Credit Suisse.

In December 2006, Credit Suisse announced the appointment of Leonhard H. Fischer, former CEO of Winterthur Group, as the CEO of the EMEA region, effective March 1, 2007. In this role, Leonhard H. Fischer is responsible for developing Credit Suisse's strategy and driving specific initiatives in the EMEA region. He joined the Executive Board of Credit Suisse. Credit Suisse also announced that Michael G. Philipp, former CEO of the EMEA region, has become Chairman of the EMEA region, effective March 1, 2007. In his new role, Michael G. Philipp will focus on expanding strategic client relationships with a particular focus on the Middle East.

150th anniversary celebrations

2006 marked the 150th anniversary of the founding of Credit Suisse by the Swiss pioneer and innovator, Alfred Escher. In addition to establishing the original "Schweizerische Kreditanstalt" bank, he was the inspiration behind a number of landmark institutions in Switzerland such as the Gotthard Railway, the Nordostbahn Railway, Swiss Life and the Federal Institute of Technology (ETH) in Zurich. Escher's creativity and spirit of innovation are values that are still upheld by Credit Suisse today, as it draws on 150 years of tradition and banking expertise to provide intelligent and innovative solutions for its clients.

Throughout its anniversary year, Credit Suisse conducted a wide range of activities under the motto "150 Years of Tradition and Innovation". In connection with the anniversary, Christo and Jeanne-Claude gave Credit Suisse the opportunity to exhibit the world premiere of The Gates, Central Park, New York City, USA, 1979–2005 – A documentation; and Over the River, Project for the Arkansas River, State of Colorado – A Work in Progress. The exhibition, which was a gift to the city of Zurich, ran for two weeks in March 2006. Credit Suisse also held a series of anniversary events for clients and stakeholders throughout the year at 20 international locations, including gala events in Zurich, New York, Hong Kong and London.

Organizational structure of Credit Suisse

Overview

Founded in 1856 as Schweizerische Kreditanstalt, the first branch opened in Basel in 1905 and its first branch outside Switzerland opened in New York in 1940. In 1978, a cooperation with First Boston, Inc. began and, in 1990, Credit Suisse acquired a controlling stake. Credit Suisse purchased a controlling stake in Bank Leu in 1990, Schweizerische Volksbank in 1993, Neue Aargauer Bank in 1994 and Winterthur in 1997. In addition, Credit Suisse acquired Donaldson, Lufkin & Jenrette Inc. in 2000. In 2006, Credit Suisse sold Winterthur, allowing it to focus on its banking operations.

Credit Suisse is registered as a Swiss corporation in the commercial register of, and has registered offices in, Zurich, Switzerland. The address of the principal executive office is Paradeplatz 8, CH-8070 Zurich, Switzerland; the telephone number is +41 44 212 1616.

Credit Suisse's primary objective as an integrated organization is to use its combined experience and expertise to offer comprehensive financial solutions and global execution capabilities to its international clients. It also aims to capture synergies for revenue growth and to enhance efficiency through intense cross-business cooperation and the pooling of resources. Credit Suisse believes that the integrated organization is well positioned to respond rapidly and effectively to the impacts of globalization, new technologies and growing competitive pressure in the banking industry.

Divisions

The three global divisions, which form Credit Suisse's integrated organization, each have a management committee led by a divisional CEO. The management committee is responsible for developing strategic business plans for review by the Executive Board and for driving and coordinating significant business initiatives and monitoring performance. The CEOs of the three divisions report directly to the CEO of Credit Suisse and, together with the four regional CEOs, are responsible for ensuring a consistent strategic vision and direction across all divisions and regions.

Shared Services

Shared Services provides corporate services and business support in the fields of finance, operations, including human resources, legal and compliance, risk management and information technology:

– The Chief Financial Officer (CFO) area includes financial accounting, controlling, product control, tax, treasury, investor relations, new business and global insurance.

– The Chief Operating Officer (COO) area encompasses the areas of human resources, the business school, corporate real estate and services, corporate development, supply management, corporate communications, public policy and operational excellence.

– The General Counsel area provides legal and compliance support to the business and other areas of Shared Services to protect the reputation of Credit Suisse by ensuring that employees have the necessary tools and expertise to comply with all applicable internal policies and external laws, rules and regulations.

– The Chief Risk Officer (CRO) area comprises strategic risk management, credit risk management, risk measurement and management and operational risk oversight, which cooperate closely to maintain a strict risk control environment and to help ensure that Credit Suisse's risk capital is deployed wisely.

– Information Technology leverages technology across the business to facilitate execution and product delivery and innovative systems and platforms to meet the needs of the other areas within Shared Services.

Regions

Credit Suisse's regional structure is designed to promote cross-divisional collaboration while leveraging resources and synergies within each region. The four geographic areas are:

– The Americas region – comprising operations in the United States, Canada and Latin America.

– The Asia Pacific region – primarily comprising operations in Australia, China, Hong Kong, India, Indonesia, Japan, Korea, Malaysia, the Philippines, Singapore, Taiwan and Thailand.

– The EMEA region – comprising operations in 28 countries, primarily managed in the United Kingdom.

– Switzerland – comprising operations in Credit Suisse's home market.

Each of the four regions is headed by a regional CEO, who plays a pivotal role in ensuring that the three divisions present one face to the client within the individual regions by cooperating to produce integrated solutions. This coordinated approach is designed to enable Credit Suisse to realize the increased earnings potential of its integrated organization.

The regions perform a number of essential functions to support the global operations of the three divisions. On a strategic level, they are responsible for corporate development and the establishment of regional business plans, projects and initiatives. They also have an oversight role in monitoring financial performance. Each region is responsible for the regulatory relationships within its boundaries, as well as for regulatory risk management and the resolution of significant issues in the region as a whole or its constituent countries. Other responsibilities include client and people leadership and the coordination of the delivery of Shared Services and business support in the region.

Vision, mission and principles

Credit Suisse’s vision is to become the world’s premier bank, renowned for its expertise in investment banking, private banking and asset management and most valued for its advice, innovation and execution.

Credit Suisse’s mission is to set new standards in partnering with its clients, providing them with innovative and integrated solutions. Cultural diversity is essential to the success of Credit Suisse, which strives to create a workplace in which people work openly and respectfully with each other and with clients to deliver superior results that will lead to success and prosperity for all its stakeholders.

Three principles guide Credit Suisse in all its decisions, actions and objectives:

– A relentless focus on client needs

Credit Suisse knows that it can only set new standards in partnering with clients if it places them at the center of all that it does and has a complete understanding of their requirements and aspirations. Credit Suisse believes that nothing short of excellence will suffice. Building on its tradition to innovate, it strives to develop new and intelligent solutions and compelling value propositions to satisfy client needs.

– Teamwork must be at the heart of all that Credit Suisse does

Credit Suisse employees are committed to working together as a team across businesses and regions to deliver added value to clients. As an integrated organization, Credit Suisse is well positioned to capitalize on the combined strengths and expertise of its people in order to provide holistic product offerings and a truly seamless service that sets it apart from its peers. Dedication, determination and dialog are the keys to successful teamwork at Credit Suisse.

– Reputation is everything

Credit Suisse knows that a reputation takes years to build but can be lost in an instant. It is therefore committed to maintaining and enhancing its reputation at all times by delivering the best possible results, by generating value for clients and shareholders, by acting with professionalism, integrity and respect and by serving as a reliable partner to all its stakeholders.

Strategy

Credit Suisse’s strategy builds on its integrated structure and client-centric business model and ensures that the Group can deliver its full range of products and services to clients from across its three divisions, Investment Banking, Private Banking and Asset Management.

We have defined three strategic priorities in order to accelerate the expansion of our business going forward.

We will continue to capitalize on our integrated banking model by building on a series of targeted internal initiatives that drive revenue growth and reduce costs. We believe that the integrated organization has the necessary flexibility and resources to provide innovative financial solutions and compelling advice. Credit Suisse is one of the few truly integrated global banks with a business model designed to enable it to meet the sophisticated requirements of institutional and private clients throughout the world, rapidly and effectively. Credit Suisse's business model is the response to constantly changing client needs in an industry that is driven by globalization and rapid technological developments. These two trends are transforming the expectations and conduct of clients, who are demanding an even broader range of offerings, improved performance, greater transparency and continuous access to global execution capabilities.

Based on the strongest capital base in its history, Credit Suisse will use its capital resources to grow its business, while, at the same time, returning capital to its shareholders. Credit Suisse is committed to deploying its capital as efficiently as possible. The target for our annual return on equity is above 20% across business cycles over a three to five year period. Credit Suisse will expand its operations primarily through organic growth, as well as through select smaller acquisitions, joint ventures and similar alliances. Credit Suisse has set aside CHF 4 billion of capital for organic growth and CHF 3.5 billion for these targeted acquisitions.

We will continue to expand our activities in high-growth markets and products. The announcement of an agreement to acquire the Brazilian asset manager Hedging Griffo in December 2006 is an example of the strategic steps that we intend to take to leverage our integrated banking model in our growth markets. We also aim to realize this priority through measures such as the expansion of our activities in dynamic emerging markets and the growth of leading businesses and products, including alternative investments and structured products. Our objective is to generate long-term, sustainable returns. We will therefore focus on and invest in businesses which fit our model and are in line with that objective.

Strategic plans in our three divisions

Investment Banking

Investment Banking has made significant progress across businesses and is targeting the substantial opportunities as part of its ongoing strategic initiatives.

We are building on existing strengths that are well matched against market trends. These trends include the growth of the emerging markets, further growth in structured products, the role of financial sponsors and the move toward electronic execution. We are well positioned to benefit from these trends by further capitalizing on our industry-leading emerging markets platform, our leading commercial mortgage-backed securities (CMBS) and residential mortgage-backed securities (RMBS) businesses, our leading franchise in leveraged finance and financial sponsors and our Advanced Execution Services (AES®) electronic trading platform.

We are also targeting areas where we see additional potential to close business gaps such as prime services, commodities and derivatives.

Private Banking

In Private Banking, we aim to establish Credit Suisse as the premier private bank worldwide and in Switzerland. We are improving our wealth management offering by anticipating the key trends that shape the wealth management industry. We will focus on total client wealth, including all asset classes as well as liabilities. We will look at our clients from three different angles: source of wealth, investment behavior and life cycle phase. These three dimensions allow us to advise and serve our clients according to their needs. Our integrated business model offers our clients access to comprehensive solutions by combining private banking, asset management and investment banking skills. We plan to further expand our global presence by offering onshore and offshore capabilities in all major regions.

Asset Management
Asset Management has made significant progress in realigning the various businesses that came together to create the new division over the course of the past year, putting its business on a sound platform for future growth. The Asset Management division is now focused on growing its business by aligning its business model to reflect shifts in client demand and to be positioned to provide more comprehensive services to its clients. Its business model reflects client demand for services along a more complex and integrated value chain that include solutions-based advisory services such as asset/liability management, pension consulting, risk management and technology solutions, for both institutional and private clients.

The Asset Management growth strategy includes expansion into new geographic markets in line with the integrated bank and expansion into new asset classes and investment capabilities through strategic alliances, particularly in the area of alternative investments. Asset Management is also focused on strengthening its single strategy hedge fund business.

Asset Management is applying a more disciplined approach to managing its business as part of its overall strategy. Its portfolio of investment strategies and products is regularly re-evaluated to ensure it is in line with client demand, appropriately managed and profitable. Asset Management is focused on increasing both the stability and the diversification of its revenues by expanding into new areas. Its alternatives products are increasingly diversified to include real estate, quantitative products, funds of hedge funds and other products with recurring fees.

Asset Management believes that its realignment and the capabilities of the integrated bank provide it with a platform that will enable it to grow and make the most of the opportunities presented by the changing market environment.

Products and services

Investment Banking products and services
Credit Suisse's global Investment Banking division is divided into two areas, Investment Banking and Trading. For the year ended December 31, 2006, Credit Suisse was ranked:

– Third in US dollar value of global high-yield debt underwriting;

– Fourth in US dollar value of global IPOs;

– Eighth in US dollar value of global debt underwriting;

– Seventh in US dollar value of global equity and equity-linked underwriting;

– Sixth in US dollar value of global announced M&A transactions;

– Eighth in US dollar value of global completed M&A transactions; and

– First in Swiss franc-denominated international debt issuances.

Investment Banking

The activities within the Investment Banking area are organized by industry, product and country groups. The industry groups include energy, financial institutions, financial sponsors, industrial and services, healthcare, media and telecom, real estate and technology. The product groups include M&A and financing products.

Equity and Debt Underwriting

Equity Capital Markets originates, syndicates and underwrites equity in IPOs, common and convertible stock issues, acquisition financing and other equity issues. Debt Capital Markets originates, syndicates and underwrites corporate and sovereign debt.

Advisory Services

Advisory Services advises clients on all aspects of M&A, corporate sales and restructurings, divestitures and takeover defense strategies. The private fund group holds a market-leading position in raising capital for hedge funds, private equity funds and real estate funds. The fund-linked products group is responsible for the structuring, risk management and distribution of structured mutual fund and alternative investment products and develops innovative products to meet the needs of its clients through specially tailored solutions.

Trading

Credit Suisse engages in a broad range of activities including sales, trading, financing, prime brokerage services and market making in global equity and equity-related securities, options, futures, risk management and hedging products. These activities cover both exchange-traded and over-the-counter (OTC) traded securities, including American depositary receipts, restricted stock, equity repurchases, block trade executions, program trading executions, equity derivatives and convertible securities.

Equity Trading

Equity Trading services are provided through a global network of research analysts, salespeople, sales traders and traders, all of whom work closely together with other areas of Credit Suisse to bring complex financial transactions to the market. Equity Trading is structured into the following areas:

– Equity Sales uses its knowledge of Credit Suisse’s research, offerings and other products and services to meet the needs of clients including mutual funds, investment advisors, banks, pension funds, hedge funds, insurance companies and other global financial institutions.

– Sales Trading forms the link between the sales and position trading areas. Sales traders build relationships with clients’ dealing specialists and are responsible for managing the order flows between the client and the marketplace. They also provide clients with research, trading ideas and capital commitments, identify trends in the marketplace and provide market observations to obtain the best and most effective execution.

– Trading executes client and proprietary orders and makes markets in listed and OTC cash securities, exchange-traded funds and programs, providing liquidity to the market through both capital commitments and risk management.

– AES® is a sophisticated suite of algorithmic trading strategies, tools and analytics operated by Credit Suisse to facilitate global equity trading. AES® helps institutions and hedge funds to reduce market impacts by limiting the upward or downward movement of a stock by employing algorithms to execute client orders. This algorithmic trading service, which is a leader in its field, is available on 23 exchanges worldwide via leading trading platforms.

– Equity Derivatives provides clients with a full range of equity-related products, investment options and financing solutions, as well as sophisticated hedging and risk management expertise and comprehensive execution capabilities. Its clients include financial institutions, hedge funds, asset managers and corporations across all regions, including the emerging markets.

– Convertibles Trading involves both secondary trading and market making. It also offers the trading of credit default swaps and asset swaps to the client base and liaises with the sales force to distribute market information and research.

– Prime Services provides a wide range of services to hedge funds and institutional clients, including prime brokerage, start-up services, capital introductions, securities lending, synthetics and innovative financing solutions.

– Equity Proprietary Trading operates a comprehensive range of statistical, fundamental, opportunistic and derivatives-based trading strategies in all of the major global equity markets.

Fixed Income Trading

Credit Suisse delivers holistic advice on the management of a wide range of debt and financing opportunities across the capital structure to corporate, sovereign and institutional clients. Key fields of activity include leveraged finance, structured finance and emerging markets. Key products include securitized structured products in asset-backed securities, CMBS, RMBS and collateralized debt obligations. Fixed Income Trading is structured into the following areas:

– Global Structuring develops and delivers sophisticated financing products and provides financial advisory services for corporate and institutional clients and develops sophisticated products for investor clients. In addition to identifying opportunities across asset classes, it provides a robust platform for the creation of sophisticated asset-side solutions.

– Credit Products offers a full range of fixed income products and instruments to clients, ranging from standard debt issues and credit research to fund-linked products, derivatives instruments and structured products that address specific client needs.

– Structured Products trades, originates, securitizes, syndicates, underwrites and provides research for all forms of securities that are based on underlying pools of assets. The underwriting business handles securitizations for clients in most industry sectors, from motor vehicles and credit cards, to franchise loans and intellectual property.

– Listed Derivatives provides institutional clients with innovative derivative product support worldwide, drawing on its global execution capabilities, electronic trading system and sophisticated analytics.

– Investment Grade trades investment grade domestic corporate and sovereign debt, non-convertible preferred stock and short-term securities such as floating rate notes and commercial paper.

– Credit Derivatives trades and structures credit derivatives on investment grade and highyield credits. It is a leading dealer in both flow and structured products, helping to provide credit hedging solutions to clients. It has an active and broad flow business that trades single-name credit default swaps on individual credits, credit-linked notes and index swaps.

– Emerging Markets offers a full range of fixed income products and instruments to its clients, including sovereign and corporate securities, local currency derivative instruments and tailored emerging market investment products.

– Foreign Exchange provides market making and positioning in products such as spot and options for currencies in non-emerging markets. It also supplies dedicated research and strategy and structured advisory services.

– Interest Rate Products makes markets in the government bond and associated OTC derivative swap markets of non-emerging economies. Its products include government bonds, bond options, interest rate swaps, interest rate options and structured interest rate derivatives.

– Leveraged Finance provides capital raising and advisory services and core leveraged credit products such as bank loans, bridge loans and high-yield debt for below-investment grade corporate and financial sponsor-backed companies.

– Life Finance meets the increasing demand for financing and risk management solutions associated with purchasing and retaining a life insurance policy. Its solutions are designed to meet the needs of high-net-worth individuals and small to medium-sized businesses.

– The Commodities Group initially focused on the power and natural gas trading business. In 2006, the business added oil, petroleum and metals through an alliance with Glencore, one of the world's largest suppliers of a wide range of commodities and raw materials to industrial consumers. The Commodities Group also conducts carbon-emissions credit trading and structuring.

– Fixed Income Proprietary Trading conducts fixed income trading on behalf of Credit Suisse in the major global fixed income markets.

Other products and activities include lending, private equity investments that are not managed by Asset Management, certain real estate investments and the distressed asset portfolios. Lending includes senior bank debt in the form of syndicated loans and commitments to extend credit to investment grade and non-investment grade borrowers.

Research and HOLT

Credit Suisse's equity and fixed income businesses are supported by the research and HOLT functions.

– Equity Research offers in-depth analytical frameworks, proprietary methodologies and data sources that leverage Credit Suisse's global platform to help clients meet their investment goals. The Equity Research teams use their expertise to analyze nearly 2,500 companies worldwide. Macro-economic and strategy teams further enhance this comprehensive company research with thematic insights into this constantly changing environment.

– Credit Suisse's fixed income and economics research is one of the most innovative and insightful in the industry. Credit Suisse is particularly known for its excellence in global macro-economics, strategy and foreign exchange in both developed and emerging markets. In addition, Credit Suisse has leading global high-yield, US investment grade and securitized asset research. Credit Suisse's distinctive fixed income product line also includes relative-value research for US treasuries and other interest rate products and global securitized assets products and European investment grade research.

– HOLT provides the framework to assess corporate performance, valuation and strategic analysis for the benefit of Credit Suisse and its clients. HOLT furnishes a key perspective on the way publicly traded companies are valued through its proprietary Cash Flow Return on Investment® methodology. HOLT aims to enhance investment performance by integrating HOLT methodology into clients' investment processes.

Private Banking products and services

Credit Suisse's global Private Banking division is divided into its Wealth Management and Corporate & Retail Banking businesses.

Wealth Management

Through its Wealth Management business, Credit Suisse supplies a broad range of investment products and services that are specially tailored to the complex needs of high-net-worth and ultra-high-net-worth individuals around the world. A key component of its offering is the Structured Advisory Process, which comprises a combined asset and liability management approach. In addition to supplying traditional investment products such as funds, Credit Suisse is a leading provider of alternative investment products. It also offers an extensive range of wealth management solutions, which include pension planning, life insurance solutions, tax planning, wealth and inheritance advice for trusts and foundations, as well as corporate advisory services and financing. Through the independent private bank Clariden Leu, Credit Suisse serves wealthy clients in Switzerland and selected international markets. Moreover, Credit Suisse offers multiple booking platforms and global execution capabilities.

Structured Advisory Process

Credit Suisse uses its Structured Advisory Process to analyze its clients' personal financial situations and to prepare investment strategies based on their individual risk profile and level of "free assets," which excludes the assets required to cover fixed and variable liabilities. Based on this profile, the investment professionals in Wealth Management subsequently develop specific investment recommendations for each client in accordance with the investment guidelines defined by the Credit Suisse Investment Committee. The subsequent implementation and monitoring of the client portfolio is carried out by the relationship manager using an advanced financial tool, which is closely linked to Credit Suisse's state-of-the-art client relationship management platform. In view of the success of the Structured Advisory Process in Switzerland, Credit Suisse rolled out the model in Hong Kong, Singapore, Austria, Luxembourg, Germany, Italy, Monaco, Gibraltar and the Bahamas, in order to benefit wealthy clients in these regions. It will be rolled out to further countries in 2007.

Investment Services

Credit Suisse is an expert in the management of liquid assets for high-net-worth individuals and offers clients a range of investment advice and discretionary asset management services. Investment advice covers a variety of topics – from portfolio consulting – to advice on individual securities. For clients who are interested in a more active management approach to their portfolios, Credit Suisse has a team of dedicated investment consultants who continuously analyze market information to develop investment recommendations, enabling clients to take advantage of market opportunities across all asset classes. For clients with more complex requirements, Credit Suisse offers investment portfolio structuring and the implementation of individual strategies, including a wide range of investments in structured products and alternative investments, such as private equity and real estate.

Discretionary asset management services are available to clients who wish to delegate the responsibility for investment decisions to Credit Suisse. This offering comprises four standardized portfolio management mandates – Classic, Funds & Alternative Investments, Total Return Strategy and Premium – which are linked to the client's risk preferences and reference currency. Predefined investment strategies, such as capital preservation, growth, current return and customized solutions that meet the clients' investment goals, are offered within the Premium mandate. Credit Suisse is also a leading provider of innovative alternative investments such as hedge funds, private equity and real estate, which are professionally managed and have a low correlation to traditional market products, such as equities and bonds.

Wealth Management Solutions

Credit Suisse offers clients a range of wealth management solutions, from pension planning, wealth and inheritance advisory services and tax planning to advice on life insurance. The wealth and inheritance advisory offering takes into account the client's overall asset situation, family circumstances and needs, in order to identify optimal solutions for the transfer of wealth to the next generation, such as asset transfers during the client's lifetime or the establishment of trusts or foundations. Credit Suisse also offers a variety of tailor-made products and advice for individuals and families with assets generally exceeding USD 50 million.

Corporate Advisory

Credit Suisse provides a range of corporate advisory services through its Wealth Management business to address the needs of entrepreneurs seeking to sell their businesses or to raise additional capital. Clients receive the professional advice of Credit Suisse's experienced corporate finance advisors, immediate access to a network of professional international investors in the public and private markets, the professional preparation and coordination of financial transactions and the maximization of company value.

Financing

To meet the financing needs of Wealth Management clients, Credit Suisse offers two basic financing services, securities-backed financing and margin lending, which allow clients to borrow against their investment portfolios, and real estate financing of clients' residential properties.

Corporate & Retail Banking

Through its Corporate & Retail Banking business, Credit Suisse offers retail clients in Switzerland private accounts, investment products and services, payment transactions, foreign exchange services, a wide variety of financing products, life insurance offerings, pension products, as well as a range of traditional savings products. The range of savings products available to retail clients includes savings accounts and savings plan funds and insurance. Corporate clients can benefit from tailor-made financial solutions and advice on lending, trade finance, cash management and insurance.

Private accounts

Credit Suisse offers a broad spectrum of private accounts, including specially designed accounts for specific client groups. In the field of investing, Credit Suisse supplies a range of products and services, such as safekeeping accounts, bonds, investment funds and innovative product solutions, specifically designed for retail clients.

Payment products

Credit Suisse also offers a variety of sophisticated payment products through its Corporate & Retail Banking business, ranging from IT-based, fully-automated transaction solutions for large corporate clients to cost-efficient and convenient payment products for individual clients.

Financing

Credit Suisse offers a range of financing products, such as construction loans, various types of fixed and variable rate mortgages, consumer, car and real estate loans, different types of leasing arrangements and various credit cards. In November 2006, Credit Suisse announced its plans to consolidate its private credit and car leasing businesses to form a specialized company with its own banking license, in order to provide a more targeted response to its clients' growing demand for consumer finance. The new organization – BANK-now – commenced operations on January 3, 2007 and acts as a supplier of private credit offerings and car leasing in Switzerland.

To meet the needs of corporate clients in Switzerland, Credit Suisse offers specific services, such as corporate finance, trade finance and ship financing, leasing, traditional lending and payment transactions to large corporate clients, as well as small and medium-sized enterprises. Apart from its main target group of Swiss companies, Corporate & Retail Banking also addresses the needs of the Swiss subsidiaries of multinational corporations.

Corporate & Retail Banking supplies specialized products and services such as business process outsourcing, multi-currency offerings, straight-through-processing equities execution and custody services to small and medium-sized banks, Swiss pension funds and insurance companies.

Asset Management products and services

The Asset Management division of Credit Suisse operates as a globally integrated network, offering a broad array of primarily discretionary investment management strategies for both institutional and individual investors. The investment strategies of its portfolio managers are focused on providing maximum returns within the investor's criteria, while maintaining a controlled risk profile, adherence to compliance and best execution.

Credit Suisse offers both institutional and individual clients a range of products through both proprietary and third-party distribution channels.

Institutional investors

The Asset Management business offers discretionary asset management services to institutional clients through segregated or pooled accounts. Advisory services include advice on customized investment opportunities, as well as new product and risk and liability management strategies. A full range of products and advisory services is offered to institutional clients around the world.

Individual investors

The Asset Management business offers a wide range of open-end and closed-end funds to individual investors around the world, marketed under the Credit Suisse brand. The largest complex of funds, domiciled in Luxembourg and marketed primarily in Europe, includes a full range of money market, fixed income, equity and balanced investments. In addition to these pan-European mutual funds, the Asset Management business offers domestic registered funds in the United States, Switzerland, the United Kingdom, Germany, Italy, France, Poland, Japan and Australia.

Asset classes

Money Market

Credit Suisse has a team of experienced Asset Management professionals who work with clients around the world to find the most effective cash solutions. Access to a full suite of taxable liquidity funds and taxable and tax-exempt customized portfolios helps meet the preservation and liquidity needs of clients, including strategies for currency exposure and overall cash management. Strategies include short-term liquidity, pooled investment vehicles, customized portfolios and offshore cash portfolios.

Fixed Income

Credit Suisse offers its clients a broad range of fixed income strategies that include traditional bond benchmark and absolute return products, incorporating government bonds, corporate bonds, structured products, global high-yield bonds, emerging market debt securities, convertible bonds and currencies. Asset Management has a long established tradition of delivering returns across a wide variety of fixed income strategies to meet differing risk profiles, with a strong emphasis on risk management.

Balanced

In the area of balanced investments, Credit Suisse provides clients around the world with innovative solutions and comprehensive management across asset classes to optimize client portfolios, with services that range from funds to fully customized solutions.

Equity

Credit Suisse has a team of investment professionals offering clients a broad suite of equity products. Investment strategies include developed and emerging markets, global, regional and single country products and sector funds and products, spanning a range of market capitalizations.

Alternative Investments

Credit Suisse is in a market-leading position in the field of alternative investments, with a range of alternative products, including private equity, hedge funds and funds of hedge funds, real estate, leveraged investments, volatility management and quantitative strategies.

Credit Suisse offers a broad array of private equity funds including customized funds, equity funds, leveraged buyout funds, mezzanine funds, real estate private equity, secondary funds and funds of private equity funds. In the area of hedge funds, it offers single strategy funds as well as funds of hedge funds and customized funds. In real estate, Credit Suisse offers Real Estate Investment Trust funds that invest directly in real estate, funds that invest in listed real estate companies and other real estate securities.

Marketing and distribution

Investment Banking marketing and distribution
In Investment Banking, Credit Suisse offers securities products and financial advisory services to users and suppliers of capital around the world and operates in 57 locations across 26 countries.

Private Banking marketing and distribution
In Wealth Management, Credit Suisse serves its international clients through a network of dedicated relationship managers, advisors and a range of online services. As of December 31, 2006, Wealth Management served its clients in more than 160 locations around the world (including approximately 80 locations in Switzerland) with over 2,800 relationship managers. In addition, the integrated independent private bank, Clariden Leu, serves wealthy private clients in Switzerland and 17 countries worldwide and with over 340 relationship managers.

In Corporate & Retail Banking, Credit Suisse serves businesses and retail banking clients through 215 banking branches in Switzerland. Credit Suisse distributes its products and services to Swiss retail banking clients through an extensive network of local branches. Through its “Direct Net” online banking platform, Credit Suisse offers retail clients the freedom to conduct their business conveniently, securely and cost-effectively from any location at any time. Advisors for small and medium-sized corporate clients are based in more than 40 of the local branches, while large domestic corporate clients are served through two regional offices in Zurich and Lausanne. In addition, the separately branded regional bank, Neue Aargauer Bank, serves retail and corporate clients in the Canton of Aargau, Switzerland, and the consumer finance company, BANK-now, acts as a specialized supplier of private credit offerings and car leasing in the Swiss market.

Asset Management marketing and distribution
In Asset Management, Credit Suisse provides investment solutions to institutional and individual clients around the world through a global team of professionals in over 20 offices in 19 countries. Institutional clients are supported by a network of dedicated relationship managers and individual clients are supported through intermediaries and other third-party distributors.

Operating environment and competition

Operating environment and competition for Investment Banking
Operating environment
The operating environment for Investment Banking is expected to remain favorable in the near term, reflecting expected continued growth in the global economy, high corporate earnings and capital flows into the equity markets and strong levels of client activity.

Investment Banking is well positioned to benefit from a number of trends in the industry. Holding a leading position in emerging markets, Investment Banking is likely to benefit from the rapid growth and increasing importance of these markets. The growth of hedge funds and alternative investments is expected to continue to fuel growth in the prime brokerage services business, which has been recognized as a top provider to hedge funds. Investment Banking, with its strengths in technology and its advanced execution services platform, is expected to benefit from the move towards electronic execution. Investment Banking is also well positioned in the structured products business, despite more volatile market conditions in the subprime sector within the mortgage market, which weakened towards the end of 2006 and in the first quarter of 2007. In addition, Investment Banking is likely to continue to benefit from leveraging its leadership position in the financial sponsor sector and leveraged finance, both of which have gained greater importance in the market.

Competition

Investment Banking faces intense global competition across each of its businesses. Investment Banking competes with investment and commercial banks, broker-dealers and other firms offering financial services. New entrants into the financial services and execution markets, such as commercial banks and technology companies, have contributed to further market fragmentation, fee and spread compression and product commoditization. In addition, Investment Banking faces continued competitive pressure to make loans or commit capital to clients.

Operating environment and competition for Private Banking

Operating environment

Credit Suisse expects stable growth in its markets as in previous years, accompanied by greater concentrations of wealth, asset accumulation and market appreciation. Growth rates are expected to be higher in onshore than offshore markets, as a result of greater political stability in newly industrialized countries and the deregulation of local markets in industrialized nations. Asian countries, the Middle East and Eastern Europe have seen substantial wealth generation, which has created significant opportunities for global wealth managers. Also, the strong world economy has paved the way for a recovery in many Western European economies, which has led to higher revenues from net inflows as well as trading activities. The high-net-worth markets are expected to record significant growth rates as a result of the inter-generational wealth transfer in many Western European countries. However, further regulations, as well as enhanced risk and transparency requirements, will put pressure on traditional offshore locations. Credit Suisse anticipated this development several years ago and has built its onshore operations in several markets.

Two demographic trends are leading to significant changes in the wealth management business. First, general social security can no longer guarantee an appropriate level of pension benefits in the face of growing demand. Since governments are increasingly encouraging the accumulation of private wealth, the baby boomer generation is seeking to invest for its retirement, thus suggesting medium-term growth opportunities. Second, the generation that will inherit this wealth has a detailed knowledge of the capital markets. They will have a growing need for a diverse range of complex products, including alternative investments, to protect their assets. Since they are expected to be more active in financial decision-making and are also more sensitive to costs, this generation tends to be less loyal and switch between financial institutions more readily. A key success factor for these institutions is therefore to provide clients with a greater quantity of high-quality information, while providing them with easy and transparent access to the products they require.

The Swiss corporate and retail banking industry is largely dependent on the overall economic development in Switzerland, where Corporate & Retail Banking expects to achieve growth in line with the development of the economy. Swiss retail banking clients generally have comparatively high incomes and savings rates, resulting in a large demand for personal investment management solutions. Furthermore, the Swiss private mortgage business has developed positively in recent years and this trend is expected to continue going forward. The home ownership rate in Switzerland is still low, at approximately 37%, thus offering further potential for mortgage business growth, although this is likely to be subject to declining margins.

Competition

There is a continued high level of competitive pressure, which is set to increase further as wealth management clients increasingly seek expert advice, an integrated approach to the management of their assets and innovative products. It is therefore essential for financial institutions to invest in a modern infrastructure, the further development of their employees and the recruitment of leading talent, particularly in the United States and Asia, where there is a lot of competition for relationship managers.

The consolidation in the wealth management market is continuing in order to meet the future requirements of clients and to produce synergies. Wealth Management’s competitors include major financial institutions with dedicated wealth management activities, such as UBS, Citigroup, Deutsche Bank and HSBC, as well as a number of independent private and retail banks in the Swiss market. In the business with ultra-high-net-worth individuals, major competitors such as the US investment banks are building upon their investment banking expertise and client relationships. In the Swiss market, Wealth Management’s largest competitor is UBS, followed by a number of independent private banks.

In the Swiss corporate and retail business, competition has increased significantly in recent years, especially in the area of private mortgages, where existing and new competitors have adopted aggressive pricing practices. The need to invest heavily in quality advisory capabilities, product innovation and customized client solutions through an open architecture underlines this development. The largest competitor in the Swiss corporate and retail banking market is UBS. Other competitors include the cantonal banks – many of which have state guarantees – as well as regional savings and loan institutions, Raiffeisen Switzerland and other cooperative banks.

Operating environment and competition for Asset Management

Operating environment

With the exception of investment grade fixed income markets, most asset classes generated significant positive returns in 2006. Many emerging equity markets saw performance numbers in excess of 30%, while the returns available in the Eurozone were above 20%. After a mediocre performance in 2005, returns in US equity markets were approximately 15%. The top-performing sectors were Base Metals, Real Estate and Utilities. Investor capital flows were particularly powerful into private equity and hedge funds, which in turn supported the equity markets at a time of strong corporate earnings growth. The potential negative factors of a slowdown in the US economy, rising interest rates in Europe and Japan and the impact of higher commodity prices did not adversely affect markets.

Competition

The asset management industry is experiencing a number of competitive trends. The trend of managers outperforming in less liquid markets, such as small and mid-cap equities and emerging markets, while finding it difficult to add “alpha” in developed, liquid markets, has persisted in the current market environment. This has encouraged investors to focus on enhanced indexation and quantitatively driven products as the “core” of their portfolios and to look to add additional return to diversified portfolios through the addition of non-core, or “satellite” products, such as absolute return strategies, including hedge funds and other alternative investments, such as private equity and real estate.

As a result, institutional investors, including pension funds, are increasingly allocating assets to both index strategies and to alternative investments. Despite the fact that traditional asset classes continue to be the primary portion of professionally managed assets, the current trend is clear. As a result, many traditional asset managers are seeking to expand into the hedge fund arena, either through organic growth or acquisition. There is also convergence between traditional active asset management and hedge funds, as managers in both fields broaden their investment strategies and approaches. Another competitive trend is increased competition from products that seek to replicate performance of both traditional and alternative investment strategies through structured derivatives.

Finally, the divergence in performance between different asset classes has led to strong client demand for asset allocation advice and products and encouraged the development of products that combine multiple asset classes.

Operating and financial review

Overview

Factors affecting results of operations

In the first quarter of 2006, the main developed economies maintained their gross domestic product growth, which was reflected in increased equity market valuations. This increase in equity values was accompanied by high energy prices, which pushed up inflation rates in most countries. However, core inflation rates and indicators remained moderate and the corporate and consumer confidence level continued on an upward trend. In light of higher inflation risk, both the US Federal Reserve (FRB) and the European Central Bank (ECB) raised short-term interest rates.

At the beginning of the second quarter, the confident financial markets sentiment started to wane. The FRB and the ECB continued raising their interest rates and the high prices for oil and other commodities increased the volatility in the equity markets. As a consequence, all main equity indices were lower in May and early June, but recovered towards the end of the quarter. In the United States, there were concerns that real estate markets were overvalued.

The expansion of the global economy continued during the third quarter, despite strong fluctuations in oil prices, which reached a new peak in the third quarter. The majority of the equity markets made up for the losses in the second quarter and continued to report record highs. This development was boosted by a robust economic climate and solid corporate earnings. Some central banks, including the ECB and the Bank of Japan, increased their interest rates.

The conditions present in the third quarter continued into the fourth quarter. The global economy was still growing, equity markets continued rising and the risk of inflation declined. However, due to the higher core inflation rates, the Swiss National Bank and the ECB raised their short-term interest rates modestly.

During 2006, the broad US equity markets recorded gains of approximately 15%. In Switzerland, the Swiss Market Index (SMI) reached a new all-time high, with a significant part of the increase driven by gains on the value of medium-sized companies. Other financial indexes, such as the Financial Times Stock Exchange (FTSE 100) and the Nikkei 225, increased significantly during the year. Yield curves further flattened at the long end towards the end of the year. In some countries, including the United States, the short-term yield remained higher than the long-term interest rate.

2006 was also a record year for global debt underwriting activity. A high level of financing and mergers and acquisitions activity across many sectors helped drive debt issuance volume in both investment-grade and high-yield debt.

Global equity underwriting volumes reached a record level for the year, driven by the record volumes in the initial public offering market and the revival of convertible issuances. Global initial public offering volume rose for the third successive year, surpassing the previous record in 2000. On a regional basis, Europe accounted for the largest number and dollar volume of initial public offerings and China was highest on an individual country basis.

The total volume of announced mergers and acquisitions transactions in 2006 exceeded the previous record set in 2000. Financial sponsors continued to drive mergers and acquisitions activity and European volume growth outpaced the United States, compared to the prior year.

Presentation of results

Effective January 1, 2006, Credit Suisse aligned its organizational structure to form a fully integrated organization, with three segments: Investment Banking, Private Banking and Asset Management.

Prior-period segment results have been revised to reflect the operational and management structure in place during 2006. The Group’s segments are managed and reported on a pre-tax basis. Minority interest-related revenues and expenses resulting from the consolidation of certain private equity funds and other entities in which the Group does not have a significant economic interest in such revenues and expenses are reported in the Corporate Center. *Net income* is unaffected by the consolidation of these entities due to offsetting minority interests.

Responsibility for each product is allocated to a segment, which records all related revenues and expenses. Revenue sharing agreements govern the compensation received by one segment for generating revenue on behalf of another. These agreements are negotiated periodically by the relevant segments on a product-by-product basis.

Revenues are evaluated in the aggregate, including an assessment of trading gains and losses and the related interest income and expense from financing and hedging positions. For this reason, individual revenue categories may not be indicative of the performance of a segment.

Shared Services, with approximately 15,000 employees as of December 31, 2006, provides corporate services and business support in finance, operations, including human resources, legal and compliance, risk management and information technology. *Compensation and benefits* and *Other expenses* of Shared Services are allocated to the segments based on support requirements of the segments, revenues or other relevant measures.

The Global Treasury department allocates interest income and expense relating to balance sheet funding requirements to the segments. In addition, the Global Treasury department allocates to the segments gains and losses related to certain treasury funding transactions based upon the expected funding needs of the segments.

For further information on expenses that are not allocated to the segments, see "Operating and financial review – Corporate Center" and note 5 "Segment information" in the Notes to the consolidated financial statements.

Summary of Credit Suisse Group results

The Group recorded *Net income* of CHF 11,327 million, an increase of CHF 5,477 million, or 94%, compared to 2005. 2006 *Net income* included a net capital gain of CHF 1,817 million from the sale of Winterthur. *Income from continuing operations before extraordinary items and cumulative effect of accounting changes* in 2006 was CHF 8,281 million, an increase of 83%. Investment Banking results improved significantly as a result of favorable market conditions and increased client and deal activity and included credits from insurance settlements for litigation and related costs of CHF 508 million. Private Banking also reported good results as higher revenues associated with client activity were partially offset by higher compensation expenses, including strategic investments in Wealth Management's global franchise. Asset Management results declined reflecting lower *Private equity and other investment-related gains* and higher *Compensation and benefits* and *Other expenses*, partly due to the business realignment.

Credit Suisse Group recorded *Net income* of CHF 5,850 million in 2005, compared to CHF 5,628 million in 2004, an increase of CHF 222 million, or 4%. 2005 *Net income* included a non-cash charge of CHF 421 million after tax relating to a change in the Group's accounting for share-based awards and a CHF 624 million after-tax charge in Investment Banking to increase the reserve for certain private litigation matters. *Net revenues* in 2005 increased to CHF 30,489 million, a 13% increase, compared to 2004, benefiting from high levels of client activity during the year. *Total operating expenses* increased 19% to CHF 23,232 million and there was a net release in *Provision for credit losses* of CHF 144 million, reflecting the continued positive credit environment. *Income from continuing operations before taxes* increased in Private Banking and Asset Management, reflecting strong *Private equity and other investment-related gains*, partially offset by a decrease in Investment Banking, mainly driven by the litigation charge.

Recent developments

On December 22, 2006, the Group completed the sale of Winterthur for cash consideration of CHF 12.3 billion and realized a net capital gain of CHF 1,817 million. As a result of the sale of Winterthur, the results of operations of Winterthur are reflected in *Income from discontinued operations, net of tax* for all periods presented. *Income from discontinued operations, net of tax* was CHF 3,070 million in 2006, including the gain from the sale, compared to CHF 1,310 million in 2005 and CHF 639 million in 2004. For further information on the sale of Winterthur, see note 4 “Discontinued operations” in the Notes to the consolidated financial statements.

Credit Suisse remains focused on its strategy to provide more value to its clients through its integrated banking model and active growth of its global footprint. During the fourth quarter of 2006, Credit Suisse announced additional onshore operations in the high-growth market of Brazil through the acquisition of a majority interest in Hedging-Griffo. The Group expects to acquire the remaining interest over a period of five years. Hedging-Griffo is a leading asset management company with a large and well-established client base and also serves high-net-worth individuals through its private banking platform in Brazil. Hedging-Griffo manages CHF 9.2 billion in assets for high-net-worth individuals in Brazil and has increased *Assets under management* at an average annual growth rate of 38.5% over the past three years. The acquisition will support Credit Suisse’s integrated banking model by adding significant scale to its onshore asset management business, strengthening its private banking businesses and complementing Credit Suisse’s position as a premier investment bank in Brazil. The acquisition is expected to close by the middle of 2007, subject to regulatory approval.

For information on Credit Suisse’s expansion in emerging markets, launch of new business initiatives in its commodities and alternative investments businesses, the realignment of Asset Management in 2006 and the merger of the independent private banks in 2007, see “Information on the company” on page 15.

Performance indicators

In January 2007, Credit Suisse announced new performance indicators for Credit Suisse and the Investment Banking, Private Banking and Asset Management segments. These targets are to be achieved across business cycles over a three- to five-year period.

The following table sets forth the Group's performance indicators:

Growth measures	EPS growth	Double-digit annual earnings per share growth in %
	NNA growth	NNA as % of AuM above 6%
Efficiency measure	Cost/income ratio	Sustainable efficiency improvements with top quartile performance compared to industry
Performance measures	Return on equity	Annual rate of return above 20%
	Total shareholder return	Superior total shareholder return compared to peer group (i.e., share price appreciation plus dividends)
Capital measure	BIS Tier 1 capital ratio	Minimum target level of 10%

EPS: Earnings per share; NNA = Net new assets; AuM = Assets under management

The following table sets forth additional divisional performance indicators:

Investment Banking		Pre-tax income margin	> 30%
Private Banking	Wealth Management	Pre-tax income margin	> 40%
		NNA as % of AuM	> 6%
	Corporate & Retail Banking	Pre-tax income margin	> 40%
Asset Management		Pre-tax income margin	> 35%

NNA = Net new assets; AuM = Assets under management

Credit Suisse Group

The following table presents the Group's consolidated statements of income:

Year ended December 31, in CHF m	2006	2005	2004
Interest and dividend income	**50,269**	36,116	26,312
Interest expense	**(43,703)**	(29,198)	(18,796)
Net interest income	**6,566**	6,918	7,516
Commissions and fees	**17,647**	14,323	13,323
Trading revenues	**9,428**	5,634	3,675
Other revenues	**4,962**	3,614	2,519
Total noninterest revenues	**32,037**	23,571	19,517
Net revenues	**38,603**	30,489	27,033
Provision for credit losses	**(111)**	(144)	83
Compensation and benefits	**15,697**	13,974	11,951
Other expenses	**8,717**	9,258	7,630
Total operating expenses	**24,414**	23,232	19,581
Income from continuing operations before taxes, minority interests, extraordinary items and cumulative effect of accounting changes	**14,300**	7,401	7,369
Income tax expense	**2,389**	927	1,293
Minority interests	**3,630**	1,948	1,080
Income from continuing operations before extraordinary items and cumulative effect of accounting changes	**8,281**	4,526	4,996

Income from discontinued operations, net of tax	**3,070**	1,310	639
Extraordinary items, net of tax	**(24)**	0	0
Cumulative effect of accounting changes, net of tax	**0**	14	(7)
Net income	**11,327**	5,850	5,628

2006 compared to 2005

Net revenues

The Group reported *Net revenues* of CHF 38,603 million in 2006, an increase of CHF 8,114 million, or 27%, compared to 2005. This increase reflected a very strong performance in Investment Banking in favorable market conditions and a solid performance in Private Banking, with increased client activity and asset-based fees. Asset Management *Net revenues* increased slightly, reflecting lower *Private equity and other investment-related gains*.

Net interest income in 2006 decreased CHF 352 million, or 5%, to CHF 6,566 million, compared to CHF 6,918 million in 2005. *Interest and dividend income* increased CHF 14,153 million, or 39%, mainly due to higher *Interest and dividend income* on trading assets and a strong result from higher average balances in both government and corporate bonds. This was offset by a greater increase in *Interest expense*, primarily on deposits and trading liabilities.

Commissions and fees in 2006 increased CHF 3,324 million, or 23%, to CHF 17,647 million, compared to CHF 14,323 million in 2005, primarily reflecting very strong results in the underwriting, advisory and leveraged finance businesses and the higher levels of *Assets under management*.

Trading revenues increased 67% to CHF 9,428 million in 2006, compared with CHF 5,634 million in 2005, mainly from strong equity and fixed income trading in Investment Banking, which benefited from favorable market conditions and increased client activity.

Other revenues in 2006 increased to CHF 4,962 million, or 37%, from CHF 3,614 million in 2005, which was mainly from higher minority interest-related revenues, recorded in the Corporate Center, from consolidated private equity funds and other entities in which the Group does not have a significant economic interest in such revenues. *Other revenues* included CHF 3,559 million in 2006 and CHF 2,085 million in 2005 of these minority interest-related revenues.

Provision for credit losses

The Group reported a net release of *Provision for credit losses* of CHF 111 million for 2006, compared to a net release of CHF 144 million in 2005. While the credit environment is likely to remain favorable in the near term, the Group does not expect these benign conditions to continue.

Total operating expenses

Total operating expenses were CHF 24,414 million in 2006, an increase of CHF 1,182 million, or 5%, compared to CHF 23,232 million in 2005.

Compensation and benefits increased CHF 1,723 million, or 12%, compared to 2005, which included a CHF 630 million expense, recorded in the Corporate Center, relating to a change in the Group's accounting for share-based compensation awards subject to a non-competition provision that have scheduled vesting beyond an employee's eligibility for early retirement. 2006 *Compensation and benefits* primarily reflected higher performance-based compensation in Investment Banking and Private Banking.

Other expenses in 2006 were CHF 8,717 million, a decrease of CHF 541 million, or 6%, compared to 2005. *Other expenses* in 2006 included credits from insurance settlements for litigation and related costs of CHF 508 million, while *Other expenses* in 2005 included the reserve for private litigation matters of CHF 960 million. Excluding these items, *Other expenses* increased CHF 927 million, or 11%, reflecting a 21% increase in *Commission expense*s, in line with increased *Net revenues.* In addition, *Professional services* increased 12%, primarily reflecting higher marketing activity and re-branding costs and, to a lesser extent, the realignment in Asset Management. *Amortization and impairment of other intangible assets* increased 89% as a result of intangible asset impairments of CHF 139 million in connection with the realignment of Asset Management. In addition, there were increases in *Occupancy expenses* and *Travel and entertainment* expenses.

Income tax expense

The Group recorded *Income tax expense* of CHF 2,389 million in 2006, an increase of CHF 1,462 million, or 158%, reflecting the Group's higher *Income from continuing operations before taxes*. This compared to an *Income tax expense* of CHF 927 million in 2005, reflecting the impact of the change in the Group's accounting for share-based compensation awards in 2005. The Group's effective tax rate in 2006 and 2005 was 17% and 13%, respectively.

The Group's *Income tax expense* is not affected by minority interest revenues and expenses from consolidated private equity and other entities in which the Group does not have a significant economic interest in such revenues and expenses. The amount of non-taxable income relating to these investments varies from one period to the next and was CHF 3,560 million in 2006 compared to CHF 2,042 million in 2005. Excluding the effect of non-taxable income from these investments, the Group's effective tax rate was 22% in 2006 and 17% in 2005.

Minority interests

Minority interests were CHF 3,630 million in 2006, an increase of CHF 1,682 million, or 86%, compared to 2005. This increase was primarily due to revenues from certain private equity funds and other entities that were consolidated for the first time in 2006. For further information on the consolidation of these additional private equity funds and other entities, see note 2 "Recently issued accounting standards" in the Notes to the consolidated financial statements. The Group's *Net revenues* and *Total operating expenses* reflect the consolidation of certain private equity funds and other entities in which the Group does not have a significant economic interest in such revenues and expenses. The consolidation of these entities does not affect *Net income* as the recorded revenues and expenses are offset by corresponding amounts reported as *Minority interests*. The minority interest income, net of expenses, related to these entities was CHF 3,560 million in 2006 and CHF 2,042 million in 2005 and is reported in the Corporate Center.

2005 compared to 2004

Net revenues

The Group reported *Net revenues* of CHF 30,489 million in 2005, an increase of CHF 3,456 million, or 13%, compared to 2004.

Net interest income in 2005 was CHF 6,918 million, compared to CHF 7,516 million in 2004, a decrease of CHF 598 million, or 8%, due mainly to an increase in *Interest expense* in Investment Banking as a result of higher short-term borrowing costs and higher financing liabilities.

Commissions and fees in 2005 increased 8% to CHF 14,323 million, compared to CHF 13,323 million in 2004. This increase was generated largely by higher underwriting and advisory revenues in Investment Banking and asset-based commissions and brokerage volumes in Private Banking.

Trading revenues in 2005 increased CHF 1,959 million, or 53%, to CHF 5,634 million, primarily in Investment Banking. The increase in Investment Banking was driven by increases in both fixed income and equity trading results related to higher client transaction volume.

Other revenues in 2005 were CHF 3,614 million, compared to CHF 2,519 million in 2004, an increase of CHF 1,095 million, or 43%, reflecting an increase in minority interest-related revenues and higher *Private equity and other investment-related gains*. *Other revenues* included CHF 2,085 million in 2005 and CHF 1,110 million in 2004 of minority interest-related revenues, recorded in the Corporate Center, from consolidated private equity funds and other entities in which the Group does not have a significant economic interest in such revenues.

Provision for credit losses

The Group reported a net release of *Provision for credit losses* of CHF 144 million in 2005, compared to a net increase in *Provision for credit losses* of CHF 83 million in 2004. These releases largely reflected a favorable credit environment in 2005.

Total operating expenses

The Group reported *Total operating expenses* of CHF 23,232 million in 2005, compared to CHF 19,581 million in 2004, an increase of CHF 3,651 million, or 19%. The increase included a charge of CHF 960 million in Investment Banking to increase the reserve for certain private litigation matters. Excluding the litigation charge, *Total operating expenses* increased CHF 2,691 million, or 14%, mainly reflecting an increase in *Compensation and benefits*.

Compensation and benefits in 2005 was CHF 13,974 million, compared to CHF 11,951 million in 2004, an increase of CHF 2,023 million, or 17%, which reflected increases in Investment Banking and Private Banking primarily due to higher performance-related compensation in line with the improved results. In addition, the increase reflected the impact of Private Banking's front office recruitment as part of its ongoing strategic investments in growth markets. *Compensation and benefits* in 2005 was also impacted by the CHF 630 million charge relating to the change in the Group's accounting for share-based compensation awards, which was recorded in the Corporate Center. For further information on this charge and on share-based compensation, see "Corporate Center" and notes 1 "Summary of significant accounting policies" and 24 "Employee share-based compensation and other benefits" in the Notes to the consolidated financial statements.

Other expenses in 2005 were CHF 9,258 million, compared to CHF 7,630 million in 2004, an increase of CHF 1,628 million, or 21%, due mainly to the impact of the CHF 960 million charge for certain private litigation matters. In addition, the increase reflected higher *Professional services* expenses in both Investment Banking and Asset Management and higher *Commission expenses* in Investment Banking and Private Banking. Corporate Center *Total operating expenses* included costs of CHF 128 million relating to the integration of the banking businesses in 2005. In addition, there were increases in *Travel and entertainment* costs and *Amortization and impairment of other intangible assets* costs.

Income tax expense

The Group recorded *Income tax expense* of CHF 927 million in 2005, compared to CHF 1,293 million in 2004, a decrease of CHF 366 million, or 28%. *Income tax expense* was positively impacted by the increase in the reserve for certain private litigation matters, the release of tax contingency accruals of CHF 131 million, due to the favorable settlement of certain tax audits in Investment Banking and a decrease in the effective tax rate as a result of changes in the geographic mix of taxable income.

Income tax expense in 2005 was also impacted by the change in the Group's accounting for share-based compensation awards, which resulted in a decrease in *Income tax expense* of CHF 209 million. For further information on this charge and on share-based compensation, see "Corporate Center" and notes 1 "Summary of significant accounting policies" and 24 "Employee share-based compensation and other benefits" in the Notes to the consolidated financial statements.

The Group's *Income tax expense* is not affected by minority interest revenues and expenses from consolidated private equity and other entities in which the Group does not have a significant economic interest in such revenues and expenses. The amount of non-taxable income relating to these investments varies from one period to the next and was

CHF 2,042 million in 2005 compared to CHF 1,072 million in 2004. The Group's effective tax rate was 13% in 2005 and 18% in 2004. Excluding the effect of non-taxable income from these investments, the Group's effective tax rate was 17% in 2005 and 21% in 2004.

Minority interests

Minority interests were CHF 1,948 million in 2005, compared to CHF 1,080 million in 2004, an increase of CHF 868 million, or 80%. The Group's *Net revenues* and *Total operating expenses* reflect the consolidation of certain private equity funds and other entities in which the Group does not have a significant economic interest in such revenues and expenses. The consolidation of these entities does not affect *Net income* as the revenues and expenses recorded are offset by corresponding amounts reported as *Minority interests*. The minority interest income, net of expenses, related to these entities, was CHF 2,042 million in 2005, compared to CHF 1,072 million in 2004 and was reported in the Corporate Center. The increase primarily reflected increased *Private equity and other investment-related gains* in these funds.

Investment Banking

The following table presents the results of the Investment Banking segment:

Year ended December 31, in CHF m	2006	2005	2004
Net interest income	**2,640**	3,372	4,134
Commissions and fees	**8,941**	6,709	6,171
Trading revenues	**8,368**	4,931	2,872
Other revenues	**520**	535	564
Total noninterest revenues	**17,829**	12,175	9,607
Net revenues	**20,469**	15,547	13,741
Provision for credit losses	**(38)**	(73)	(34)
Compensation and benefits	**10,261**	8,621	7,765
Other expenses	**4,295** 1)	5,400 2)	3,987
Total operating expenses	**14,556**	14,021	11,752
Income from continuing operations before taxes	**5,951**	1,599	2,023

1) Includes credits from insurance settlements for litigation and related costs of CHF 508 million. 2) Includes a CHF 960 million charge to increase the reserve for certain private litigation matters.

The following tables present key information of the Investment Banking segment:

Year ended December 31	2006	2005	2004
Cost/income ratio	**71.1%**	90.2%	85.5%
Pre-tax income margin	**29.1%**	10.3%	14.7%
Compensation/revenue ratio	**50.1%**	55.5%	56.5%
Average utilized economic capital, in CHF m	**15,853**	12,581	10,129

Pre-tax return on average utilized economic capital[1]	**40.3%**	15.4%	22.6%
Average one-day, 99% VaR, in CHF m	**79**	66	63

1) Calculated using a return excluding interest costs for allocated goodwill.

Year ended December 31	2006	2005	2004
Total loans, net, in CHF m	**44,285**	34,762	25,232
Total non-performing loans/total loans, net	**0.3%**	0.4%	1.1%
Total impaired loans, gross/total loans, net	**0.4%**	1.5%	2.6%

2006 compared to 2005

Investment Banking reported *Income from continuing operations before taxes* of CHF 5,951 million, an increase of CHF 4,352 million, or 272%, compared to 2005. Excluding the CHF 508 million of credits from insurance settlements for litigation and related costs in 2006 and the CHF 960 million charge to increase the reserve for certain private litigation matters in 2005, *Income from continuing operations before taxes* increased 113% compared to 2005. These record results in 2006 reflected strong performance in all key businesses and regions amid favorable market conditions, high levels of deal activity and improved market share in certain products.

Pre-tax income margin was 29.1% compared to 10.3% in 2005, and *Pre-tax return on average utilized economic capital* was 40.3% compared to 15.4% in 2005. Excluding the 2006 insurance settlements and the 2005 litigation charge, *Pre-tax income margin* was 26.6% and 16.5%, and *Pre-tax return on average utilized economic capital* was 37.1% and 23.1% in 2006 and 2005, respectively.

Investment Banking's progress in implementing its strategy to deliver a more profitable franchise positioned it to capitalize on favorable market conditions prevalent during 2006. For 2006, Investment Banking delivered strong revenue growth and began to make progress on cost management initiatives. Consequently, Investment Banking was able to achieve a number of its financial objectives set out in December 2004 and continues to make incremental progress in other areas of its strategy. Investment Banking reported *Net revenues* of CHF 20,469 million in 2006, up CHF 4,922 million, or 32%, versus 2005, reflecting significantly higher *Total investment banking* and *Total trading* revenues, demonstrating Investment Banking's strength and leadership position in key business areas, including the emerging markets, leveraged finance, and mortgage businesses. Revenues were well diversified across most product classes and regions.

Provision for credit losses amounted to a net release of CHF 38 million in 2006 compared to a net release of CHF 73 million in 2005, reflecting the continued favorable credit environment. Any losses on real estate loans held for securitization are recorded in *Trading revenues*, not as part of *Provision for credit losses*. *Total impaired loans, gross* as of December 31, 2006, decreased CHF 324 million, or 63%, to CHF 188 million compared to December 31, 2005, due to the continued favorable credit environment. *Valuation allowances as a percentage of total impaired loans, gross* increased 45 percentage points from December 31, 2005 to 136% as of December 31, 2006. While the credit environment is likely to remain favorable in the near term, the benign credit environment is not expected to continue, which may result in a modest increase in net new provision levels towards the end of 2007.

Investment Banking reported *Total operating expenses* of CHF 14,556 million, up CHF 535 million, or 4%, compared to 2005. Excluding the 2006 insurance settlements and the 2005 litigation charge, *Total operating expenses* increased CHF 2,003 million, or 15%. *Compensation and benefits* increased CHF 1,640 million, or 19%, due primarily to higher compensation expenses in line with higher revenues, with discretionary bonus representing a considerable portion of the total amount. *Compensation and benefits* for a given year are determined by the strength and breadth of business results, staffing levels and the impact of share-based compensation programs. The *Compensation/revenue ratio* of 50.1% in 2006 was below the targeted level of 53.5% and declined from 55.5% for 2005. *Other expenses* decreased CHF 1,105 million, or 20%, compared to 2005. Excluding the insurance settlements and the litigation charge, *Other expenses* were up CHF 363 million, or 8%, from 2005, due primarily to higher commissions in line with higher business activity, higher professional fees due to increased deal activity and the Centers of Excellence start-up initiatives and higher premises and equipment expenses.

The following table presents the revenue details of the Investment Banking segment:

Year ended December 31, in CHF m	2006	2005	2004
Debt underwriting	**2,206**	1,484	1,401
Equity underwriting	**1,270**	931	747
Total underwriting	**3,476**	2,415	2,148
Advisory and other fees	**1,900**	1,475	1,161
Total investment banking	**5,376**	3,890	3,309
Fixed income trading	**9,598**	7,004	6,191
Equity trading	**5,881**	4,340	3,795
Total trading	**15,479**	11,344	9,986
Other (including loan portfolio)	**(386)**	313	446
Net revenues	**20,469**	15,547	13,741

Total investment banking revenues include *Debt underwriting*, *Equity underwriting* and *Advisory and other fees*. *Total investment banking* revenues were a record CHF 5,376 million in 2006 and improved CHF 1,486 million, or 38%, from 2005, with significant increases in both *Total underwriting* and *Advisory and other fees*. *Debt underwriting* revenues were CHF 2,206 million, up CHF 722 million, or 49%, versus 2005, primarily reflecting higher results in leveraged finance amid more favorable market conditions and higher industry volumes, increased market share and continued strength in the financial sponsor client sector. The investment grade capital markets business had good revenue growth compared to 2005 in line with the focus on profitability of this business. *Equity underwriting* revenues were CHF 1,270 million, up CHF 339 million, or 36%, versus 2005. This improvement was primarily due to record industry-wide equity issuance volumes resulting from improvement in both the initial public offering and convertibles markets. *Advisory and other fees* increased CHF 425 million, or 29%, to CHF 1,900 million versus 2005, due primarily to a significant increase in industry-wide mergers and acquisitions activity and increased market share. The *Advisory and other fees* results also reflected significantly higher revenues from the private fund group, which raises capital for hedge funds, private equity funds and real estate funds.

Total trading revenues include results from *Fixed income trading* and *Equity trading*. *Total trading* revenues of CHF 15,479 million increased CHF 4,135 million, or 36%, compared to 2005. *Fixed income trading* revenues increased CHF 2,594 million, or 37%, to CHF 9,598 million versus 2005. These results primarily reflected strong performance in the commercial mortgage-backed securities, emerging markets, leveraged finance and global foreign exchange businesses. Investment Banking continued to expand its residential mortgage-backed securities business, and revenues in 2006 were slightly higher compared to 2005, despite softer market conditions in the United States towards the end of 2006. The market conditions in the subprime sector continued to weaken in the first quarter of 2007. The commodities business continued its growth in 2006 with a solid revenue contribution in the year. *Equity trading* revenues increased CHF 1,541 million, or 36%, to CHF 5,881 million versus 2005. These results reflected higher revenues in all key business areas. The cash business benefited from an increase in deal activity in most regions, stronger secondary markets and continued strong performance from the advanced execution services business. Equity proprietary trading had a strong performance across most strategies and regions amid positive market conditions.

Investment Banking's *Average one-day, 99% VaR* in 2006 was CHF 79 million, up from CHF 66 million in 2005, mainly due to higher equity VaR, partly offset by an increase in the diversification benefit across risk types. *Average utilized economic capital* increased CHF 3.3 billion to CHF 15.9 billion, compared to 2005, in line with the strategy to increase capital in support of high-growth and high-margin activities.

Other (including loan portfolio) had losses of CHF 386 million in 2006 compared to revenues of CHF 313 million in 2005. These results reflected lower gains from private equity-related investments not included within the Asset Management segment and losses on credit default swaps used to hedge the loan portfolio compared to gains on such credit default swaps in 2005.

2005 compared to 2004

Investment Banking reported *Income from continuing operations before taxes* of CHF 1,599 million in 2005, a decrease of CHF 424 million, or 21%, compared to 2004. Excluding the CHF 960 million charge in 2005 to increase the reserve for certain private litigation matters, *Income from continuing operations before taxes* was CHF 2,559 million, an increase of CHF 536 million, or 26%, compared to 2004. This improvement, excluding the litigation charge, was driven by higher *Net revenues* and lower *Provision for credit losses* (including the release of significant credit provisions), offset in part by higher *Total operating expenses*.

Pre-tax income margin in 2005 decreased to 10.3% from 14.7% in 2004, and *Pre-tax return on average utilized economic capital* decreased from 22.6% in 2004 to 15.4% in 2005. Excluding the impact of the CHF 960 million litigation charge in 2005, *Pre-tax income margin* increased to 16.5%, and *Pre-tax return on average utilized economic capital* increased to 23.1% in 2005.

Investment Banking reported *Net revenues* of CHF 15,547 million in 2005, up CHF 1,806 million, or 13%, versus 2004, reflecting higher *Total investment banking* and *Total trading* revenues amid increased industry-wide activity. This improvement demonstrated Investment Banking's strength and leadership position in key business areas, including initial public offerings, leveraged finance, advanced execution services, emerging markets, prime brokerage and the increasingly important financial sponsor client sector.

Provision for credit losses amounted to a net release of CHF 73 million in 2005, reflecting the continued favorable credit environment for lenders. This compares to a net release of CHF 34 million in 2004, which included a significant recovery related to the sale of an impaired loan. *Total impaired loans, gross* as of December 31, 2005, decreased CHF 137 million, or 21%, to CHF 512 million compared to December 31, 2004, due to the continued favorable credit environment. *Valuation allowances as a percentage of total impaired loans, gross* increased nine percentage points from December 31, 2004, to 91% as of December 31, 2005.

Investment Banking reported *Total operating expenses* of CHF 14,021 million in 2005, an increase of CHF 2,269 million, or 19%, versus 2004. This included the impact of the CHF 960 million charge in 2005 to increase the reserve for certain private litigation matters. Excluding the impact of this litigation charge, *Total operating expenses* in 2005 increased CHF 1,309 million, or 11%. *Compensation and benefits* expense increased CHF 856 million, or 11%, to CHF 8,621 million, reflecting higher costs related to deferred compensation plans and higher salaries and benefits due primarily to increased headcount, offset in part by lower severance costs. The *Compensation/revenue ratio* was 55.5% in 2005 compared to 56.5% in 2004. *Other expenses* increased CHF 1,413 million, or 35%, to CHF 5,400 million, primarily reflecting the impact of the litigation charge and increased commissions and professional fees.

Total investment banking revenues improved CHF 581 million, or 18%, to CHF 3,890 million in 2005, with increases in both *Total underwriting* and *Advisory and other fees*. This strong investment banking performance reflected the impact of the newly established financing platform, which integrated the capital markets, leveraged finance origination and structuring teams. Investment Banking also benefited from a leading position in the financial sponsors business. *Debt underwriting* revenues were CHF 1,484 million, up CHF 83 million, or 6%, versus 2004, primarily reflecting higher results in investment grade capital markets and leveraged finance. *Equity underwriting* revenues were CHF 931 million, up CHF 184 million, or 25%, versus 2004. This improvement was due to higher industry-wide equity issuance activity and increased initial public offering market share in the Americas and Europe. *Advisory and other fees* increased CHF 314 million, or 27%, to CHF 1,475 million versus 2004, due primarily to an increase in industry-wide activity and increased market share. *Advisory and other fees* also reflected higher revenues from the private fund group.

Total trading revenues of CHF 11,344 million increased CHF 1,358 million, or 14%, compared to 2004. *Fixed income trading* revenues increased CHF 813 million, or 13%, to CHF 7,004 million versus 2004. The fixed income results reflected improvement in commercial and residential mortgage-backed securities and Latin America and other emerging markets trading, all of which are key growth areas in the industry, partially offset by weaker results in US high grade and global foreign exchange positioning. *Fixed income trading* revenues also reflected a CHF 125 million positive adjustment to the valuation of OTC derivatives in connection with enhancements to better align internal estimates of fair value with dealer market estimates of fair value and a CHF 216 million positive adjustment resulting from a change in the estimate of fair value of retained interests in residential mortgage-backed securities. *Equity trading* revenues increased CHF 545 million, or 14%, to CHF 4,340 million versus 2004. These results reflected higher revenues in prime services, the global cash business and equity proprietary trading, partially offset by lower revenues in the convertibles business.

Investment Banking's *Average one-day, 99% VaR* in 2005 was CHF 66 million, up from CHF 63 million in 2004, mainly due to higher interest rate and credit spread and equity VaR, partly offset by an increase in the diversification benefit across risk types. *Average utilized economic capital* increased CHF 2.5 billion to CHF 12.6 billion, compared to 2004 in line with the strategy to increase capital in support of high-growth and high-margin activities.

Other (including loan portfolio) revenues decreased CHF 133 million, or 30%, to CHF 313 million in 2005, due primarily to lower interest costs related to allocated goodwill and lower gains from private equity-related investments not managed as part of the Asset Management segment.

Private Banking

The following table presents the results of the Private Banking segment:

Year ended December 31, in CHF m	2006	2005	2004
Net interest income	**4,095**	3,716	3,651
Commissions and fees	**6,623**	5,812	5,434
Trading revenues	**751**	793	629
Other revenues	**209**	174	238
Total noninterest revenues	**7,583**	6,779	6,301
Net revenues	**11,678**	10,495	9,952
Provision for credit losses	**(73)**	(71)	116
Compensation and benefits	**4,038**	3,588	3,155
Other expenses	**3,117**	3,012	2,964
Total operating expenses	**7,155**	6,600	6,119
Income from continuing operations before taxes	**4,596**	3,966	3,717

The following tables present key information of the Private Banking segment:

Year ended December 31	2006	2005	2004
Cost/income ratio	**61.3%**	62.9%	61.5%
Pre-tax income margin	**39.4%**	37.8%	37.3%
Net new assets, in CHF bn	**52.2**	50.4	36.8
Average utilized economic capital, in CHF m	**4,525**	4,714	4,718
Pre-tax return on average utilized economic capital[1)]	**103.4%**	85.5%	79.8%

1) Calculated using a return excluding interest costs for allocated goodwill.

December 31, in CHF bn	2006	2005	2004
Assets under management	**940.3**	837.6	691.5
Total assets	**340.7**	298.1	231.3

2006 compared to 2005

Private Banking reported *Income from continuing operations before taxes* of CHF 4,596 million in 2006, CHF 630 million, or 16%, higher than in 2005. *Net revenues* were CHF 11,678 million in 2006, up CHF 1,183 million, or 11%, compared to 2005, mainly due to higher *Commissions and fees* and *Net interest income*. *Total operating expenses* were CHF 7,155 million in 2006, an increase of CHF 555 million, or 8%, compared to 2005, mainly reflecting higher performance-related compensation expenses in line with better results and strategic investments in Wealth Management's global franchise. *Assets under management* as of December 31, 2006, increased 12.3% to CHF 940.3 billion compared to December 31, 2005, including record *Net new assets* of CHF 52.2 billion, up 3.6% from December 31, 2005.

Private Banking continued to make considerable progress in the international expansion of its global franchise in 2006, building on its momentum in 2005, when it opened six new offices in high-growth markets in the Middle East, Asia and Russia. During 2006, Private Banking invested in additional onshore operations in Doha, Beirut, California, Moscow, Sydney and São Paolo in order to strengthen its presence in these strategic growth markets.

Net revenues were CHF 11,678 million in 2006, up CHF 1,183 million, or 11%, compared to 2005. *Commissions and fees* were up CHF 811 million or 14%, mainly driven by higher asset-based fees related to the higher level of *Assets under management*. The increase in *Commissions and fees* was also due to higher brokerage volumes and product issuances, reflecting increased client activity. *Net interest income* increased CHF 379 million, or 10%, primarily driven by higher liability volumes and margins. In addition, *Net interest income* benefited from higher dividend income from the equity portfolio of the independent private banks. *Trading revenues* decreased slightly, mainly related to the lower valuation of the independent private banks' equity portfolio, offset in part by higher foreign exchange trading from clients.

Net releases of *Provision for credit losses* amounted to CHF 73 million in 2006 compared to net releases of CHF 71 million in 2005, reflecting the continued favorable credit environment.

Total operating expenses were CHF 7,155 million in 2006, an increase of CHF 555 million, or 8%, from 2005. *Compensation and benefits* increased CHF 450 million, or 13%, mainly reflecting higher performance-related compensation expenses in line with the better results and strategic investments in Wealth Management's global franchise. In 2006, Wealth Management added 115 relationship managers, taking the total number of relationship managers to over 2,800. *Other expenses* increased CHF 105 million, or 3%, compared to 2005, due to higher *Commission expenses* related to higher *Commissions and fees*, costs associated with the re-branding implementation, expenses related to Wealth Management's strategic growth in international locations and higher non-credit related provisions.

Private Banking reported a *Pre-tax income margin* of 39.4% for 2006, an increase of 1.6 percentage points compared to 2005, primarily reflecting the strong increase in *Net revenues*. *Assets under management* were CHF 940.3 billion as of December 31, 2006, an increase of CHF 102.7 billion, or 12.3%, compared to December 31, 2005. This increase was due to strong *Net new assets* generation of CHF 52.2 billion and higher equity valuations, offset in part by the adverse impact of foreign exchange-related movements, mainly the weaker US dollar.

Wealth Management

The following table presents the results of the Wealth Management business:

Year ended December 31, in CHF m	2006	2005	2004

Net interest income	**1,916**	1,625	1,569
Commissions and fees	**5,639**	4,947	4,624
Trading revenues	**533**	503	372
Other revenues	**93**	50	87
Total noninterest revenues	**6,265**	5,500	5,083
Net revenues	**8,181**	7,125	6,652
Provision for credit losses	**(19)**	25	(5)
Compensation and benefits	**2,780**	2,367	2,071
Other expenses	**2,183**	2,072	2,004
Total operating expenses	**4,963**	4,439	4,075
Income from continuing operations before taxes	**3,237**	2,661	2,582

The following tables present key information of the Wealth Management business:

Year ended December 31	2006	2005	2004
Cost/income ratio	**60.7%**	62.3%	61.3%
Pre-tax income margin	**39.6%**	37.3%	38.8%
Net new assets, in CHF bn	**50.5**	42.8	31.4
Net new asset growth	**7.3%**	7.5%	5.8%
Gross margin on assets under management	**111.6 bp**	112.6 bp	117.4 bp
of which asset-based	**70.8 bp**	72.6 bp	77.9 bp
of which transaction-based	**40.8 bp**	40.1 bp	39.5 bp
Net margin (pre-tax) on assets under management	**44.1 bp**	42.0 bp	45.6 bp

December 31, in CHF bn	2006	2005	2004
Assets under management	**784.2**	693.3	567.8

Wealth Management reported *Income from continuing operations before taxes* of CHF 3,237 million for 2006, up CHF 576 million, or 22%, from 2005. *Net revenues* increased CHF 1,056 million, or 15%, in 2006 to CHF 8,181 million compared to 2005, primarily due to higher *Commissions and fees* from brokerage volumes and product issuances, reflecting stronger client activity, increased asset-based *Commissions and fees* due to the increased *Assets under management*, and higher *Net interest income*, largely due to an increase in liability volumes and margins. *Net interest income* also benefited from higher dividend income from the equity portfolio of the independent private banks.

Net releases of *Provision for credit losses* for 2006 amounted to CHF 19 million compared to net new provisions of CHF 25 million in 2005.

Total operating expenses for 2006 were CHF 4,963 million, up CHF 524 million, or 12%, from 2005. *Compensation and benefits* increased CHF 413 million, or 17%, primarily reflecting higher performance-related compensation expenses in line with the better results and strategic investments in the global franchise. *Other expenses* increased by CHF 111 million, or 5%, from 2005, due to higher *Commission expenses* related to the increases in *Commissions and fees*, expenses related to the strategic growth in international locations and higher non-credit related provisions.

Pre-tax income margin improved 2.3 percentage points to 39.6% from 2005, reflecting the strong increase in *Net revenues*, which outpaced the increase in expenses. *Assets under management* were CHF 784.2 billion as of December 31, 2006, up CHF 90.9 billion, or 13.1%, compared to December 31, 2005. The main drivers of this growth were strong *Net new assets* generation and higher equity valuations, offset in part by the adverse impact of foreign exchange-related movements, mainly the weaker US dollar. *Net new assets* inflows were CHF 50.5 billion, an annual growth rate of 7.3% in 2006, exceeding the 6% mid-term target and showing continued momentum in asset gathering. Asset inflows were strongest in Europe and the United States. The slower asset inflows in Asia in the first half of 2006 improved in the second half.

The *Gross margin on assets under management* was 111.6 basis points for 2006, reflecting a slight decrease of 1.0 basis points compared to 2005. This decrease was primarily driven by the decline in the asset-based margin from the slower growth of underlying *Net interest income* compared to the growth in average *Assets under management* and the dilution effect from the strong growth in *Net new assets* during the year.

Corporate & Retail Banking

The following table presents the results of the Corporate & Retail Banking business:

Year ended December 31, in CHF m	2006	2005	2004
Net interest income	**2,179**	2,092	2,082
Commissions and fees	**984**	865	810
Trading revenues	**218**	289	256
Other revenues	**116**	124	151
Total noninterest revenues	**1,318**	1,278	1,217
Net revenues	**3,497**	3,370	3,299
Provision for credit losses	**(54)**	(96)	122
Compensation and benefits	**1,258**	1,221	1,083
Other expenses	**934**	940	959
Total operating expenses	**2,192**	2,161	2,042
Income from continuing operations before taxes	**1,359**	1,305	1,135

The following tables present key information of the Corporate & Retail Banking business:

Year ended December 31	2006	2005	2004
Cost/income ratio	**62.7%**	64.1%	61.9%
Pre-tax income margin	**38.9%**	38.7%	34.4%
Net new assets, in CHF bn	**1.7**	7.6	5.4
Average utilized economic capital, in CHF m	**2,781**	3,122	3,271
Pre-tax return on average utilized economic capital[1)]	**49.0%**	41.9%	34.8%

1) Calculated using a return excluding interest costs for allocated goodwill.

Year ended December 31	2006	2005	2004
Assets under management, in CHF bn	**156.1**	144.3	123.7
Total mortgage loans, in CHF bn	**66.0**	66.3	63.0
Total other loans, net, in CHF bn	**33.9**	28.3	23.9
Total non-performing loans/total loans, net	**1.3%**	1.9%	2.9%
Total impaired loans, gross/total loans, net	**1.8%**	2.6%	4.2%
Number of branches	**215**	215	214

Corporate & Retail Banking reported *Income from continuing operations before taxes* of CHF 1,359 million for 2006, an increase of CHF 54 million, or 4%, compared to 2005. *Net revenues* increased CHF 127 million, or 4%, in 2006 to CHF 3,497 million, due to increased *Net interest income*, reflecting higher liability volumes and margins, partially offset by asset margin pressure, and higher asset-based *Commissions and fees*.

Net releases of *Provision for credit losses* were CHF 54 million for 2006 compared with net releases of CHF 96 million for 2005, reflecting the continued favorable credit environment. However, a reduction in future releases of credit provisions is expected due to a decline in the amount of impaired loans.

Total operating expenses were CHF 2,192 million in 2006, an increase of CHF 31 million, or 1%, compared to 2005. This increase was mainly driven by higher personnel costs from salary increases and related benefits and higher performance-related compensation expenses due to the better results. *Other expenses* were flat, reflecting higher costs associated with the re-branding implementation, offset by lower costs as a result of cost management initiatives.

Pre-tax income margin for 2006 was 38.9%, 0.2 percentage points higher than in 2005, as higher *Net revenues* exceeded the increase in *Total operating expenses* and the decrease in net releases of *Provision for credit losses*. The 2006 *Pre-tax return on average utilized economic capital* was 49.0%, an increase of 7.1 percentage points compared to 2005 due to a decrease in the *Average utilized economic capital*, reflecting the risk profile of the lending portfolio, and indicating strong profitability in a very competitive and mature market.

2005 compared to 2004

Private Banking

Private Banking reported *Income from continuing operations before taxes* of CHF 3,966 million in 2005, up CHF 249 million, or 7%, compared to 2004. *Net revenues* were CHF 10,495 million in 2005, up CHF 543 million, or 5%, compared to 2004. *Commissions and fees* were up CHF 378 million, or 7%, mainly reflecting higher asset-based fees and brokerage volumes. *Trading revenues* increased CHF 164 million, or 26%, primarily due to improved revenues from foreign exchange trading, reflecting higher client transaction volume. *Net interest income* was up CHF 65 million, or 2%, largely from increases in asset and liability volumes as well as higher liability margins, which were partially offset by pressure on asset margins as a result of the low interest rate environment.

Net releases of *Provision for credit losses* were CHF 71 million in 2005 compared to net new provisions of CHF 116 million in 2004, reflecting a favorable credit environment.

Total operating expenses were CHF 6,600 million in 2005, an increase of CHF 481 million, or 8%, compared to 2004. This increase was mainly driven by higher *Compensation and benefits*, up CHF 433 million, or 14%, reflecting ongoing investments in the Wealth Management global franchise and higher performance-related compensation expenses due to the improved results. *Other expenses* were stable in 2005 compared to 2004, as strict cost containment was offset by higher C*ommission expenses* and project costs in 2005 related to the implementation of the integrated banking strategy.

Private Banking reported a *Pre-tax income margin* of 37.8% for 2005, a slight increase from 37.3% in 2004, reflecting the net release of *Provision for credit losses* in 2005 versus net new provisions in 2004 and a greater increase in *Net revenues* than in *Total operating expenses*. *Assets under management* were CHF 837.6 billion as of December 31, 2005, up CHF 146.1 billion, or 21.1%, compared to December 31, 2004. The main drivers of this growth were higher equity valuations, strong *Net new assets* inflows, mainly from strategic key markets, and the impact of favorable foreign exchange-related movements. *Net new assets* increased 37.0% to CHF 50.4 billion.

Wealth Management

Wealth Management reported *Income from continuing operations before taxes* of CHF 2,661 million for 2005, up CHF 79 million, or 3%, from 2004. *Net revenues* were CHF 7,125 million in 2005, up CHF 473 million, or 7%, compared to 2004, mainly driven by higher *Commissions and fees*, reflecting an increase in brokerage volumes and the level of *Assets under management*. *Trading revenues* also increased mainly due to improved revenues from higher client foreign exchange transaction volume. *Net interest income* was 4% higher, reflecting increases in asset and liability volumes, as well as higher liability margins, which were partially offset by pressure on the asset margins.

Provision for credit losses amounted to CHF 25 million compared to net releases of CHF 5 million in 2004.

Total operating expenses in 2005 were CHF 4,439 million, up CHF 364 million, or 9%, compared to 2004. This was mainly due to a 14% increase in *Compensation and benefits*, reflecting ongoing investments in strategic growth markets, including front-office recruitment and higher performance-related compensation expenses in line with the improved results. *Other expenses* increased 3%, mainly due to higher C*ommission expenses* and project costs related to the implementation of the integrated banking strategy.

Pre-tax income margin was 37.3%, 1.5 percentage points lower due to increased *Total operating expenses* and net new *Provision for credit losses*, offset in part by higher *Net revenues*. *Assets under management* were CHF 693.3 billion as of December 31, 2005, up CHF 125.5 billion, or 22.1%, compared to December 31, 2004. The main drivers of this growth were higher equity valuations, strong *Net new assets* inflows of CHF 42.8 billion and the impact of favorable foreign exchange-related movements. *Net new assets* grew at an annual rate of 7.5%, substantially exceeding the growth rate of 5.8% in 2004. Private Banking continued to achieve healthy *Net new assets* inflows from strategic key markets in Asia and the European onshore business, recording double-digit growth rates.

Gross margin on assets under management was 112.6 basis points in 2005, down 4.8 basis points from 2004 mainly related to the decline in the asset-based margin from the slower growth in underlying interest income compared to the growth in average *Assets under management* and the dilution effect from the strong growth in *Net new assets* during the year.

Corporate & Retail Banking

Corporate & Retail Banking reported *Income from continuing operations before taxes* of CHF 1,305 million for 2005, up CHF 170 million, or 15%, from 2004. *Net revenues* were CHF 3,370 million in 2005, up CHF 71 million, or 2%, compared to 2004, mainly driven by increases in *Commissions and fees*, reflecting higher asset-based fees and higher brokerage volumes, and an increase in *Trading revenues*. *Net interest income* remained stable as increases in asset and liability volumes as well as liability margins were offset by pressure on asset margins as a result of the low interest rate environment.

Net releases of *Provision for credit losses* of CHF 96 million were recorded in 2005 compared to net new provisions of CHF 122 million in 2004, reflecting the favorable credit environment in 2005.

Total operating expenses were CHF 2,161 million in 2005, up CHF 119 million, or 6%, compared to 2004. This increase was driven by increases in salaries and related benefits as well as higher performance-related compensation expenses in line with the improved results. *Other expenses* were slightly lower compared to 2004, reflecting efficiency gains on infrastructure expenses, which more than offset project costs in 2005 related to the implementation of the integrated banking strategy.

Pre-tax income margin was 38.7% in 2005, 4.3 percentage points higher than 2004, due mainly to the net release of *Provision for credit losses* in 2005 versus net new provisions in 2004. The *Pre-tax return on average utilized economic capital* in 2005 was 41.9%, up 7.1 percentage points compared to 2004, reflecting the decline in *Average utilized economic capital*, as the lending portfolio improved, and the change in *Provision for credit losses*.

Asset Management

The following table presents the results of the Asset Management segment:

Year ended December 31, in CHF m	2006	2005	2004
Net interest income	**(65)**	(68)	(53)
Commissions and fees	**2,329**	2,076	2,020
Trading revenues	**34**	41	45
Other revenues	**563**	752	536
Total noninterest revenues	**2,926**	2,869	2,601

Net revenues	**2,861**	2,801	2,548
Provision for credit losses	**1**	0	0
Compensation and benefits	**1,129**	947	948
Other expenses	**1,223**	848	784
of which commission expenses	**370**	295	308
Total operating expenses	**2,352**	1,795	1,732
Income from continuing operations before taxes	**508**	1,006	816

The following tables present key information of the Asset Management segment:

Year ended December 31	2006	2005	2004
Cost/income ratio	**82.2%**	64.1%	68.0%
Pre-tax income margin	**17.8%**	35.9%	32.0%
Net new assets, in CHF bn	**50.8**	19.6	0.7
of which private equity	**6.5**	4.6	(2.2)
of which advisory assets	**3.6**	5.3	12.9
Gross margin on assets under management	**45.3 bp**	54.5 bp	54.6 bp
Gross margin on assets under management, excluding private equity and other investment-related gains	**37.3 bp**	40.9 bp	43.4 bp
Net margin (pre-tax) on assets under management	**8.0 bp**	19.6 bp	17.5 bp
Average utilized economic capital, in CHF m	**1,382**	1,097	934
Pre-tax return on average utilized economic capital[1)]	**44.7%**	99.9%	94.7%

1) Calculated using a return excluding interest costs for allocated goodwill.

December 31, in CHF bn	2006	2005	2004
Assets under management	**669.9**	589.4	462.5
Private equity investments	**2.5**	1.4	1.1

2006 compared to 2005

Asset Management *Income from continuing operations before taxes* was CHF 508 million, a decrease of CHF 498 million, or 50%, compared to 2005. The decrease reflected lower *Private equity and other investment-related gains* and higher *Total operating expenses*, partly due to CHF 225 million of realignment costs in 2006.

In 2006, Asset Management launched a number of initiatives in line with its strategy to strengthen the business through repositioning franchises with low profitability, reshaping the product offering, improving investment and sales processes and reducing the overall cost base. The goal of the realignment is to put the US business on a solid and sustainable platform for future growth through a change in its investment approach in a number of its traditional asset management strategies. Additionally, the US business will focus on areas for future growth such as enhanced index, quantitative strategies and structured products, and other areas of strength, including alternative investments and core competencies in other equity and fixed income strategies. Asset Management exited from its retirement-related investment platform in Australia, and, in Japan, continues to refocus its business to import capabilities and products that exist in its global networks for both individual and institutional investors. Realignment costs in 2006 were CHF 225 million, including CHF 139 million of intangible asset impairments, severance costs of CHF 53 million and professional fees and other expenses.

Asset Management continued to focus on strengthening its presence in key markets and building its investment platform in attractive, high-margin businesses. This was demonstrated in 2006 when Credit Suisse announced that it had signed an agreement to acquire, subject to local regulatory approval, a majority interest in Hedging-Griffo, a leading asset management company with a large and well-established client base. Hedging-Griffo manages CHF 9.2 billion in assets for high-net-worth individuals in Brazil and has increased these assets at an average growth rate of 38.5% over the past three years. The transaction is expected to close in the middle of 2007. The Group expects to acquire the remaining interests over a period of five years.

In addition, as part of the strategy to expand Asset Management's alternative investments business, Credit Suisse launched several growth initiatives through close collaboration with other firms with investment expertise in a variety of different asset classes and investment styles. These initiatives will enable Asset Management to grow its leading alternative investments business across a variety of new products, sectors and regions. This included a joint initiative with Ospraie Management, an investment partnership with Abu Dhabi Future Energy Company and joint ventures with China Renaissance Capital Group and General Electric Infrastructure (Global Infrastructure Partners (GIP)). GIP had its first important and high profile deal to acquire London City Airport together with AIG Financial Products Corporation, each owning 50%. As part of its strategy to develop its presence in Asia, Credit Suisse announced a joint venture in South Korea with Woori Asset Management, in which Credit Suisse acquired a 30% stake. Asset Management also expects to continue to increase the commitments it makes to private equity funds.

The following table presents total assets under management of the Asset Management segment by asset class:

December 31, in CHF bn	2006	2005	2004
Money market	**101.2**	64.1	22.0
Fixed income	**107.1**1)	110.0	97.2
Balanced	**277.3**	254.6	206.9
Equities	**47.0**	47.7	45.6
Alternative2)	**137.3**	113.0	90.8
of which private equity	**30.2**	25.5	17.5
Total assets under management	**669.9**	589.4	462.5
of which discretionary assets	**573.7**	500.3	388.3
of which advisory assets	**96.2**	89.1	74.2

The classification of assets is based upon the classification of the fund manager.
1) Reflects reclassifications of approximately CHF 10 billion to Money market assets and Balanced assets. 2) Alternative includes private equity, funds of

hedge funds, real estate and indexed products.

Asset Management measures business performance based on *Assets under management* and *Net new assets*. *Assets under management* of CHF 669.9 billion as of December 31, 2006 increased CHF 80.5 billion, or 13.7%, from CHF 589.4 billion as of December 31, 2005, reflecting *Net new assets* of CHF 50.8 billion and market and foreign exchange-related movements of CHF 29.7 billion. These substantial net asset inflows demonstrate Asset Management's asset gathering capabilities despite the realignment. *Net new assets* for 2006 included CHF 32.5 billion of *Money market* assets, CHF 15.3 billion of *Alternative* investment assets and CHF 9.4 billion of *Balanced* assets. The strong growth in *Alternative* investment assets reflects Asset Management's strategy of continuing to strengthen its alternative investments business. Net asset inflows were partially offset by net outflows of CHF 7.0 billion in *Equities*, which were partially related to the realignment.

The following table presents the revenue details of the Asset Management segment:

Year ended December 31, in CHF m	2006	2005	2004
Asset Management revenues	**2,106**	1,909	1,772
Private equity commissions and fees	**253**	194	256
Net revenues before private equity and other investment-related gains	**2,359**	2,103	2,028
Private equity and other investment-related gains	**502**	698	520
Net revenues	**2,861**	2,801	2,548

Net revenues were CHF 2,861 million in 2006, an increase of CHF 60 million, or 2%. 2006 *Net revenues before private equity and other investment-related gains* were CHF 2,359 million, an increase of CHF 256 million, or 12%, compared to 2005. *Asset Management revenues*, which consist primarily of management fees from *Assets under management*, performance fees and fund administration services provided to clients, increased CHF 197 million, or 10%, in 2006 compared to 2005, reflecting higher *Assets under management*. 2006 *Private equity commissions and fees* increased CHF 59 million, or 30%, compared to 2005, reflecting increased placement fees for fund raising commitments in connection with private equity funds. *Private equity and other investment-related gains* were CHF 502 million for 2006, a decrease of CHF 196 million, or 28%, from 2005. *Private equity and other investment-related gains*, which include gains on investments and performance-related carried interest, are cyclical in nature and in 2005 were considered to be at the high end of the private equity cycle for Asset Management.

Total operating expenses for 2006 were CHF 2,352 million, an increase from 2005 of CHF 557 million, or 31%. *Compensation and benefits* were CHF 1,129 million for 2006, an increase of CHF 182 million, or 19%, compared to 2005, reflecting ongoing efforts to hire investment talent and build product development and distribution capabilities, performance-related compensation and costs associated with the realignment of the asset management business. *Other expenses* increased CHF 375 million, or 44%, to CHF 1,223 million compared to 2005, which included realignment costs of CHF 172 million. In addition, the increase reflected higher *Commission expenses*, in line with higher *Assets under management*, higher information technology and occupancy costs and increased provisions, mostly relating to a CHF 22 million provision for a non-proprietary third-party hedge fund product.

Pre-tax income margin for 2006 was 17.8%, an 18.1 percentage point decrease compared to 2005, mainly driven by the significant increase in *Total operating expenses* and lower *Private equity and other investment-related gains*.

Gross margin on assets under management was 45.3 basis points for 2006 compared to 54.5 basis points for 2005, largely reflecting the 28% decrease in *Private equity and other investment-related gains*. *Gross margin on assets under management, excluding private equity and other investment-related gains*, was 37.3 basis points for 2006 compared to 40.9 basis points for 2005, primarily as a result of the change in asset mix.

Pre-tax return on average utilized economic capital was 44.7% in 2006 compared to 99.9% in 2005, reflecting higher position risk from growth initiatives in alternative investments.

2005 compared to 2004

Asset Management reported *Income from continuing operations before taxes* of CHF 1,006 million in 2005, an increase of CHF 190 million, or 23%, compared to 2004. The increase primarily reflected a higher level of *Private equity and other investment-related gains* in the alternative investments business. In 2005, the *Pre-tax income margin* was 35.9%, an increase of 3.9 percentage points from 2004.

Assets under management as of December 31, 2005, increased CHF 126.9 billion, or 27.4%, to CHF 589.4 billion, reflecting CHF 48.0 billion in market performance gains, CHF 42.3 billion of *Money market assets* from the internal transfer of a cash management business from the Investment Banking prime services business, CHF 19.6 billion of *Net new assets* and CHF 17.0 billion from favorable foreign exchange-related movements. *Alternative* investment *Assets under management* increased CHF 22.2 billion from December 31, 2004, notwithstanding the spin-off during the year of funds with approximately CHF 2.3 billion in assets. Excluding the *Money market* assets from the transferred cash management business, *Net new assets* for 2005 reflected net inflows in *Balanced* assets of CHF 11.6 billion, as well as net inflows of CHF 16.4 billion in *Alternative* investment assets. These inflows were partially offset by net outflows in *Equities* of CHF 10.4 billion.

Asset Management reported *Net revenues* of CHF 2,801 million in 2005, an increase of CHF 253 million, or 10%, compared to 2004, reflecting higher *Private equity and other investment-related gains*, which are cyclical in nature and in 2005 were considered to be at the high end of the private equity cycle for Asset Management. *Net revenues before private equity and other investment-related gains* increased 4% from 2004 to CHF 2,103 million, due to the 8% increase in *Asset Management revenues*, which was in line with the development in *Assets under management*. This was partially offset by a CHF 62 million, or 24%, decrease in *Private equity commissions and fees* as a result of the decreasing fee base of maturing funds and higher interest charges reflecting the launch of new funds.

Total operating expenses in 2005 increased CHF 63 million, or 4%, to CHF 1,795 million from 2004, primarily reflecting higher professional fees in the alternative investments business as a result of consulting fees paid to managers who continue to assist in managing portfolios of certain funds that were spun off. *Compensation and benefits* expense was CHF 947 million in 2005, flat compared to 2004, reflecting higher performance-related compensation offset by lower severance costs.

Pre-tax income margin for 2005 was 35.9%, a 3.9 percentage point increase compared to 2004, mainly driven by the strong *Private equity and other investment-related gains*.

Gross margin on assets under management was 54.5 basis points in 2005, a 0.1 basis point decrease from 2004. Excluding *Private equity and other investment-related gains*, *Gross margin on assets under management* was 40.9 basis points in 2005 and 43.4 basis points in 2004. In both cases, the decrease primarily reflected the change in asset mix as a result of the *Money market* assets transfer from Investment Banking.

Pre-tax return on average utilized economic capital was 99.9% in 2005 compared to 94.7% in 2004, primarily reflecting higher *Private equity and other investment-related gains,* which more than offset the increased capital utilization due to the growth and higher valuations in the alternative investments businesses.

Corporate Center

Corporate Center includes parent company operations such as Group financing, income and expenses related to centrally managed, own-use real estate (mainly bank premises in Switzerland) and certain expenses that have not been allocated to the segments. In addition, Corporate Center includes consolidation and elimination adjustments required to eliminate intercompany revenues and expenses.

Corporate Center includes *Net revenues* and *Total operating expenses* from the consolidation of certain private equity funds and other entities in which Credit Suisse does not have a significant economic interest in such revenues and expenses. The consolidation of these entities does not affect *Net income* as the amounts recorded in *Net revenues* and *Total operating expenses* are offset by corresponding amounts reported as *Minority interests*.

The following table presents the results of the Corporate Center:

Year ended December 31, in CHF m	2006	2005	2004
Net revenues	**3,595**	1,646	792
Provision for credit losses	**(1)**	0	1
Compensation and benefits	**269**	818	83
Other expenses	**82**	(2)	(105)
Total operating expenses	**351**	816	(22)
Income from continuing operations before taxes, minority interests, extraordinary items and cumulative effect of accounting changes	**3,245**	830	813

The following table presents revenues and expenses from the consolidation of certain private equity funds and other entities in which the Group does not have a significant economic interest in such revenues and expenses.

Year ended December 31, in CHF m	2006	2005	2004
Net revenues	**3,663**	2,074	1,088
Compensation and benefits	**52**	0	0
Other expenses	**51**	32	16

Total operating expenses	**103**	32	16
Income from continuing operations before taxes, minority interests, extraordinary items and cumulative effect of accounting changes	**3,560**	2,042	1,072

2006 compared to 2005
Income from continuing operations before taxes, minority interests, extraordinary items and cumulative effect of accounting changes was CHF 3,245 million for 2006, an increase of CHF 2,415 million, or 291%, compared to CHF 830 million in 2005. The increase primarily reflected the first-time consolidation in 2006 of additional private equity funds and other entities in which Credit Suisse does not have a significant economic interest in such revenues and expenses, and a charge in 2005 of CHF 630 million resulting from a change in Credit Suisse's accounting for share-based compensation awards subject to a non-competition provision that have scheduled vesting beyond an employee's eligibility for early retirement. This non-cash charge represented the acceleration of compensation expense for share-based awards granted in 2005, principally to employees in the Investment Banking and Asset Management segments, that otherwise would have been recorded generally over vesting periods of three to five years. Excluding this charge and the consolidation of certain private equity funds and other entities, the *Income from continuing operations before taxes, minority interests, extraordinary items and cumulative effect of accounting changes* would have been a loss of CHF 315 million in 2006 compared to a loss of CHF 582 million in 2005, reflecting CHF 128 million of charges in 2005 relating to the integration of the banking businesses.

2005 compared to 2004
Corporate Center recorded *Income from continuing operations before taxes, minority interests, extraordinary items and cumulative effect of accounting changes* of CHF 830 million in 2005 compared to CHF 813 million in 2004.

Compensation and benefits in 2005 were impacted by the CHF 630 million charge for the change in Credit Suisse's accounting for share-based compensation awards. Excluding this charge and the consolidation of certain private equity funds and other entities, *Income from continuing operations before taxes, minority interests, extraordinary items and cumulative effect of accounting changes* would have been a loss of CHF 582 million in 2005, compared to a loss of CHF 259 million in 2004. 2005 results included a CHF 128 million expense relating to the integration of the banking businesses. *Net revenues* in 2004 included a CHF 157 million loss on the sale of Credit Suisse's stake in Warburg Pincus.

Assets under management

Assets under management
Assets under management comprise assets which are placed with Credit Suisse entities for investment purposes and include discretionary and advisory counterparty assets.

Discretionary assets are assets for which the customer fully transfers the discretionary power to a Credit Suisse entity with a management mandate. Advisory assets include assets placed with Credit Suisse where the client is provided access to investment advice but retains discretion over investment decisions.

Compared to December 31, 2005, Credit Suisse's *Assets under management* increased CHF 165.7 billion, or 12.6%, as of December 31, 2006. Private Banking recorded an increase in *Assets under management* of CHF 102.7 billion, or 12.3%, from December 31, 2005, due to strong *Net new asset* growth and higher equity valuations, offset in part by the adverse impact of foreign exchange-related movements. Asset Management recorded an increase of CHF 80.5 billion, or 13.7%, in *Assets under management* from December 31, 2005, due to *Net new assets* of CHF 50.8 billion and market and foreign exchange-related movements of CHF 29.7 billion.

The following table sets forth information on assets under management:

December 31, in CHF bn	2006	2005	2004
Private Banking	**940.3**	837.6	691.5
Asset Management	**669.9**	589.4	462.5
Less assets managed on behalf of other segments	**(125.1)**	(107.6)	(86.0)
Credit Suisse Group	**1,485.1**	1,319.4	1,068.0
of which discretionary	**656.2**	578.4	443.7
of which advisory	**828.9**	741.0	624.3

The level of assets under management in Investment Banking is not considered a key performance indicator and as a result, Investment Banking balances are not included in assets under management.

Client assets

Client assets is a broader measure than *Assets under management* as it includes transactional and custody accounts (assets held solely for transaction-related or safekeeping/custody purposes) and assets of corporate clients and public institutions used primarily for cash management or transaction-related purposes.

The following table sets forth information on client assets:

December 31, in CHF bn	2006	2005	2004
Private Banking	**1,069.7**	951.9	780.0
Asset Management	**676.4**	596.0	468.5
Less client assets managed on behalf of other segments	**(125.1)**	(107.6)	(86.0)
Credit Suisse Group	**1,621.0**	1,440.3	1,162.5

The level of assets under management in Investment Banking is not considered a key performance indicator and as a result, Investment Banking balances are not included in client assets.

Net new assets

Net new assets include individual cash and securities transactions and new or repaid loans. *Interest and dividend income* credited to clients, commissions, interest and fees charged for banking services are not considered as they do not reflect success in acquiring *Assets under management*. Changes due to currency and market movements as well as asset inflows and outflows due to the acquisition or divestiture of businesses are not part of *Net new assets*.

For 2006, Credit Suisse Group recorded *Net new assets* of CHF 95.4 billion, an increase of CHF 38.0 billion compared to 2005. Private Banking's *Net new assets* of CHF 52.2 billion increased CHF 1.8 billion, or 3.6%, above the record level attained for 2005. Asset Management generated *Net new assets* of CHF 50.8 billion, an increase of CHF 31.2 billion compared to 2005, primarily in money market and alternative investment assets.

The following table sets forth information on net new assets:

Years ended December 31, in CHF bn	2006	2005	2004
Private Banking	**52.2**	50.4	36.8
Asset Management	**50.8**	19.6	0.7
Less net new assets managed on behalf of other segments	**(7.6)**	(12.6)	(9.3)
Credit Suisse Group	**95.4**	57.4	28.2

The level of assets under management in Investment Banking is not considered a key performance indicator and as a result, Investment Banking balances are not included in net new assets.

Risk management

Overview

Risk management principles

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, while looking to ensure that capital is well deployed to support business activities and grow shareholder value. The Group's risk management framework is based on the following principles, which apply universally across all businesses and risk types.

– Protection of financial strength: Credit Suisse Group controls risk in order to limit the impact of potentially adverse events on 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 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 the Board of Directors and can be balanced against business goals.

– Management accountability: The Group is organized into segments that own the comprehensive risks assumed through their operations. Management for each segment is responsible for the ongoing management of their respective risk exposures and earning a sufficient long-term return for the risks taken.

– Independent oversight: Risk management is a structured process to identify, measure, monitor and report risk. The risk management and legal and compliance functions operate independently of the front office to ensure the integrity of the Group's control processes. The risk management functions are responsible for implementing all relevant risk policies, developing tools to assist senior management to determine risk appetite and assessing the overall risk profile of the Group.

Risk management oversight

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

Risk management oversight at the Board of Directors level

– Group Board of Directors: Responsible to shareholders for the strategic direction, supervision and control of the Group and for defining the Group's overall tolerance for risk.

– Boards of Directors of other Group legal entities: Responsible for the strategic direction, supervision and control of the respective legal entity and for defining the legal entity's tolerance for risk.

– Risk Committees: Responsible for assisting the Boards of Directors of the Group and other Group legal entities in fulfilling their oversight responsibilities by providing guidance regarding risk governance and the development of the risk profile and capital structure, including the regular review of major risk exposures and the approval of risk limits.

– Audit Committees: Responsible for assisting the Boards of Directors of the Group and other Group legal entities in fulfilling their oversight responsibilities by monitoring management's approach with respect to financial reporting, internal controls, accounting, and legal and regulatory compliance. Additionally, the Audit Committees are responsible for monitoring the independence and the performance of the internal and external auditors.

– Internal auditors: Responsible for assisting the Boards of Directors, the Audit Committees and management by providing an objective and independent evaluation of the effectiveness of control, risk management and governance processes.

Risk management oversight at the Group management level

– Group Executive Management (Group Chief Executive Officer and Group Executive Board): Responsible for implementing the Group's strategy, managing the Group's portfolio of businesses and managing the risk profile of the Group as a whole within the risk tolerance defined by the Group Board of Directors.

– Group Chief Risk Officer (GCRO): Responsible for providing risk management oversight for the Group as a whole in order to ensure that the Group's aggregate risk appetite is consistent with its financial resources as well as the risk tolerance defined by the Group Board of Directors. Additionally, the GCRO identifies group-wide risk concentrations, reviews and ratifies high risk exposures and unusual or special transactions, allocates Group limit reserves to businesses, ensures consistent and thorough risk management practices and processes throughout the Group and recommends corrective action, if necessary.

Risk management oversight at the Bank management level
– Bank Executive Management (Chief Executive Officer and Executive Board): Responsible for implementing the Group's strategy and actively managing its portfolio of businesses and its risk profile to ensure that risk and return are balanced and appropriate for current market conditions.

– Bank Chief Risk Officer (CRO): Responsible for providing risk management oversight for the Bank and for establishing an organizational basis to manage all risk management matters of the Bank through the four primary risk functions independent from the front office, as described below.

– Strategic Risk Management (SRM): Responsible for assessing the overall risk profile on a bank-wide, portfolio level and for individual businesses, and recommending corrective action, where necessary.

– Risk Measurement and Management (RMM): Responsible for the measurement and reporting of credit risk, market risk and economic risk capital data, managing risk limits, and establishing policies on market risk and economic risk capital.

– Credit Risk Management (CRM): Headed by the Chief Credit Officer (CCO) with responsibility for approving credit limits, monitoring and managing individual exposures and assessing and managing the quality of the segment and business area's credit portfolios and allowances.

– Bank Operational Risk Oversight (BORO): Responsible for oversight of the Bank's operational risk, including governance and policy aspects, development and reporting of key risk indicators as well as operational risk capital management and allocation.

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 meetings focus on the following three areas on a rotating basis: Asset and Liability Management/Liquidity; Market and Credit Risk; and Operational Risk/Legal and Compliance.

– Risk Processes and Standards Committee (RPSC) is responsible for establishing and approving standards regarding risk management and risk measurement, including methodology and parameters.

– Credit Portfolio and Provisions Review Committee (CPRC) 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 (RRRC) is responsible for setting the policy and reviewing processes regarding reputational risks within Credit Suisse.

– Divisional Risk Management Committees (RMC): Within the Investment Banking, Private Banking and Asset Management segments of Credit Suisse, the respective divisional RMCs are established to manage risk on a divisional basis.

Risk Management oversight: key management bodies and committees

Risk categories

The Group is exposed to many risks and differentiates between them using the following seven major risk categories:

– Market risk – the risk of loss arising from adverse changes in interest rates, foreign currency exchange rates, equity prices and other relevant market rates and prices, such as commodity prices and volatilities;

– Credit risk – the risk of loss arising from adverse changes in the creditworthiness of counterparties;

– Expense risk – the risk that the businesses are not able to cover their ongoing expenses with ongoing income subsequent to a severe crisis, excluding expense and income items already captured by the other risk categories;

– Liquidity and funding risk – the risk that the Group or one of its businesses is unable to fund assets or meet obligations at a reasonable or, in the case of extreme market disruptions, any price;

– Operational risk – the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events;

– Strategy risk – the risk that the business activities are not responsive to changes in industry trends; and

– Reputational risk – the risk that the Group's market or service image declines.

While most businesses are exposed to all risk types, their relative significance varies. Group-wide risk management and measurement approaches are applied where appropriate and meaningful.

Risk limits

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

Credit Suisse Group uses an Economic Risk Capital (ERC) limit structure to limit overall position risk-taking. The level of risk incurred by the segments is further restricted by a variety of specific limits. For example, there are consolidated controls over trading exposures (Value-at-Risk (VaR)), the mismatch of interest-earning assets and interest-bearing liabilities, private equity and seed money investments, and emerging market country exposures. Risk limits are allocated to lower organizational levels within the businesses, and numerous other limits are established to control specific risks, including a system of individual counterparty credit limits that is used to control concentration risks.

Economic risk capital

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

As the Group's standard for assessing risk, ERC provides a strong framework for managing the Group's risk profile on a consolidated basis and to assess aggregate risk appetite in relation to the financial resources. By providing a common terminology for risk across the Group, ERC has also increased risk transparency and knowledge-sharing across the Group. The ERC model is subject to regular methodology reviews to ensure it appropriately reflects the risk profile of our portfolio in the current market environment.

The development and usage of ERC methodologies and models has increased across the industry over recent years. In the absence of a standardized ERC approach, comparisons across firms may not be meaningful.

Concept
The ERC model is designed to measure all quantifiable risks associated with the Group's activities on a consistent and comprehensive basis. ERC is the economic capital needed to remain solvent and in business even under extreme market, business and operational conditions, given the institution's target financial strength (i.e., long-term credit rating).

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

– Position risk the level of unexpected loss in economic value on the Group's portfolio of positions over a one-year horizon that is exceeded with a given, small probability (1% for risk management purposes; 0.03% for capital management purposes).

– Operational risk the level of loss resulting from inadequate or failed internal processes, people and systems or from external events over a one-year horizon that is exceeded with a small probability (0.03%). Estimating this type of ERC is inherently more subjective, and reflects both quantitative tools as well as senior management judgment.

– Expense risk the difference between expenses and revenues in a severe market event, exclusive of the elements captured by position risk and operational risk.

Position risk, operational risk and expense risk are used to determine the Group's utilized economic capital.

Application
ERC represents Credit Suisse Group's core top-level risk management tool. ERC is used to assess, monitor, report and limit risk exposures at many levels of the organization. The Board of Directors and senior management at the Group and the segments are regularly provided with ERC results, trends and ratios, together with supporting explanations to create risk transparency and to support senior management in managing risk.

The Group uses ERC in its capital allocation process and related performance measures. Moreover, ERC serves as a reference point for the structured assessment of the Group's aggregate risk appetite in relation to its financial resources, recognizing that a comprehensive analysis must also take into account factors that are outside the scope of the ERC framework (for example, strategy, economic and competitive environment and external constraints such as those imposed by regulators or rating agencies).

The ERC methodology is continually reviewed in order to make sure the model remains relevant as markets and business strategies evolve. If the ERC methodology changes based on these reviews, prior-period balances are restated in order to show meaningful trends.

Key position risk trends 2006

Over the course of 2006, the 1-year, 99% position risk increased by 21% year-on-year. The key movements by segment were as follows:

– Investment Banking +29%: The increase in position risk was largely driven by commercial real estate loan originations and increased syndication and bridge loan exposures. Smaller increases in emerging market exposures, interest rate risk on traded positions and commodity exposures also contributed to the overall Investment Banking increase.

– Private Banking -8%: Private Banking position risk decreased over the year primarily due to improvements in the credit risk profile.

– Asset Management +37%: An increase in funded private equity exposures in the latter half of 2006 drove the increase in Asset Management position risk.

– Corporate Center -67%: The decrease in Corporate Center position risk was driven primarily by reduced interest rate and foreign exchange exposures.

The following table details the components of Credit Suisse Group's position risk by segment:

	Investment Banking			Asset Management			Private Banking [1]			Corporate Center			Credit Suisse Group		
December 31, in CHF m	2006	2005	2004	2006	2005	2004	2006	2005	2004	2006	2005	2004	2006	2005	2004
Fixed income trading[2]	**2,546**	1,968	1,238	**33**	57	61	**144**	178	153	**39**	215	460	**2,692**	1,935	1,337
Equity trading & investment	**1,608**	1,672	1,132	**818**	543	395	**48**	98	83	**64**	125	93	**2,432**	2,282	1,624
Swiss corporate & retail lending	**0**	0	0	**0**	0	0	**2,090**	2,395	2,341	**0**	0	0	**2,090**	2,395	2,341
International lending & counterparty	**2,945**	2,461	1,674	**1**	0	0	**17**	0	0	**0**	0	0	**2,965**	2,583	1,726
Emerging markets	**1,438**	1,180	1,370	**0**	0	0	**214**	224	158	**0**	0	0	**1,645**	1,403	1,528
Real estate & structured assets[3]	**4,585**	2,734	1,986	**38**	97	78	**347**	324	341	**15**	16	16	**4,981**	3,160	2,408
Simple sum across risk categories	**13,122**	10,015	7,400	**890**	697	534	**2,860**	3,219	3,076	**118**	356	569	**16,805**	13,758	10,964
Diversification benefit	**(3,616)**	(2,621)	(1,870)	**(33)**	(71)	(67)	**(429)**	(574)	(524)	**(21)**	(58)	(63)	**(4,816)**	(3,827)	(3,066)

Position risk (99% confidence level for risk management purposes)	**9,506**	7,394	5,530	**857**	626	467	**2,431**	2,645	2,552	**97**	298	506	**11,989**	9,931	7,898
Position risk (99.97% confidence level for capital management purposes)	**15,738**	11,826	8,428	**1,199**	906	683	**3,348**	3,841	3,740	**185**	547	901	**20,408**	16,788	13,104

Prior-period balances have been restated for methodology changes in order to show meaningful trends.
1) Including Neue Aargauer Bank and the independent private banks. 2) This category comprises fixed income trading exposures, foreign exchange exposures and commodity exposures. 3) This category comprises the real estate investments of the Group, commercial and residential real estate and asset-backed securities exposures and real estate acquired at auction.

The following tables detail the components of Credit Suisse Group's utilized economic capital by risk type and segment:

December 31, in CHF m	2006	2005	2004
Position risk (99.97% confidence level for capital management purposes)	**20,408**	16,788	13,104
Operational risk	**2,567**	3,234	2,787
Other risks 1)	**850**	1,921	735
Utilized economic capital	**23,825**	21,943	16,626

1) Other risks include expense risk and diversification benefit.

December 31, in CHF m	2006	2005	2004
Investment Banking			
Period end	**17,060**	14,639	9,934
Average	**15,853**	12,581	10,129
Asset Management			
Period end	**1,384**	1,293	864
Average	**1,382**	1,097	934
Private Banking			
Period end	**4,135**	4,778	4,629
Average	**4,525**	4,714	4,718
Corporate Center			
Period end	**1,309**	1,667	2,020
Average	**1,585**	1,777	2,184
Utilized economic capital – Credit			

Suisse Group			
Period end	**23,825**	21,943	16,626
Average	**23,085**	19,671	17,400

Market risk

Overview

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

Credit Suisse Group devotes considerable resources to ensuring that market risk is comprehensively captured, accurately modeled and reported, and effectively managed. Trading and non-trading portfolios are managed at various organizational levels, from Credit Suisse Group overall down to specific business areas. Credit Suisse Group uses market risk measurement and management methods designed to meet or exceed industry standards. These include both general tools capable of calculating comparable exposures across the Group's many activities as well as focused tools that can specifically model unique characteristics of certain business areas' functions. The tools are used for internal market risk management, internal market risk reporting and external disclosure purposes. The principal measurement methodologies are VaR and scenario analysis. Additionally, the market risk exposures are also reflected in the Group's ERC calculations. The risk management techniques and policies are regularly reviewed to ensure that they remain appropriate.

Value-at-Risk

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

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

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

Assumptions

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

Limitations

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

Scenario analysis

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

Assumptions

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

Limitations

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

Trading portfolios

Risk measurement and management

Credit Suisse Group assumes market risk in its trading portfolios primarily through the trading activities of the Investment Banking segment. The Group’s other segments also engage in trading activities, but to a much lesser extent.

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

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

Development of trading portfolio risks

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

Credit Suisse Group's one-day, 99% VaR as of December 31, 2006, was CHF 89 million, compared to CHF 87 million as of December 31, 2005. The change in VaR was caused primarily by increased foreign exchange VaR due to increased foreign exchange exposures, partly offset by an increase in the diversification benefit across risk types, reflecting a more even spread of risks across businesses. The average VaR for Credit Suisse Group was CHF 80 million for 2006, compared to CHF 66 million for 2005. The increase in average VaR was driven primarily by an increase in equity and foreign exchange exposures, partly offset by an increase in the diversification benefit across risk types.

The following table sets forth the trading-related market risk exposure for the Group on a consolidated basis, as measured by scaled one-day, 99% VaR:

	2006				2005			
in CHF m	Minimum	Maximum	Average	31.12.06	Minimum	Maximum	Average	31.12.05
Credit Suisse Group								
Interest rate & credit spread	**42**	**82**	**57**	**62**	36	78	61	69
Foreign exchange rate	**9**	**38**	**19**	**24**	6	30	13	11
Equity	**44**	**90**	**59**	**57**	23	63	41	57
Commodity	**6**	**20**	**10**	**15**	1	16	6	11
Diversification benefit	1)	1)	**(65)**	**(69)**	1)	1)	(55)	(61)
Total	**53**	**124**	**80**	**89**	49	88	66	87

Represents ten-day VaR scaled to a one-day holding period.

During 2006, the Group introduced a revised VaR methodology for certain mortgage products. If the revised methodology had been in place during 2005, the VaR as of December 31, 2005 would have been CHF 82 million rather than CHF 87 million.

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

VaR results and distribution of trading revenues

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

Credit Suisse Group had four backtesting exceptions in 2006, after a period of two years with no exceptions. The four backtesting exceptions occurred during the second quarter of 2006 and were driven by equity and foreign exchange market volatility during May 2006. During this period, equity and foreign exchange market volatility was significantly larger than the volatility reflected in the VaR model, which uses historical data on a preceding two-year rolling basis. The VaR model is subject to regular assessment and evaluation to seek to maintain accuracy given current market conditions and positions.

The following histogram compares the trading revenues for 2006 with those for 2005. The trading revenues shown in this graph are the actual daily trading revenues, which include not only backtesting profit and loss but also such items as fees, commissions, certain provisions and the profit and loss effects associated with any trading subsequent to the previous night's positions. The dispersion of trading revenues indicates the day-to-day volatility in the Group's trading activities.

Non-trading portfolios

Risk measurement and management

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

The market risks associated with the non-trading portfolios are measured, monitored and limited using several tools, including ERC, scenario analysis, sensitivity analysis and VaR. For the purpose of this disclosure, the aggregated market risks associated with the non-trading portfolios of Credit Suisse Group are measured using sensitivity analysis. The sensitivity analysis for the non-trading activities measures the amount of potential change in economic value resulting from specified hypothetical shocks to market factors. It is not a measure for the potential impact on reported earnings in the current period, since the non-trading activities generally are not marked to market through earnings. Real estate investments and foreign exchange translation risks are not included in the following analysis. As a result of the sale of Winterthur in December 2006, figures for December 31, 2005 have been restated on a consistent basis to December 31, 2006 figures.

Development of non-trading portfolio risks

Equity risk on non-trading positions is measured using sensitivity analysis that estimates the potential change in value resulting from a 10% decline in the equity markets of developed nations and a 20% decline in the equity markets of emerging market nations. Credit Suisse Group's non-trading equity portfolio includes positions in hedge funds and other instruments that may not be strongly correlated with general equity markets. The estimated impact for Credit Suisse Group would be a decrease of approximately CHF 454 million in the value of the non-trading portfolio as of December 31, 2006 compared to a decrease of approximately CHF 367 million in the value of the non-trading portfolio as of December 31, 2005. The main reason for the change was increased exposure to hedge funds and private equity investments.

Interest rate risk on non-trading positions is measured using sensitivity analysis that estimates the potential change in value resulting from a 50 basis point decline in the interest rates of developed nations and a 200 basis point decline in the interest rates of emerging market nations. The estimated impact for Credit Suisse Group would be an increase of approximately CHF 131 million in the value of the non-trading portfolio as of December 31, 2006 compared to an increase of approximately CHF 24 million in the value of the non-trading portfolio as of December 31, 2005. The main reason for the change was an increase in treasury positions benefiting from a reduction in interest rates.

Foreign exchange risk on non-trading positions is measured using sensitivity analysis that estimates the potential change in value resulting from a 10% strengthening of the Swiss franc against developed nation currencies and a 20% strengthening of the Swiss franc against emerging market nation currencies. The estimated impact for Credit Suisse Group would be an increase of approximately CHF 82 million in the value of the non-trading portfolio as of December 31, 2006 compared to an increase of approximately CHF 30 million in the value of the non-trading portfolio as of December 31, 2005. The change was driven by increased foreign exchange exposures in the Private Banking and Investment Banking divisions.

Commodity risk on non-trading positions is measured using sensitivity analysis that estimates the potential change in value resulting from a 20% weakening in commodity prices. The estimated impact for Credit Suisse Group would be a decrease of approximately CHF 1 million in the value of the non-trading portfolio as of December 31, 2006 compared to a decrease of approximately CHF 3 million in the value of the non-trading portfolio as of December 31, 2005. The relatively insignificant impact is due to the current size of commodity exposures in the non-trading portfolio.

Credit risk

Definition of credit risk

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

The majority of Credit Suisse Group's credit risk is concentrated in its Investment Banking and Private Banking segments. The credit risks taken on by Private Banking are usually collateralized. Credit risk exists within lending products, commitments and letters of credit, and results from counterparty exposure arising from derivative, foreign exchange and other transactions.

Credit risk management approach

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

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

– An individual counterparty and country rating system;

– A transaction rating system;

– A counterparty credit limit system;

– Country and regional concentration limits;

– A risk-based pricing methodology;

– Active credit portfolio management; and

– A credit risk provisioning methodology.

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

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

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

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

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

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

Loans

The following table sets forth the gross loan exposure for the Group and its primary lending segments:

	Investment Banking		Private Banking		Credit Suisse Group	
December 31, in CHF m	2006	2005	2006	2005	2006	2005
Consumer loans:						