CREDIT SUISSE GROUP
Form 20-F
March 31, 2006

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Items not shown are not required because this Form 20-F is filed as an Annual Report or because they are not applicable to Cre

Definitions

For the purposes of this Form 20-F, unless the context otherwise requires, the terms “we,” “us,” “our” and “the Group” mean Credit Suisse 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, Standard & Poor’s Europe Insurance Market Profile, 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 of America (US GAAP).

Our consolidated financial statements are denominated in Swiss francs, or CHF. For your convenience, we have translated certain amounts referred to in this Form 20-F from Swiss francs into US dollars, or USD, at the rate of CHF 1.00 = USD 0.7606, which was the noon buying rate for Swiss francs on December 30, 2005, 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 financial position of the Group as of December 31, 2005 and 2004, and the results of operations and cash flows for each of the years in the three-year period ended December 31, 2005.

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:

– 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;

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

– 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 set forth 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. In 2005, the Group's activities were operated and managed in six segments. The information in this Annual Report, including the operating and financial review, reflects this operational and management structure.

Effective January 1, 2006, Credit Suisse Group aligned its organizational structure to its new strategic orientation, which is to focus on banking and to hold its insurance business as a financial investment.

In its banking business, the Group launched a key strategic initiative in December 2004 to form a fully integrated 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.

As an integrated bank, Credit Suisse is committed to delivering its combined experience and expertise to clients by drawing on its tradition of innovation across businesses and regions. With global divisions dedicated to investment banking, private banking and asset management, Credit Suisse can now better provide more comprehensive solutions for its clients, create synergies for revenue growth, increase efficiencies and grow shareholder value. The new regional structure enables Credit Suisse to leverage its resources and to develop cross-divisional strategies that span the Americas, Asia Pacific, Europe, Middle East and Africa (EMEA) and Switzerland.

The integration of the banking business began with the legal merger of the two Swiss banks, Credit Suisse and Credit Suisse First Boston, on May 13, 2005.

The newly integrated global bank was launched on January 1, 2006. It operates under a single Credit Suisse brand.

The brand names Credit Suisse First Boston and Credit Suisse Asset Management are no longer used.

This Form 20-F has been prepared on the basis of the structure in place for the year ended December 31, 2005. For further information, refer to Item 4 – Information on the Company.

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

in CHF m, except where indicated	2005	2004	2003	2002	2001
Net revenues	**60,632**	55,139	52,515	47,319	60,126
Total benefits, claims and credit losses	**23,429**	22,373	24,784	22,208	23,570
Total operating expenses	**27,954**	24,534	26,055	29,400	37,321
Income/(loss) from continuing operations before taxes, minority interests, extraordinary items and cumulative effect of accounting changes	**9,249**	8,232	1,676	(4,289)	(765)
Income tax expenses/(benefit)	**1,356**	1,421	(11)	(127)	(207)
Minority interests (including dividends on preferred securities)	**2,030**	1,127	102	(60)	242
Income/(loss) from continuing operations before extraordinary items and cumulative effect of accounting changes	**5,863**	5,684	1,585	(4,102)	(800)
Income/(loss) from discontinued operations, net of tax	**(27)**	(50)	(256)	(424)	18
Extraordinary items, net of tax	**0**	0	7	18	0
Cumulative effect of accounting changes, net of tax	**14**	(6)	(566)	60	123
Net income/(loss)	**5,850**	5,628	770	(4,448)	(659)
Basic earnings per share, in CHF					
Income/(loss) from continuing operations before extraordinary items and cumulative effect of accounting changes	**5.18**	4.85	1.34	(3.55)	(0.71)
Net income/(loss)	**5.17**	4.80	0.64	(3.85)	(0.58)
Diluted earnings per share, in CHF					
Income/(loss) from continuing operations before extraordinary items and cumulative effect of accounting changes	**5.03**	4.79	1.32	(3.55)	(0.71)
Net income/(loss)	**5.02**	4.75	0.63	(3.85)	(0.58)
Dividends/repayment of capital	**2.00** 1)	1.50	0.50	0.10	2.00
Return on assets	**0.5%**	0.5%	0.1%	(0.4%)	(0.1%)
Return on equity	**15.4%**	15.9%	2.2%	(11.4%)	(1.4%)
Dividend payout ratio	**38.7%**	31.3%	n/a	(2.6%)	n/a
Equity to asset ratio in %	**3.1%**	3.3%	3.4%	3.3%	3.9%

1) Proposal of the Board of Directors to the Annual General Meeting on April 28, 2006.

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

	2005	2004	2003	2002	2001
Assets under management in CHF bn	**1,484.3**	1,220.7	1,181.1	1,138.6	1,430.6 1)
Consolidated balance sheet in CHF m					
Total assets	**1,339,052**	1,089,485	1,004,308	1,027,158	1,135,109
Common shares	**624**	607	1,195	1,190	3,590
Total shareholders' equity	**42,118**	36,273	33,991	34,178	44,061
Consolidated BIS capital ratios 2)					
Risk-weighted assets in CHF m	**232,891**	199,249	190,761	196,486	222,874
Tier 1 ratio in %	**11.3**	12.3	11.7	9.0	9.5
Total capital ratio in %	**13.7**	16.6	17.4	14.4	15.7
Number of employees (full-time equivalents)	**63,523**	60,532	60,477	78,457	80,161
Number of shares outstanding	**1,125,360,183**	1,110,819,481	1,130,362,948	1,116,058,305	1,120,723,235

1) Not adjusted to reflect the current presentation.
2) All calculations through December 31, 2003, are on the basis of Swiss GAAP.

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
2001	0.6025	0.5910	0.6331	0.5495
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

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

Month	High	Low
March 2006 (through March, 17)	0.7756	0.7575
February 2006	0.7788	0.7575
January 2006	0.7940	0.7729

December 2005	0.7820	0.7570
November 2005	0.7825	0.7544
October 2005	0.7855	0.7679
September 2005	0.8139	0.7712

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.

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.

We have risk management techniques and policies designed to manage our market risk. These techniques and policies, however, may not be effective. For information on management of market risk, refer to Risk Management – Market risk in the Credit Suisse Group Annual Report 2005.

Adverse market or economic conditions 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 US 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.

Private banking, corporate and retail banking, asset management and insurance businesses

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

Investment banking business

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.

Alternative Capital business

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.

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 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.

Our revenues may decline in line with declines in certain sectors

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.

Holding large and concentrated positions may expose us to large losses

Concentrations of risk could increase losses at our private banking, corporate and retail banking, investment banking and insurance businesses, which may have sizeable loans to and securities holdings in certain customers or industries. We maintain a system of risk limits designed to control concentration risks. These controls, however, may not 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, refer to Risk management – Credit risk for the banking businesses in the Credit Suisse Group Annual Report 2005.

Banking businesses

Our banking 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, and this could have a material adverse effect on our results of operations. For information on provisions for loan losses and related risk mitigation, refer to Item 5 – Operating and Financial Review and Prospects – Critical accounting policies – Contingencies and loss provisions, and Risk management – Credit risk for the banking businesses in the Credit Suisse Group Annual Report 2005.

Investment banking business

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. 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.

Insurance businesses

We transfer a portion of our exposure to insurance risks through reinsurance arrangements. Under these arrangements, other insurers assume a portion of our losses and expenses associated with reported and unreported losses in exchange for premiums, but we are not discharged from our legal duty to pay claims on reinsured policies. Therefore, the inability of our reinsurers to meet their financial obligations could have an adverse effect on our results of operations. For further information relating to our reinsurance arrangements, refer to Risk management – Insurance risk – Risk structure in the insurance business in the Credit Suisse Group Annual Report 2005.

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 exchange 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, 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 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, asset management and insurance businesses are denominated in currencies other than the Swiss franc, which is the primary currency of our financial reporting. Exchange rate volatility may have an adverse impact on our results of operations.

Insurance underwriting risk

Underwriting risk represents the exposure to loss resulting when actual policy experience differs from the assumptions made in product pricing. These assumptions include mortality, morbidity, surrender rates and expenses on life insurance products and claim frequency and severity on non-life insurance products. Earnings in our insurance businesses depend significantly on the assumptions made in pricing insurance products and establishing the liabilities for future benefits and claims to be paid and may be adversely affected if policy experience differs significantly from the assumptions we make.

In our Non-Life business, our efforts to protect ourselves against catastrophe losses, through selective underwriting, reinsurance and monitoring of risk, may not be effective.

For information relating to insurance underwriting risk, refer to Risk management – Insurance risk in the Credit Suisse Group Annual Report 2005.

Liquidity risk

Our liquidity could be impaired if we could not 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 banking businesses may face asset-liability mismatches

Our banking 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 relating to the assets and liabilities of our banking businesses, refer to Item 5 – Operating and Financial Review and Prospects – Information required by Industry Guide 3 – Selected statistical information – Investment portfolios – Deposits and – Short-term borrowings.

Our insurance businesses may face liquidity problems

In the case of catastrophe losses, we may need to sell substantially more liquid investment assets than planned, which may cause us to realize a loss on those investments. In addition, our insurance businesses face a risk of asset and liability mismatches arising from our investment activities. Premiums are paid earlier than claims are settled and these funds must be invested in a manner that allows cash outflows at the appropriate time to meet liabilities, or it could affect our results of operations and financial condition. For information relating to the investments of our insurance businesses, refer to Item 5 – Operating and Financial Review and Prospects.

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 their 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 relating to our credit ratings, refer to Item 5 – Operating and Financial Review and Prospects – Liquidity and capital resources.

Operational risk

We are exposed to a wide variety of operational risks

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 sanction 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 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, refer to 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, refer to Item 5 – Operating and Financial Review and Prospects – Critical accounting policies.

Extensive regulation of our businesses limits our activities and may subject us to significant penalties

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 US 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. 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, among other things, in 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, refer to 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 insurance, 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 private banking, investment 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 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.

Moreover, if we fail to identify attractive businesses to acquire, 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.

We may fail to realize the anticipated revenue growth and cost synergies from the integration of our banking businesses

On the basis of our global integrated structure and single banking brand, officially launched on January 1, 2006, we aim to achieve revenue growth and cost synergies. However, to realize the anticipated benefits from the global integration, we must successfully combine components of our banking businesses in a manner that permits cost savings to be achieved while enhancing revenues. For a description of our integrated global bank initiative, refer to Information on the company – Organizational changes in 2006 in the Credit Suisse Group Annual Report 2005.

We may be unable to sell non-core assets at favorable prices, or at all.

Our ability to sell non-core assets and businesses, including our insurance business, at a favorable price may be adversely affected by poor business or market conditions. If we are delayed or precluded from selling our insurance or other non-core assets, owing to adverse market conditions or otherwise, it may 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 2005 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, insurance 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, asset management and insurance 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 EU (including the UK) and the 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.

Effective May 13, 2005, the Group merged its two Swiss banks, Credit Suisse and Credit Suisse First Boston, into one legal entity encompassing the combined operations of both banks under the name Credit Suisse.

For a more complete description of the organizational changes, refer to Information on the company – Organizational changes in 2006 in the Credit Suisse Group Annual Report 2005.

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 (the Bank Law), and its Implementing Ordinance of May 17, 1972, as amended (the Implementing Ordinance), it is required, pursuant to a Swiss Federal Banking Commission, or 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 Credit Suisse, 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, or the 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.

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, as noted above, 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).

Effective January 1, 2004, the Group calculates its regulatory capital on the basis of US generally accepted accounting principles, or US GAAP, with certain adjustments required by the SFBC. With these adjustments, the

Group's regulatory capital calculation methodology is substantially the same as for prior years.

The Group is required by the Bank for International Settlements, or 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, including a 100% deduction of the participation value of Winterthur, which is basically identical to Winterthur's equity capital (with certain modifications) – 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 at the earliest at year-end 2006. The SFBC formally announced that it intends to implement the new standards subject to a "Swiss finish." The SFBC will implement the new standards as of January 2007 for most Swiss banks applying the simpler methodologies of Basel II and as of January 2008 for large Swiss banks, such as Credit Suisse, applying the advanced methodologies of Basel II. The Group's various banking subsidiaries will be required to comply with the new standards, but the Group cannot predict at this time what the effect of the new regulation will be on its or its subsidiaries' capital and capital ratios or results of operations.

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, pre-defined 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 confidentality 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 confidentality 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, or 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 will implement the Basel II capital framework, for banking groups operating in the EU, from January 2007.

The Financial Conglomerates Directive, adopted in November 2002, applies additional prudential supervision for financial services groups that include regulated entities active both in the banking and/or investment services sectors and in the insurance sector. The UK Financial Services Authority, or FSA, is the Group's "EU coordinator" and has determined that the SFBC exercises equivalent consolidated supervision in accordance with the directive.

United States

The Group's operations are subject to extensive federal and state regulation and supervision in the US. The Group's US banking offices are composed of a New York branch, or the New York Branch, a US administrative office in Florida and a representative office in New York. 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 (the 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, the New York Branch must maintain, with banks in the State of New York, eligible high-quality assets in an amount generally equal to 1% of its assets (up to a maximum of USD 400 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 US 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, or the Board, in its capacity as the Group's US "umbrella supervisor." The New York Branch is also subject to examination by the Board. In addition, pursuant to the Board'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 Board 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 Board 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 Board 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, which the Group expects to become even more limited over time. The Group's business with such counterparties includes arranging financing for import-export contracts of primarily Swiss corporates and other multinational entities and client commodity trading. Other business activities include correspondent banking services to banks located in such countries and private banking services for nationals of, and clients domiciled in, such countries. The Group has a small 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 US 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, 2005 and total revenues for the year ended December 31, 2005.

Non-banking activities

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 US. The Gramm-Leach-Bliley Act of 1999, or GLBA, significantly modified these restrictions.

Once 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 US, including insurance, securities, private equity and other financial activities. 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 Board before acquiring, directly or indirectly, the ownership or control of more than 5% of any class of voting shares of any US bank or bank holding company. The New York Branch is also restricted from engaging in certain “tying” arrangements involving products and services.

Under GLBA and related Board regulations, the Group and Credit Suisse became financial holding companies effective March 23, 2000 by certifying and demonstrating that Credit Suisse was “well capitalized” and “well managed.” If in the future the Group or Credit Suisse ceases to be “well capitalized” or “well managed,” or otherwise fails to meet any of the requirements for financial holding company status, then, depending on which requirement it fails to meet, 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.

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 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, or Exchange Act. The 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 take effect no earlier than September 2006. 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 FSA is the principal statutory regulator of financial services activity in the UK, deriving its powers from the Financial Services and Markets Act 2000, or the FSMA. The FSA regulates banking, insurance (long-term and general) and investment business. Since October 2004, the FSA has also regulated the activities of mortgage intermediaries and, since January 2005, the activities of general insurance 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 EU, the UK is required to implement EU directives into national law. As such the regulatory regime for banks operating in the UK 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 EU 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 and regulated by the FSA to take deposits. 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, or the 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. Furthermore, the FSA requires banks operating in the UK to maintain adequate liquidity.

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 Mutual Funds (which is currently undergoing a complete revision and is expected to be replaced by a Law on Collective Capital Investments), these activities are conducted under the supervision of the SFBC.

European Union

In April 2004, as part of the FSAP, the EU adopted the Markets in Financial Instruments Directive, or MiFID. MiFID is required to be implemented into national laws by January 2007 and to be applied to all applicable investment firms no later than November 2007. MiFID replaces the Investment Services Directive and widens (i) the scope of investment services, including investment advice and services and activities relating to commodity derivatives, requiring authorization by EU member states and (ii) the range of regulated investments. In relation to these and other investment services and activities, MiFID provides a "passport" for investment firms enabling them to conduct cross-border activities across Europe when they have received prior 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 US, 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, or the 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 NYSE, and by state authorities. For their futures activities, broker-dealers are subject to industry self-regulatory organizations such as the National Futures Association, or the 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;

– 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 market;

– Prevention and detection of money laundering and terrorist financing;

– Procedures relating to research analyst independence; and

– Procedures for the clearance and settlement of trades.

The broker-dealers' operations are also subject to the SEC's net capital rule, Rule 15c3-1 (the 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, 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 (the Advisers Act), and the SEC's rules and regulations thereunder. In 2004, the SEC also adopted rules that require the registration of certain hedge fund advisers under the Advisers Act in 2006. 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 UK, 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.

Insurance

Switzerland

The Group conducts its insurance business under operating licenses that were granted by the Swiss Federal Department of Finance (FDF). The Group's Swiss insurance operations are subject to supervision by the Swiss Federal Office of Private Insurance (FOPI) as lead regulator and, for certain lines of business, by the Federal Social Insurance Office and the Swiss Federal Office of Public Health. FOPI is an administrative unit of the FDF, pursuant to the amended Insurance Supervisory Act of 2004 that came into effect as of January 1, 2006 (the Insurance Supervisory Act). FOPI has supervisory power as well as the authority to make decisions to the extent that the law does not explicitly designate the FDF as the governing regulatory body. The Group's insurance businesses are supervised on a consolidated basis pursuant to the Insurance Supervisory Act.

European Union

The EU has established a regulatory framework for the insurance sector through the issuance of directives on life and non-life insurance and on the supplementary supervision of financial conglomerates. The general objective of these directives is to achieve a single integrated financial services market, improve standards of prudential supervision and safeguard policyholders through harmonization of core regulatory standards and solvency requirements among EU member states. Individual EU member states implement these directives through national legislation that may set higher standards.

Each insurance company in an EU member state must maintain a solvency margin (shareholders' equity and quasi-equity) at a level that depends on the nature of the insurers' activity and that is calculated with reference to certain balance sheet and income statement items, subject to an absolute minimum.

The EU is currently designing a new solvency regime. It contains a fundamental and wide-ranging review of the current regime in light of current developments in insurance, risk management, finance techniques and financial reporting. One of the key objectives is to establish a solvency system that is better matched to the true risks of an insurance company.

Germany

German insurance companies are subject to a comprehensive system of regulation under the German Law of the Supervision of Insurance Undertakings, or the Insurance Supervision Law, which implements EU directives on insurance regulation. The Federal Financial Supervisory Authority monitors and enforces compliance with German insurance laws, applicable accounting standards, investment and technical provisions and solvency margins.

Under the Insurance Supervision Law and related regulations and regulatory releases, German insurance companies are subject to detailed requirements with respect to investment of their assets and liabilities and must maintain a minimum solvency margin, including a guarantee fund equal to one third of the solvency margin.

Under current regulations, German insurance companies may not carry out business that is not directly related to their insurance activities and may not offer life insurance, health insurance and property and casualty insurance within the same legal entity. Nevertheless, holding companies can hold different types of insurance companies, and primary insurers may write reinsurance.

United States

Insurance companies are subject to risk-based capital, or RBC, guidelines, which provide a method to measure the adjusted capital that insurance companies are required to maintain for regulatory purposes, taking into account the risk characteristics of the company ' s investments and products. To facilitate uniform regulation of insurer solvency across the US, the National Association of Insurance Commissioners, or NAIC, has adopted a formula and model law to implement RBC requirements for life insurance companies and most non-life insurance companies. The RBC requirements are used as early warning tools by the NAIC and the individual state insurance departments to identify companies that merit further regulatory action. A company's RBC is calculated by applying factors to various asset, premium and reserve items.

Although the US federal government does not directly regulate the insurance business, federal legislation and administrative policies in certain areas may significantly affect the insurance industry, including employee benefit plan regulation, financial services regulation, federal taxation, privacy, fair credit reporting and securities laws.

Insurance companies in the US are also subject to comprehensive and detailed regulation and supervision of their activities under US state laws in the individual states in which they conduct business. The laws of the various states establish insurance departments with broad powers to regulate most aspects of the insurance business, including a change in control.

Property and equipment

The Group's principal executive offices, which the Group owns, are located at Paradeplatz 8, Zurich, Switzerland. At December 31, 2005, the Group maintained worldwide 905 offices and branches, of which approximately half were located in Switzerland.

As of December 31, 2005, approximately 33% of the Group's worldwide offices and branches were owned directly by us with the remainder being held under commercial leases, 64% of which expire after 2010. The book value of the ten largest owned properties was approximately CHF 2.0 billion at December 31, 2005. 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, 2005, 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 relating to the Group's principal capital expenditures and divestitures at the present time and for the last three financial years, refer to 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, refer to note 5 of the Notes to the consolidated financial statements.

For selected statistical information relating to the Group's banking business, refer to 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, 2005 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 2005 on pages 31 to 67 and such information is incorporated herein by reference.

Critical accounting policies

In order to prepare the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America (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 as a result 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. Significant accounting policies and a discussion of new accounting pronouncements are disclosed in notes 1 and 2 of the Notes to the consolidated financial statements.

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 over-the-counter (OTC) derivative instruments, most collateralized debt obligations (CDOs), 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 mortgage-backed and asset-backed securities, certain CDOs, certain OTC derivatives, 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.

For further discussion of the Group’s risk management policies and procedures, refer to Risk management in the Credit Suisse Group Annual Report 2005.

Price transparency of financial instruments recorded at fair value

Financial instruments recorded on 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 at December 31, 2005:

December 31, 2005, in CHF m	Quoted market prices or observable market parameters	Reduced or no observable market parameters

Assets		
Trading assets		
Money market instruments	17,160	0
Trading securities	311,155	27,059
Derivatives [1]	263,159	10,720
Other	20,335	4,349
Total trading assets	**611,809**	**42,128**
Investment securities		
Available-for-sale securities	109,150	318
Total investment securities [2]	**109,150**	**318**
Other investments and other assets		
Private equity and other long-term investments	495	8,935
Derivative instruments used for hedging	3,517	137
Total other investments and other assets	**4,012**	**9,072**
Liabilities		
Trading liabilities		
Financial instruments sold, not yet repurchased	137,265	353
Derivatives [1]	250,998	24,264
Total trading liabilities	**388,263**	**24,617**
Other liabilities		
Derivative instruments used for hedging	2,368	16
Total other liabilities	**2,368**	**16**

1) Based on gross mark-to-market valuations of the Group's derivative positions prior to netting of CHF 218.7 billion.

2) Excludes debt securities held-to-maturity of CHF 12.1 billion, 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. Under US GAAP, the Group does 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 is 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 the fair value of derivatives as of December 31, 2005 and 2004, see note 33 of the Notes to the consolidated financial statements.

Other trading assets

Other trading assets primarily include residential mortgage loans that are purchased with an 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 of the Notes to the consolidated financial statements, unrealized gains and losses on securities classified as available-for-sale are recorded in Accumulated other comprehensive income (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

The Group’s other investments include items for which the determination of fair value is generally more subjective, including 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 our private equity investments by category:

	2005		2004	
December 31, in CHF m, except where indicated	Fair value	Percent of total	Fair value	Percent of total
Credit Suisse managed funds	**7,952**	**73.4%**	7,794	81.2%
Direct investments	**148**	**1.4%**	106	1.1%
Funds managed by third parties	**2,735**	**25.2%**	1,704	17.7%
Total	**10,835**	**100.0%**	9,604	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 fair value of investments in internally-managed fund of funds partnerships is based on the valuation received from the underlying fund manager and reviewed by us, and is reflected in "Reduced or no observable market parameters" in the table above. 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 FIN 46R, which are described in further detail in note 36 of the Notes to the consolidated financial statements. A substantial portion of the private equity funds consolidated primarily under FIN 46R are 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 us.

Provisions from the insurance business

Future policyholder benefits

The provision for future policyholder benefits for traditional life and health products is computed using the net level premium method, which represents the present value of estimated future policy benefits to be paid less the present value of estimated future net premiums to be collected from policyholders. This method uses best estimate assumptions for mortality, morbidity, expected investment yields, lapses/surrenders and expenses at the policy inception date, which remain locked in thereafter. When applicable, the provision is adjusted for adverse deviation to provide a margin for fluctuation and uncertainty inherent in the assumption-setting process.

The provision for future policyholder benefits for traditional participating life products is computed using the net level premium method. This method uses best estimate assumptions for mortality, morbidity and interest rates that are guaranteed in the contract or are used in determining the dividends. The provision for future policyholder benefits for non-traditional life products is equal to the account balance, which represents premiums received and allocated investment return credited to the policyholder less deductions for mortality costs and expenses. The provision for future policyholder benefits also includes liabilities for guaranteed minimum death and similar mortality and morbidity benefits, annuitization options and sales inducements based on contractual obligations using actuarial assumptions.

Best estimate assumptions include, but are not limited to, interest, expenses, lapses/surrenders, mortality/morbidity and future bonuses. Current and historical client data and industry data are used to determine these assumptions. Assumptions for interest reflect expected earnings on assets backing the future policyholder benefits. Economic assumptions such as the expected long-term earned investment rate are derived centrally based on current market yields of bonds adjusted for long-term asset allocation targets, which are set by the Investment Committee. The guidance used by the Group's qualified actuaries in setting such assumptions includes, but is not limited to, pricing assumptions, available experience studies, profitability analysis and embedded value assumptions, in consultation with independent consultants where appropriate.

Provisions for unpaid losses and loss adjustment expenses

A provision for unpaid losses, including estimates of costs for losses relating to insured events that have occurred but have not been reported, and a provision for loss adjustment expenses (LAE) are accrued for when insured events occur. The provisions for unpaid losses are derived from best estimate assumptions and appropriate actuarial methods. The provisions for unpaid losses are based on the estimated ultimate cost of settling claims, using past experience adjusted for current and expected future trends and any other factors that would modify past experience. Provisions for unpaid losses and LAE reserves are established locally by the business units and subject to review by an actuarial team in the Winterthur Corporate Center. Local management determines its best estimate using actuarial methods such as Chain Ladder, Bornhuetter-Ferguson and Frequency-Severity. Management considers the nature of the business written, the available historical data, past experience and expected future trends in selecting the method used to determine the best estimate. For example, the Chain Ladder method is used to estimate the provisions for unpaid losses and LAE for businesses with stable claims development. For businesses with significant changes in historical experience such as material changes in case reserves or in the speed of claims settlement, a best estimate based on case reserves plus pure Incurred But Not Reported for late claims, or a best estimate based on more specific actuarial methods, may be considered more appropriate.

The Group routinely evaluates the potential for changes in loss estimates with the support of qualified actuaries and uses the results of these evaluations to adjust recorded provisions. However, the provision for unpaid losses and LAE are only estimates of future activity and are subject to variability. The assumptions underlying the provision may not materialize as expected, and even if future conditions do develop as anticipated, events may occur which lead to different results than originally estimated. Any subsequent adjustments are recorded in the period in which they are determined. Certain provisions for unpaid losses and LAE for which the payment pattern and the ultimate cost are fixed and can be reliably determined on an individual claim basis are discounted at the rate used for statutory accounting but not exceeding the long-term risk free rate.

For further information on the provision for unpaid losses and LAE, refer to notes 21 and 22 of the Notes to the consolidated financial statements.

Deferred policy acquisition costs (DAC)

DAC on non-life products are amortized over the periods in which the related premiums are earned. DAC on traditional life and health products are amortized over the premium paying period of the related policies in proportion to the net level premium using assumptions consistent with those used in computing the provision for future policyholder benefits. The methods use best estimate assumptions for mortality, morbidity, expected investment yields, terminations and expenses at the policy inception date and remain locked in.

DAC on participating traditional life products are amortized over the expected life of the contracts in proportion to the estimated gross margins. The present value of estimated gross margins is computed using the expected investment yield. Estimated gross margins include estimates of premiums to be received, expected earned investment income, benefits to be paid, administration costs, changes in reserve for death and other future policyholder benefits and expected annual policyholder dividends. Estimates of expected gross margins are determined on a best estimate basis without provisions for adverse deviation and are evaluated on a regular basis when actual margins replace estimated margins to reflect actual profits.

DAC on non-traditional life products are amortized over the expected life of the contracts as a constant percentage of estimated gross profits. The present value of estimated gross profits is computed using the interest that accrues to the policyholders, known as the contract rate. Estimated gross profits include estimates regarding mortality, administration costs, expected investment income less interest credited to policyholders and surrender charges.

The basis for the assumptions and estimates used will impact the current earnings and the emergence of future profits. The Group regularly reviews the assumptions and estimates used in the estimated gross margins and estimated gross profits. The adjustment to these assumptions is referred to as “unlocking” and consists of two components:

– Retrospective unlocking, which consists of adjustments for actual experience. These adjustments involve the computation and use of actual gross profit in lieu of the amount originally estimated for that period in the amortization of DAC; and

– Prospective unlocking, which consists of adjustments to future assumptions. Prospective unlocking involves the replacement of future assumptions with updated best estimates.

For both components, a new DAC amortization pattern is calculated and the impact is included in the current period income statement.

The Group also regularly evaluates whether the net GAAP liability, which represents benefit reserves less DAC and PVFP, is adequate to cover all future policy commitments. The net GAAP liability is compared to the present value of future benefits and expenses less the present value of future gross premiums (the Gross Premiums Valuation, or GPV). The GPV is calculated using best estimate assumptions as of the issue date for initial recoverability and valuation for ongoing loss recognition testing. If the GPV is greater than the net GAAP liability, a recoverability issue exists or a loss recognition event is deemed to have occurred. The GPV then becomes the new net GAAP liability by first writing off DAC and then increasing the benefit reserve once the DAC has been written down to zero.

For further information on DAC as of December 31, 2005 and 2004, see note 19 of the Notes to the consolidated financial statements.

Present value of future profits (PVFP)

Expected future profits used in determining PVFP are based on actuarial determinations of future premium collection, mortality, morbidity, surrenders, operating expenses and yields on assets supporting the policy liabilities. The discount rate used to determine the PVFP is the rate of return required to be able to invest in the portfolio being acquired. Additionally, the PVFP asset is adjusted for the impact of estimated gross margins or profits of net unrealized gains and losses on securities.

Establishing PVFP is an inherently uncertain process involving complex judgments and estimates, and currently established PVFP may not be fully realized. If the present value of future net cash flows is insufficient to recover PVFP, the difference is charged to the income statement as an additional PVFP write-off, which could be material to the results of operations.

For further information on PVFP as of December 31, 2005 and 2004, see note 17 of the Notes to the consolidated financial statements.

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 more information on legal proceedings, see Item 8 – Financial Information — Legal proceedings and note 42 of the Notes to the consolidated financial statements.

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 and as a result of 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 notes 1 and 13 of the Notes to the consolidated financial statements, which are considered adequate to absorb credit losses existing at the balance sheet date. 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. During 2003, the Group refined the inherent loss reserving methodology applied to the Institutional Securities segment to provide more weight to the effects of the current economic environment on its credit portfolio than was used previously. The refined methodology for this segment 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, refer to notes 1 and 13 of the Notes to the consolidated financial statements.

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, refer to Risk Management in the Credit Suisse Group Annual Report 2005.

Goodwill impairments

As a result of acquisitions, the Group has recorded goodwill as an asset on its consolidated balance sheet, the most significant components of which arose from the acquisitions of Donaldson, Lufkin & Jenrette Inc. (DLJ) and Winterthur. Goodwill was CHF 12.9 billion and CHF 11.6 billion as of December 31, 2005 and 2004, respectively. Changes in the balance of goodwill in 2005 and 2004 were caused primarily by foreign exchange fluctuations in goodwill denominated in US dollars.

The recorded goodwill is reviewed for possible impairments on an annual basis and at any other time that events or circumstances indicate that the carrying amount 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. Reporting units equal the Group's operating segments. If the fair value of a reporting unit exceeds its carrying value, there is no goodwill impairment. Factors considered in determining 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, involves 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 segments may result in a goodwill impairment charge in the future.

During 2005 and 2004 no goodwill impairment charges were recorded. For further information on goodwill, refer to note 15 of the Notes to the consolidated financial statements.

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 balance sheet date.

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, 2005 and 2004, 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, 2005 and 2004 included gross deferred tax assets of CHF 11.7 billion and CHF 10.3 billion, respectively, and gross deferred tax liabilities of CHF 6.4 billion and CHF 6.0 billion, respectively. 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 1,225 million and CHF 1,543 million as of December 31, 2005 and 2004, respectively, which related primarily to deferred tax assets on net operating loss carry-forwards. The increase in deferred tax assets of CHF 1.4 billion includes the benefit relating to an increase in the reserve for certain private litigation matters and a change in the Group's accounting for share-based compensation. The decrease in the valuation allowance of CHF 318 million during 2005 is attributable to the realization of previously unrecognized tax benefits on tax loss carry-forwards as a result of ordinary income, as well as changes in management's judgment about taxable income and tax planning strategies in future periods.

For further information on deferred tax assets, refer to note 29 of the Notes to the consolidated financial statements.

Tax contingencies

Significant judgment is required in determining the effective tax rate and in evaluating certain tax positions. The Group accrues for tax contingencies when, despite the belief that its tax return positions are fully supportable, certain positions could be challenged and the Group’s positions may not be fully sustained. 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.

As of December 31, 2005, 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 447 million and CHF 289 million, respectively. In 2005, contributions of CHF 421 million were made to the Swiss plans and CHF 135 million were made to the international plans. The Group expects to make total contributions to the Swiss and international plans of approximately CHF 500 million in 2006.

The projected benefit obligations of the Group's total defined benefit pension plans include an amount related to future salary increases of CHF 1,814 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 597 million for 2005.

The Group is required to estimate the expected return on plan assets, which is then used to compute pension cost recorded in the consolidated statements of income. Estimating future returns on plan assets is particularly subjective, 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.

At December 31, 2005, the Swiss plans' assets 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. The Swiss plans' assets at December 31, 2004 were allocated 13.5% to equity securities, 33.1% to debt securities, 26.4% to insurance, 13.1% to real estate, 10.2% to liquidity and 3.7% 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 at 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 plan assets for the international plans at December 31, 2004 were allocated 43.6% to equity securities, 18.4% to debt securities, 23.0% to insurance, 1.2% to real estate, 7.2% to liquidity and 6.6% to alternative investments. The year-end allocations were within the plans' target ranges.

The expected rate of return on plan assets in Switzerland decreased 0.5% to 4.7% at December 31, 2005 from 5.2% at December 31, 2004, due mainly to a deterioration in expected rates of return from the Swiss debt markets. For the year ended December 31, 2005, if the expected rate of return had been increased by 1%, net pension expense for the Swiss plans would have decreased by CHF 148 million and net pension expense for the international plans would have decreased by CHF 29 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 decreased 0.8% from 3.8% at December 31, 2004 to 3.0% at December 31, 2005, due mainly to a decrease in Swiss bond market rates. The average discount rate used for international plans decreased 0.6% from 5.4% at December 31, 2004 to 4.8% at December 31, 2005, due mainly to a decrease in bond market rates in the European Union. For the year ended December 31, 2005, a 1% decline in the discount rate for the Swiss plans would have resulted in an increase in benefit obligations of CHF 131 million, and a 1% increase in the discount rate would have resulted in a decrease in benefit obligations of CHF 23 million. For the year ended December 31, 2005, a 1% decline in the discount rate for the international plans would have resulted in an increase in benefit obligations of CHF 94 million, and a 1% increase in the discount rate would have resulted in a decrease in benefit obligations of CHF 59 million.

Unrecognized 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 16 years for the international plans. The expense associated with the amortization of unrecognized net actuarial losses for the years ended December 31, 2005 and 2004 was CHF 54 million and CHF 42 million, respectively. The amortization of unrecognized actuarial losses for the year ending December 31, 2006, which is assessed at the beginning of the plan year, is expected to be CHF 133 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 unrecognized actuarial losses, resulting in a higher or lower amount of amortization expense in periods after 2006.

For further information on the Group's pension benefits, refer to note 32 of the Notes to the consolidated financial statements.

Off-balance sheet arrangements

Credit Suisse 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 acquiror 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, intellectual property matters and adequacy of claims reserves) from the acquirer to the seller. The Group closely monitors all such contractual agreements to ensure that indemnification provisions are adequately provided for in the Group's financial statements.

In respect of the dispute between XL Insurance (Bermuda) Limited (XL or the purchaser) and Winterthur relating to the sale of Winterthur International in 2001, the Independent Actuary reached a final conclusion on December 5, 2005. According to the report released by the Independent Actuary, the estimates presented by Winterthur came closer to the amounts determined by the Independent Actuary both for the seasoned net reserve amount (SNRA) and for the seasoned net premiums receivables (SNPR) received from XL. Accordingly, Winterthur's estimates, already provided for in the Winterthur accounts, became the final and relevant SNRA and SNPR. For additional information relating to contingencies involving this sale, see notes 34 and 42 of the Notes to the consolidated financial statements.

In September 2003, the Group sold Churchill Insurance Group, plc (Churchill), its UK non-life insurance operations, to the Royal Bank of Scotland (the purchaser). In accordance with the terms of the SPA for Churchill, the Group is required to reimburse the purchaser for a proportion of any losses in one line of business. Profits in this one line of business are shared under similar terms. The amount payable or receivable under the provisions of the Churchill SPA is determined based primarily on actuarial valuations, which are updated and settled quarterly, with an independent actuarial valuation of the provisions performed regularly as agreed by Winterthur and the purchaser.

Financial Accounting Standards Board Interpretation 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 34 of the Notes to the consolidated financial statements.

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 QSPE; 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 Statement of Financial Accounting Standards No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities, a replacement of FASB Statement No. 125" (SFAS 140), 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 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 sheet. Any changes in the fair value of these retained interests are recognized in the consolidated income statement. 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. See note 35 of the Notes to the consolidated financial statements, which includes quantitative information on the Group's securitization activities and retained interests.

Variable interest entities

FASB Interpretation No. 46 (Revised) "Consolidation of Variable Interest Entities – An Interpretation of ARB No. 51" (FIN 46R), requires the Group to consolidate all variable interest entities (VIEs) 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. As of December 31, 2005, the Group consolidated 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 acts as the administrator and provider of liquidity and credit enhancement facilities for several commercial paper conduit vehicles (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. Several CP conduits were restructured and combined in 2003 and the combined CP conduit transferred the risk relating to a majority of its expected losses to a third-party.

The Group's commitments to CP conduits consist of obligations under liquidity agreements and credit enhancement. 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.

See note 36 of the Notes to the consolidated financial statements for additional information.

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 2005, primarily reflecting an increase in long-term debt obligations. Long-term debt increased from CHF 106.3 billion in 2004 to CHF 133.0 billion in 2005 due to an increase in senior debt issued, mainly to fund the issuance of structured products. Similarly, short-term contractual obligations increased from CHF 490.4 billion in 2004 to CHF 601.0 billion in 2005, primarily reflecting increases in deposits and trading account liabilities. The increase in deposits related partly to the strengthening of the US dollar against the Swiss franc and partly to increased market activity, resulting in an increase in time deposits and certificates of deposits. Trading account liabilities increased in line with the increase in trading assets, reflecting market opportunities and an increase in the prime brokerage business.

See note 34 of the Notes to the consolidated financial statements for additional information relating to commitments.

The following table sets forth future cash payments associated with our contractual obligations on a consolidated basis:

	Payments due by period				
December 31, 2005, in CHF m	Less than 1 year	1-3 years	3-5 years	More than 5 years	Total
Long-term debt obligations	15,296	42,384	32,996	42,299	**132,975**
Capital lease obligations	6	10	12	209	**237**
Operating lease obligations	738	1,285	1,086	5,523	**8,632**
Purchase obligations	414	448	150	34	**1,046**
Other long-term liabilities reflected on the balance sheet	169	13	0	0	**182**
Total obligations	16,623	44,140	34,244	48,065	**143,072**

The following table sets forth our consolidated short-term contractual obligations:

December 31,	2005	2004
Deposits	**364,238**	299,341
Short-term borrowings	**19,472**	15,343
Brokerage payables	**23,068**	25,623
Trading account liabilities	**194,225**	150,130
Total short-term contractual obligations	**601,003**	490,437

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 on the balance sheet date and which arise from transactions for the account of customers and our own accounts. 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 arms' 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 on the balance sheet. 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 on the balance sheet to the extent the counterparty has defaulted in its obligation to the Group and is no longer entitled to have the collateral returned.

The following table sets forth details of trading and hedging derivative instruments:

	Trading			Hedging		
December 31, 2005, in CHF bn	Notional amount	Positive replacement value	Negative replacement value	Notional amount	Positive replacement value	Negative replacement value
Forwards and forward rate agreements	2,096.7	1.7	1.8	0.4	0.1	0.0
Swaps	12,781.7	170.1	164.5	92.5	2.1	1.2
Options bought and sold (OTC)	1,973.9	21.7	24.2	12.6	0.2	0.1
Futures	1,001.9	0.0	0.0	0.0	0.0	0.0
Options bought and sold (traded)	712.2	0.1	0.1	0.0	0.0	0.0
Interest rate products	**18,566.4**	**193.6**	**190.6**	**105.5**	**2.4**	**1.3**
Forwards	1,000.2	12.4	12.2	35.3	0.6	1.0
Swaps	635.1	18.5	19.3	2.8	0.6	0.1
Options bought and sold (OTC)	483.7	5.3	6.1	0.0	0.0	0.0
Futures	10.3	0.0	0.0	0.0	0.0	0.0
Options bought and sold (traded)	7.5	0.1	0.1	0.0	0.0	0.0
Foreign exchange products	**2,136.8**	**36.3**	**37.7**	**38.1**	**1.2**	**1.1**
Forwards	8.9	1.2	1.3	0.0	0.0	0.0
Swaps	2.0	0.0	0.1	0.0	0.0	0.0
Options bought and sold (OTC)	4.5	0.1	0.1	0.0	0.0	0.0
Futures	0.1	0.0	0.0	0.0	0.0	0.0

Options bought and sold (traded)	0.0	0.0	0.0	0.0	0.0	0.0
Precious metals products	**15.5**	**1.3**	**1.5**	**0.0**	**0.0**	**0.0**
Forwards	14.6	4.9	6.4	0.0	0.0	0.0
Swaps	190.1	1.7	3.2	0.0	0.0	0.0
Options bought and sold (OTC)	480.9	22.1	20.8	0.0	0.0	0.0
Futures	57.2	0.1	0.0	0.0	0.0	0.0
Options bought and sold (traded)	333.6	1.7	1.2	0.0	0.0	0.0
Equity/index-related products	**1,076.4**	**30.5**	**31.6**	**0.0**	**0.0**	**0.0**

	2005		2004	
December 31, in CHF bn	Positive replacement value	Negative replacement value	Positive replacement value	Negative replacement value
Replacement values (trading and hedging) before netting	**277.5**	**277.5**	248.1	249.3
Replacement values (trading and hedging) after netting	**58.8**	**58.8**	58.3	59.5

Freestanding derivatives

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 notional amounts and maturity. 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 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 interest rate derivatives to manage net interest rate risk on certain core banking business assets and liabilities, and credit derivatives to manage the credit risk on certain of the Group's loan portfolios. 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 that are designated and qualify as fair value hedges are recorded in the consolidated balance sheet at fair value with the carrying value of 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 income statement as the change in fair value of the risk being hedged for the hedged assets or liabilities to the extent the hedge is effective. The change in fair value representing hedge ineffectiveness is recorded separately in trading revenues.

Cash flow hedges

Cash flow hedging strategies are used to mitigate exposure to 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 Swiss franc assets or liabilities.

Further, the Group uses derivatives to hedge the 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 15 years.

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 Accumulated other comprehensive income (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 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, 2005, in CHF bn	Less than 1 year	1-5 years	More than 5 years	Positive replacement value
Interest rate products	12.9	62.3	120.7	195.9
Foreign exchange products	20.5	9.8	7.1	37.4
Precious metals products	0.5	0.8	0.0	1.3
Equity/index-related products	7.9	18.5	2.3	28.7
Credit derivatives	0.3	8.2	3.2	11.7
Other products	0.1	0.4	0.0	0.5
Total derivative instruments	42.2	100.0	133.3	275.5

Netting agreements [1]	(218.7)
Total derivative instruments, net positive replacement value [1]	**56.8**

[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, 2005, in CHF bn	Net positive replacement value
AAA	21.5
AA	15.0
A	6.4
BBB	6.9
BB or lower	7.0
Total derivative instruments, net positive replacement value	**56.8**

For further information on derivatives, refer to note 33 of the Notes to the consolidated financial statements and Item 7 - Major shareholders and related party transactions.

Related party transactions

The Group enters into related party transactions with its directors, officers and employees and those of its subsidiaries. For further information relating to these transactions, refer to note 31 of the Notes to the consolidated financial statements.

Recently issued accounting standards

For a discussion of recently issued accounting standards, refer to notes 1 and 2 of the Notes to the consolidated financial statements.

Liquidity and capital resources

Credit Suisse Group consolidated and Credit Suisse Group legal entity

Organization

In its banking business, the Group launched a key strategic initiative in December 2004 to form a fully integrated bank, with three segments: Investment Banking, Private Banking and Asset Management. The integration of the banking business began with the legal merger of the two Swiss banks, Credit Suisse and Credit Suisse First Boston, on May 13, 2005. The newly integrated global bank was launched on January 1, 2006. The following discussion reflects the organizational structure in place throughout 2005, as described in Item 4 – Information on the company in the Credit Suisse Group Annual Report 2005.

The Group's liquidity and capital needs are addressed at the consolidated and legal entity level. Each of the principal legal entities, Credit Suisse Group, Credit Suisse and Winterthur, 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 Excutive Officers (CEOs) of the Group, the banking divisions and Winterthur; the Chief Financial Officer (CFO) and the Chief Risk Officers (CROs) of Credit Suisse Group and Credit Suisse, as well as the Chief Operating Officer (COO) of Credit Suisse and its 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 decisions is updated in regular monthly sessions with the CRO, 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 various legal entities of Credit Suisse 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

Credit Suisse 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 Credit Suisse Group common shares and, from time to time, the acquisition of new businesses. Generally, Credit Suisse Group does not serve as a financing conduit for those operating subsidiaries that have direct access to external sources of funding. It does, however, issue medium-term and long-term debt for general corporate purposes in Switzerland and through finance subsidiaries for general corporate purposes outside Switzerland. In addition, Credit Suisse Group is the provider of capital and thus is the issuer of most 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.

Credit Suisse Group expects to receive total dividends of approximately CHF 2,800 million for the 2005 financial year, compared with CHF 2,778 million for the 2004 financial year and CHF 960 million for the 2003 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. The registered shares, repurchased via a second trading line on virt-x, will be cancelled, subject to shareholders' approval. Through March 21, 2006, the Group repurchased CHF 1.9 billion of shares under the program. In addition, on December 23, 2005, the Group's CHF

1.25 billion, 6% Subordinated Mandatory Convertible Securities were redeemed through conversion into approximately 33.7 million Credit Suisse Group common shares under the terms of the notes. Until the date of conversion the convertible securities formed part of long-term debt. From time to time the Group also repurchases its own shares for the purpose of satisfying its obligations under its employee benefit plans.

In respect of the 2005 financial year, subject to shareholder approval, the Group will make a dividend payment in the amount of CHF 2.00 for each share ranking for dividends, or a total of approximately CHF 2,400 million. For the 2004 financial year, the Group paid dividends of CHF 1,821 million, and for the 2003 financial year, the total capital repayment, in lieu of a dividend, amounted to CHF 599 million.

At December 31, 2005, Credit Suisse Group and its finance subsidiaries had borrowings of CHF 13.5 billion, a decrease of CHF 2.0 billion compared to year-end 2004. During the third quarter of 2005, the Group issued EUR 850 million 3.125 per cent Guaranteed Notes due in 2012, and EUR 900 million 3.625 per cent Step-up Callable Subordinated Guaranteed Notes due in 2020. These notes are quoted on the Swiss Exchange (SWX) and the proceeds were used to repay or repurchase other outstanding notes and bonds. In January 2006, Credit Suisse 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.

The cost of servicing debt and preferred securities issued by Credit Suisse Group and its finance subsidiaries, after taking swap transactions into consideration, was CHF 725 million in 2005, CHF 693 million in 2004 and CHF 711 million in 2003.

Credit Suisse Group maintains a shelf registration statement on file 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.

Factors that may affect liquidity and capital resources

The subsidiaries of Credit Suisse 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 Credit Suisse and Winterthur may pay dividends only if and to the extent: (i) they have earned a profit during a given financial year or previously established reserves for the payment of dividends; (ii) the required portion of 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. Credit Suisse 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 considering 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 and management team and the broader outlook for the financial services industry. Credit ratings do not indicate a recommendation to buy, sell or hold securities of the Group.

On January 26, 2006, Standard & Poor's changed its outlook on Credit Suisse Group to positive from stable. At the same time, it affirmed the 'A/A-1' long- and short-term counterparty credit ratings.

The credit rating and ratings outlook assigned to the senior debt of Credit Suisse Group, on a standalone basis, as of March 21, 2006 were as follows:

	Short-Term	Long-Term	Outlook
Fitch	F1+	AA-	Stable
Moody's	-	Aa3	Stable
Standard & Poor's	A-1	A	Positive

In addition the Group's principal subsidiaries, Credit Suisse and Winterthur, have their own ratings, which are described below.

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 continue to operate the Group's business franchise under extremely adverse conditions. 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 account of the credit and market risk associated with balance sheet assets and certain off-balance sheet transactions. All calculations through December 31, 2003 were performed on the basis of financial reporting under Swiss GAAP, the basis for the capital supervision by the Swiss regulator. 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 equity from special purpose entities, which are deconsolidated under FIN 46R, in the amount of CHF 2.2 billion and CHF 2.1 billion as of December 31, 2005 and 2004, respectively. For further information about our risk-based capital guidelines, refer to Item 4 – Information on the company – Regulation and supervision.

The risk and capital position of the insurance business is considered when calculating the consolidated capital ratios. Pursuant to the SFBC's 2003 Decree on the capital treatment of Winterthur, the capital charge for the insurance business is reflected as a reduction to the relevant regulatory capital amounts.

For details on the components of our consolidated capital structure, refer to note 40 of the Notes to the consolidated financial statements.

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

December 31, in CHF m, except where indicated	2005	2004
Tier 1 capital	**26,348**	24,596
of which non-cumulative perpetual preferred securities	**2,170**	2,118
Total capital	**31,918**	33,121
BIS Tier 1 capital ratio	**11.3%**	12.3%
BIS total capital ratio	**13.7%**	16.6%

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, 2005, 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. Refer to Contractual obligations and other commercial commitments 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, 2005.

For additional information on our off-balance sheet commitments, refer to note 34 of the Notes to the consolidated financial statements.

Credit Suisse legal entity

Organization

The Credit Suisse legal entity is comprised of the former Credit Suisse First Boston and former Credit Suisse legal entities, which were merged on May 13, 2005, as part of the Group's strategy of forming a fully integrated bank. Following the merger, the liquidity and capital of the combined entity is managed on a collective basis.

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

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

Liquidity management

Credit Suisse 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, Credit Suisse 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.

Credit Suisse's liquidity management structure operates at two levels, the "bank franchise" and the "non-bank franchise."

The "bank franchise" comprises Credit Suisse and its regulated subsidiaries and has access to funds raised directly by Credit Suisse from stable deposit-based core funds, the interbank markets and secured funding through the repurchase and securities lending markets. Historically, Credit Suisse'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, Credit Suisse's broker-dealer subsidiaries would directly access the secured funding markets to replace unsecured borrowings from the parent bank.

For the "non-bank franchise," where access to parent bank funding is limited, Credit Suisse aims to maintain sufficient liquidity so that in the event that it is unable to access the unsecured capital markets, it will have cash and liquid assets sufficient to repay maturing liabilities for a minimum period of one year. When assessing the amount of cash and liquid assets, consideration is given to any regulatory restrictions that limit the amount of cash that could be distributed upstream by Credit Suisse's principal broker-dealer subsidiaries to their unregulated parent entities.

The majority of Credit Suisse's assets are held in its bank franchise. A substantial portion of these 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, Credit Suisse has significant receivables from customers and broker-dealers that turn over frequently. To meet client needs as a securities dealer, Credit Suisse may carry significant levels of trading inventories.

As part of its Swiss domestic business, Credit Suisse 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, which are all held in the bank franchise, are well diversified by geography, customer type and instrument. Other assets financed by the bank franchise include loans to corporate and other institutional clients, money market holdings and foreign exchange positions held directly on Credit Suisse's balance sheet.

Assets held in Credit Suisse's non-bank franchise 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 non-bank franchise also provides most of the regulatory capital (equity and subordinated debt) in Credit Suisse's broker-dealer and bank subsidiaries.

The principal measure used to monitor the liquidity position at each of the funding franchises of Credit Suisse 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. Credit Suisse's objective, as mandated by CARMC, is to ensure that the liquidity barometer for each of the funding franchises is maintained at a sufficient level to ensure that, in the event that Credit Suisse is unable to access unsecured funding, it will have sufficient liquidity for an extended period.

For the non-bank franchise, Credit Suisse's objective is to ensure that the liquidity barometer equals or exceeds a time horizon of one year. In the case of the bank franchise, the objective is to ensure the liquidity barometer equals or exceeds 120 days. The different time horizons reflect the relative stability of the unsecured funding base of each funding franchise. In the non-bank franchise, 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 Credit Suisse believes access to these markets would be quickly diminished. Conversely, the bank franchise's retail and institutional deposit base is measured using contractual maturities that have been adjusted to reflect behavioral stability. Historically, this core deposit base has proven extremely stable, even in stressed markets. The conservative parameters Credit Suisse uses in establishing the time horizons in the funding franchises assume that assets will not be sold to generate cash, no new unsecured debt can be issued, and funds that 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 commercial paper 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. Credit Suisse regularly stress tests its liquidity resources using scenarios designed to represent highly adverse conditions.

The bank franchise 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 Credit Suisse, the bank franchise maintains another large source of secondary liquidity through Credit Suisse’s principal broker-dealers and other regulated entities. The bank franchise 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. Credit Suisse 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.

Credit Suisse’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

– Stage II – Unsecured markets partially inaccessible

– Stage III – Unsecured markets fully 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 the plan is executed.

Credit Suisse, through various broker-dealer and bank subsidiaries, has negotiated secured bilateral committed credit arrangements with various third party banks. As of December 31, 2005, Credit Suisse maintained ten such credit facilities that collectively totaled USD 4.5 billion. These facilities require Credit Suisse’s various broker-dealer and bank 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 Credit Suisse believes will not impair its ability to obtain funding.

Funding sources and strategy

The bank franchise’s assets are principally funded with a mixture of unsecured and secured funding. Unsecured funding is primarily accessed through Credit Suisse’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 Credit Suisse Group entities on both a secured and unsecured basis.

The non-bank funding franchise's assets are also funded with a mixture of secured and unsecured sources. Secured funding consists of collateralized short-term borrowings, while unsecured funding includes principally long-term borrowings and, to a lesser extent, commercial paper. Credit Suisse typically funds a significant portion of less-liquid assets, such as private equity investments, with long-term capital markets borrowings and shareholders' equity. Unsecured liabilities are issued through various debt programs. For information on these debt programs, refer to Funding activity highlights below.

Other significant funding sources include financial instruments sold not yet purchased, payables to customers and broker-dealers and shareholders' 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 benchmark, depending upon prevailing market conditions. Credit Suisse continually aims to broaden its funding base by geography, investor and funding instrument.

Credit Suisse 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. Credit Suisse 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 Credit Suisse structures its long-term borrowings with maturities that extend beyond those of its subordinated advances to subsidiaries and affiliates.

In addition, Credit Suisse generally funds investments in subsidiaries with shareholders' equity. To satisfy the Swiss and local regulatory capital needs of its regulated subsidiaries, Credit Suisse enters into subordinated long-term borrowings. At December 31, 2005, Credit Suisse had consolidated long-term debt of approximately CHF 125.9 billion, including approximately CHF 13.5 billion of subordinated debt.

Funding activity highlights

In the non-bank funding franchise, Credit Suisse (USA), Inc. (CS USA) issues long-term debt through US and Euromarket medium-term note programs, as well as syndicated and privately placed offerings around the world.

CS USA maintains a shelf registration statement on file with the SEC, which was established in February 2006 and allows it to issue, from time to time, senior and subordinated debt securities and warrants to purchase such securities.

For the year ended December 31, 2005, CS USA issued USD 1.8 billion of 5.125% notes due 2015, USD 1.0 billion of 4.875% notes due 2010, USD 1.3 billion of floating rate notes due 2010 and USD 4.3 billion of floating rate notes due 2008 under its shelf registration statement and USD 217 million of structured notes. CS USA did not issue any medium-term notes under its USD 5 billion Euromarket program established in July 2001.

During the year ended December 31, 2005, CS USA repaid approximately USD 2.1 billion of medium-term notes, USD 1.0 billion of senior notes and USD 56 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 Credit Suisse when competing in certain markets and when seeking to engage in longer-term transactions, including OTC derivatives.

A reduction in credit ratings could limit Credit Suisse’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.

Standard and Poor’s revised the outlooks on Credit Suisse Group’s core operating subsidiaries Credit Suisse, Credit Suisse (International) Holding AG, CS USA, Credit Suisse Holdings (USA) Inc. and Credit Suisse International to positive from stable and affirmed the 'A+/A-1' long- and short-term counterparty credit ratings on these subsidiaries.

The credit rating and ratings outlook assigned to the senior debt of Credit Suisse and CS USA as of March 21, 2006 were as follows:

	Short-Term	Long-Term	Outlook
Credit Suisse			
Fitch	F1+	AA-	Stable
Moody's	P-1	Aa3	Stable
Standard & Poor's	A-1	A+	Positive
CS USA			
Fitch	F1+	AA-	Stable
Moody's	P-1	Aa3	Stable
Standard & Poor's	A-1	A+	Positive

Capital resources and capital adequacy

Certain of Credit Suisse’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. Credit Suisse’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 upon these analyses, Credit Suisse believes that its capital base is adequate for current operating levels.

As a Swiss bank, Credit Suisse is subject to regulation by the SFBC. These regulations include risk-based capital guidelines set forth in the Implementing Ordinance. Credit Suisse also adheres to the risk-based capital guidelines set forth by the BIS. The SFBC has advised the Group that Credit Suisse may continue to include as Tier 1 capital CHF 6.5 billion of equity from special purpose entities that are deconsolidated under FIN 46R.

At Credit Suisse, the regulatory guidelines are used to measure capital adequacy. These guidelines take account of the credit and market risk associated with balance sheet assets as well as certain off-balance sheet transactions. All calculations through December 31, 2003 were performed on the basis of financial reporting under Swiss GAAP. As of January 1, 2004, Credit Suisse performed all its capital adequacy calculations on the basis of financial reporting under US GAAP, which is in accordance with the SFBC newsletter 32 (dated December 18, 2003).

The following table sets forth Credit Suisse's consolidated capital and BIS capital ratios:

December 31, in CHF m, except where indicated	2005	2004
Tier 1 capital	**20,563**	19,247

of which non-cumulative perpetual preferred securities	**1,044**	1,005
Total capital	**29,815**	30,563
BIS Tier 1 capital ratio	**9.6%**	10.7%
BIS total capital ratio	**14.0%**	17.0%

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

Winterthur legal entity

Organization

Winterthur generally manages its liquidity and capital resources on an independent basis. These treasury operations are the responsibility of the Chief Investment Officer, or CIO, of Winterthur. Local country CIOs and treasurers work within the guidelines set by the Winterthur head office and report to their Winterthur head office counterparts.

Liquidity management

Overall liquidity needs are typically met through active day-to-day cash management that seeks to match anticipated cash inflows with budgeted cash requirements. In addition, Winterthur's liquidity needs are taken into account in the strategic asset allocation of its investment portfolios, which is based on asset and liability management considerations.

Funding sources and strategy

The principal sources of funds for Winterthur are premiums from the insurance businesses, deposits and charges on policies, investment income, proceeds from the sale and maturity of investments and, to a lesser extent, external borrowings. The liquidity requirements of Winterthur include benefits, surrenders and claims, operating expenses, interest and borrowings, purchases of investments and dividends to Credit Suisse Group. Winterthur did not pay a dividend to Credit Suisse Group in 2005.

See note 24 of the Notes to the consolidated financial statements for information relating to outstanding long-term debt.

Credit ratings

Rating agencies can assign two types of ratings to insurance companies: Insurer Financial Strength (IFS) ratings and credit ratings.

IFS ratings provide an assessment of the financial strength of a company and its capacity to meet senior obligations to policyholders and contract holders on a timely basis. IFS ratings are assigned to the company itself, and no liabilities or obligations of the insurer are specifically rated unless otherwise stated. Because an insurer's obligation to pay its claim and benefit obligations ranks senior to all other obligations, the IFS rating is typically the highest rating assigned within the organization.

Insurance agents and brokers, risk managers, financial planners, pension fund advisors, individual policyholders and claimants may use these ratings as an unbiased viewpoint as to Winterthur's financial viability.

In contrast, borrowing costs and, when required, access to debt capital markets, depend significantly on credit ratings. These ratings provide an assessment of overall credit quality at the unsecured senior level and the ability of an insurer to meet related obligations.

In 2005, Standard & Poor's affirmed the A-/Stable IFS rating for Winterthur. A.M. Best & Co. affirmed Winterthur's A- (Excellent) IFS rating. Fitch Ratings affirmed Winterthur's A+ IFS rating and removed it from Rating Watch Negative, on which Winterthur had been placed earlier in the year. Moody's changed the outlook on Winterthur's A1 IFS rating to negative from stable.

Winterthur's IFS ratings as of March 21, 2006 were as follows:

	Insurer financial strength	Outlook
A.M. Best	A-	Stable
Fitch IBCA Ltd.	A+	Stable
Moody's	A1	Negative
Standard & Poor's	A-	Stable

Solvency and capital adequacy

Winterthur's capital requirements incorporate a combination of regulatory, market and economic requirements. Winterthur's overall capital needs are continually reviewed to ensure that its capital base can appropriately support anticipated business and operational requirements. The economic capital requirement is defined by Credit Suisse Group's internal standards. In order to fulfill regulatory requirements, all of Winterthur's operating subsidiaries calculate their solvency on a local country level, generally on an annual basis. Internally, the solvency position is reviewed on a quarterly basis. At December 31, 2005, all of Winterthur's insurance subsidiaries met their local solvency requirements.

As an insurance company, Winterthur is subject to supervision by the Swiss insurance regulator, the Bundesamt für Privatversicherungen (BPV) on a consolidated basis, as well as in respect of the individual Swiss operating companies. During 2003, Winterthur became subject to a new consolidated supervision decree with the BPV, which covers the provision of information and reporting of Winterthur group's solvency position. The BPV group solvency calculation, which came into force on January 1, 2004 and replaced the group solvency under the European Union (EU) Group solvency directive, is very similar in concept to the EU Group model, but differs in detail, with the aim of reducing complexity. The available capital under the new model is based on US GAAP consolidated equity. The capital requirements follow Swiss statutory requirements, which are identical to those of the EU. As of December 31, 2005, the Group's BPV available solvency capital exceeded the minimum required solvency margin.

Information required by Industry Guide 3

Selected statistical information

The tables below set forth selected statistical information extracted from 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.

Year ended December 31, in CHF m except where indicated	2005 Average balance	2005 Interest income	2005 Average rate in %	2004 Average balance	2004 Interest income	2004 Average rate in %	2003 Average balance	2003 Interest income	2003 Average rate in %
Assets									
Cash and due from banks									
Switzerland	**2,220**	**35**	**1.58%**	1,843	24	1.30%	6,569	42	0.64%
Foreign	**18,440**	**421**	**2.28%**	15,326	243	1.59%	12,948	94	0.73%
Interest bearing deposits with banks									
Switzerland	**335**	**5**	**1.49%**	237	1	0.42%	851	12	1.41%
Foreign	**5,004**	**114**	**2.28%**	4,260	73	1.71%	1,553	34	2.19%
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions									
Switzerland	**16,555**	**423**	**2.56%**	11,266	298	2.65%	7,955	220	2.77%
Foreign	**333,454**	**12,263**	**3.68%**	289,178	6,438	2.23%	252,621	5,032	1.99%
Trading assets									
Switzerland	**9,687**	**680**	**7.02%**	6,665	398	5.97%	9,841	273	2.77%
Foreign	**336,796**	**13,464**	**4.00%**	286,063	12,168	4.25%	228,068	10,501	4.60%
Investment securities									
Switzerland	**43,289**	**1,501**	**3.47%**	41,394	1,551	3.75%	38,161	1,530	4.01%
Foreign	**67,813**	**2,571**	**3.79%**	61,200	2,384	3.90%	62,018	2,613	4.21%
Loans									
Switzerland	**126,839**	**3,947**	**3.11%**	122,904	3,635	2.96%	120,876	4,106	3.40%
Foreign	**69,754**	**2,807**	**4.02%**	61,883	2,395	3.87%	60,847	2,728	4.48%
Other interest-earning assets									
Switzerland	**3,211**	**156**	**4.86%**	3,809	148	3.89%	5,013	108	2.15%
Foreign	**62,307**	**2,541**	**4.08%**	47,753	1,217	2.55%	36,629	1,069	2.92%
Interest-earning assets	**1,095,704**	**40,928**	**3.74%**	953,781	30,973	3.25%	843,950	28,362	3.36%
Specific allowance for losses	**(3,774)**			(4,935)			(7,347)		
Non-interest-earning assets	**162,939**			173,547			208,922		
Total assets	**1,254,869**			1,122,393			1,045,525		
Percentage of assets attributable to foreign activities	**79.12%**			78.73%			76.84%		

Year ended December 31, in CHF m except where indicated	2005 Average balance	2005 Interest expense	2005 Average rate in %	2004 Average balance	2004 Interest expense	2004 Average rate in %	2003 Average balance	2003 Interest expense	2003 Average rate in %
Liabilities									
Deposits of banks									
Switzerland	**4,727**	**97**	**2.05%**	5,420	45	0.83%	19,446	161	0.83%

Foreign	**76,575**	**2,243**	**2.93%**	66,330	1,357	2.05%	37,620	932	2.48%
Deposits of non-banks									
Switzerland	**102,732**	**829**	**0.81%**	98,754	605	0.61%	85,267	557	0.65%
Foreign	**145,597**	**4,352**	**2.99%**	114,784	2,028	1.77%	91,045	1,754	1.93%
Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions									
Switzerland	**27,916**	**536**	**1.92%**	19,657	345	1.76%	19,617	278	1.42%
Foreign	**285,393**	**11,139**	**3.90%**	247,585	5,543	2.24%	215,431	4,377	2.03%
Trading liabilities									
Switzerland	**2,559**	**0**	**0.00%**	2,020	22	1.09%	5,005	105	2.10%
Foreign	**125,453**	**4,845**	**3.86%**	109,263	5,242	4.80%	119,733	4,723	3.94%
Short-term borrowings									
Switzerland	**671**	**18**	**2.68%**	1,903	35	1.84%	1,264	41	3.24%
Foreign	**15,143**	**337**	**2.23%**	13,648	208	1.52%	11,601	298	2.57%
Long-term debt									
Switzerland	**12,207**	**468**	**3.83%**	11,553	384	3.32%	11,290	420	3.72%
Foreign	**108,315**	**3,528**	**3.26%**	89,078	2,590	2.91%	79,304	2,388	3.01%
Other interest-bearing liabilities									
Switzerland	**2,700**	**60**	**2.22%**	2,919	38	1.30%	3,281	75	2.29%
Foreign	**21,671**	**884**	**4.08%**	16,690	565	3.39%	7,818	528	6.75%
Interest-bearing liabilities	**931,659**	**29,336**	**3.15%**	799,604	19,007	2.38%	707,722	16,637	2.35%
Non-interest-bearing liabilities	**282,352**			286,393			302,922		
Total liabilities	**1,214,011**			1,085,997			1,010,644		
Shareholders' equity	**40,858**			36,396			34,881		
Total liabilities and shareholders' equity	**1,254,869**			1,122,393			1,045,525		
Percentage of liabilities attributable to foreign activities	**79.28%**			78.53%			76.02%		

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

	2005		2004		2003	
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	**4,739**	**2.00%**	4,581	2.20%	4,654	2.20%
Foreign	**6,853**	**0.30%**	7,385	0.60%	7,071	0.70%
Total net	**11,592**	**0.60%**	11,966	0.80%	11,725	1.00%

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	2005	2004	2003
Switzerland	**2.34%**	2.44%	2.46%
Foreign	**0.77%**	0.96%	1.08%
Net interest margin	**1.06%**	1.25%	1.39%

The US Federal Reserve continued to increase short-term interest rates throughout 2005, raising short-term rates to 4.25% in December 2005. The yield curve continued to flatten throughout the year, ending 2005 inverted, with long-term interest rates falling below short-term rates.

During the fourth quarter of 2005, the European Central Bank raised its benchmark interest rate for the first time in five years. The Bank of England reduced its benchmark rate once during 2005 while the Bank of Japan kept its rates stable throughout the year.

The Swiss National Bank sets a target range for 3-month Swiss franc Libor in order to manage money supply. On December 15, 2005, the Swiss National Bank increased the target range for the three-month Libor by 0.25 percentage points to 0.50–1.50%. This was the first change in the target range announced during 2005.

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 2005 compared to 2004 and for 2004 compared to 2003. 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.

	2005 vs. 2004			2004 vs. 2003		
	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	**5**	**6**	**11**	(30)	12	(18)
Foreign	**50**	**128**	**178**	17	132	149
Interest-bearing deposits with banks						
Switzerland	**0**	**4**	**4**	(9)	(2)	(11)
Foreign	**13**	**28**	**41**	59	(20)	39
Central bank funds sold, securities purchased under resale agreements, and securities borrowing transactions						
Switzerland	**140**	**(15)**	**125**	92	(14)	78

Foreign	**987**	**4,838**	**5,825**	727	679	1,406
Trading assets						
Switzerland	**180**	**102**	**282**	(88)	213	125
Foreign	**2,156**	**(860)**	**1,296**	2,668	(1,001)	1,667
Investment securities						
Switzerland	**71**	**(121)**	**(50)**	130	(109)	21
Foreign	**258**	**(71)**	**187**	(34)	(195)	(229)
Loans						
Switzerland	**116**	**196**	**312**	69	(540)	(471)
Foreign	**305**	**107**	**412**	46	(379)	(333)
Other interest-earning assets						
Switzerland	**(23)**	**31**	**8**	(26)	66	40
Foreign	**371**	**954**	**1,325**	325	(177)	148
Interest-earning assets						
Switzerland	**489**	**203**	**692**	138	(374)	(236)
Foreign	**4,140**	**5,124**	**9,264**	3,808	(961)	2,847
Change in interest income	**4,629**	**5,327**	**9,956**	3,946	(1,335)	2,611

	2005 vs. 2004			2004 vs. 2003		
	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	**(6)**	**58**	**52**	(116)	0	(116)
Foreign	**210**	**676**	**886**	712	(287)	425
Deposits of non-banks						
Switzerland	**24**	**200**	**224**	88	(40)	48
Foreign	**545**	**1,779**	**2,324**	458	(184)	274
Central bank funds purchased, securities sold under repurchase agreements, and securities lending transactions						
Switzerland	**145**	**46**	**191**	1	66	67
Foreign	**847**	**4,749**	**5,596**	653	513	1,166
Trading liabilities						
Switzerland	**6**	**(28)**	**(22)**	(63)	(20)	(83)
Foreign	**777**	**(1,174)**	**(397)**	(413)	932	519
Short-term borrowings						
Switzerland	**(23)**	**6**	**(17)**	21	(27)	(6)
Foreign	**23**	**106**	**129**	53	(143)	(90)
Long-term debt						
Switzerland	**22**	**62**	**84**	10	(46)	(36)
Foreign	**560**	**378**	**938**	294	(92)	202
Other interest-bearing liabilities						
Switzerland	**(3)**	**25**	**22**	(8)	(29)	(37)
Foreign	**169**	**150**	**319**	599	(562)	37

Interest bearing liabilities						
Switzerland	**165**	**369**	**534**	(67)	(96)	(163)
Foreign	**3,131**	**6,664**	**9,795**	2,356	177	2,533
Change in interest expense	**3,296**	**7,033**	**10,329**	2,289	81	2,370
Change in net interest income						
Switzerland	**324**	**(166)**	**158**	205	(278)	(73)
Foreign	**1,009**	**(1,540)**	**(531)**	1,452	(1,138)	314
Total change in net interest income	**1,333**	**(1,706)**	**(373)**	1,657	(1,416)	241

Deposits

Deposits by foreign depositors in Swiss offices amounted to CHF 42.5 billion, CHF 37.2 billion and CHF 40.2 billion as of December 31, 2005, 2004 and 2003, 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.

	2005			2004			2003		
Year ended December 31, in CHF m except where indicated	Average balance	Interest expense	Average rate in %	Average balance	Interest expense	Average rate in %	Average balance	Interest expense	Average rate in %
Noninterest-bearing demand	**12,691**	**–**	**–**	10,246	–	–	17,369	–	–
Interest-bearing demand	**47,428**	**196**	**0.4%**	52,183	139	0.3%	38,388	129	0.3%
Savings deposits	**44,389**	**255**	**0.6%**	43,605	257	0.6%	41,773	282	0.7%
Time deposits	**37,630**	**572**	**1.5%**	31,641	359	1.1%	32,216	350	1.1%
Switzerland	**142,138**	**1,023**	**0.7%**	137,675	755	0.5%	129,746	761	0.6%
Noninterest-bearing demand	**1,194**	**–**	**–**	1,396	–	–	1,391	–	–
Interest-bearing demand	**12,308**	**297**	**2.4%**	9,023	116	1.3%	6,471	91	1.4%
Savings deposits	**26**	**0**	**0.0%**	12	0	0.0%	11	0	0.0%
Time deposits	**187,850**	**6,200**	**3.3%**	148,824	3,164	2.1%	114,519	2,552	2.2%
Foreign	**201,378**	**6,497**	**3.2%**	159,255	3,280	2.1%	122,392	2,643	2.2%
Total deposits	**343,516**	**7,520**	**2.2%**	296,930	4,035	1.4%	252,138	3,404	1.4%

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

December 31, 2005, in CHF m	Switzerland	Foreign	Total
3 months or less	11	27,808	**27,819**
Over 3 through 6 months	8	8,032	**8,040**
Over 6 through 12 months	13	16,591	**16,604**
Over 12 months	26	3,371	**3,397**

Certificates of deposit	58	55,802	**55,860**
3 months or less	43,788	126,081	**169,869**
Over 3 through 6 months	2,419	3,705	**6,124**
Over 6 through 12 months	1,792	2,684	**4,476**
Over 12 months	1,179	6,770	**7,949**
Other time deposits	49,178	139,240	**188,418**
Total time deposits	49,236	195,042	**244,278**

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	2005	2004	2003
Central bank funds purchased and securities sold under repurchase agreements and securities lending transactions			
Outstanding as of December 31	**309,803**	239,724	236,847
Maximum amount outstanding at any month-end during the year	**373,987**	309,555	255,022
Approximate average amount outstanding during the year	**313,309**	267,242	235,048
Interest expense for the year ended December 31	**11,675**	5,888	4,655
Approximate weighted-average interest rate during the year	**3.7%**	2.2%	2.0%
Approximate weighted-average interest rate at year-end	**3.0%**	2.4%	1.9%
Commercial papers			
Outstanding as of December 31	**10,376**	8,518	7,306
Maximum amount outstanding at any month-end during the year	**10,376**	17,636	14,753
Approximate average amount outstanding during the year	**7,122**	9,357	6,674
Interest expense for the year ended December 31	**232**	148	134
Approximate weighted-average interest rate during the year	**3.3%**	1.6%	2.0%
Approximate weighted-average interest rate at year-end	**1.4%**	2.7%	1.0%
Other short-term borrowings			
Outstanding as of December 31	**9,096**	6,825	4,191
	10,248	7,518	18,540

Maximum amount outstanding at any month-end during the year			
Approximate average amount outstanding during the year	**8,692**	6,194	6,191
Interest expense for the year ended December 31	**123**	96	205
Approximate weighted-average interest rate during the year	**1.4%**	1.5%	3.3%
Approximate weighted-average interest rate at year-end	**1.5%**	1.3%	3.3%

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, refer to Risk management – Market risk in the Credit Suisse Group Annual Report 2005.

The following table presents the carrying value of financial investments:

December 31, in CHF m	2005	2004	2003
Debt securities issued by the Swiss federal, cantonal or local government entities	**12,636**	12,937	11,840
Debt securities issued by foreign governments	**42,873**	28,360	34,661
Corporate debt securities	**41,364**	42,119	43,667
Other	**15,612**	10,934	9,828
Total debt securities	**112,485**	94,350	99,996

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, 2005	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	669	1.79%	2,543	2.08%	3,870	2.39%	5,031	2.98%	**12,113**
Debt securities issued by foreign governments	5,214	2.40%	12,911	3.08%	16,377	3.63%	7,254	4.20%	**41,756**
Corporate debt securities	1,923	2.74%	14,696	3.81%	12,418	5.83%	11,395	4.75%	**40,432**
Other	290	2.39%	4,320	3.62%	7,860	1.66%	2,576	2.69%	**15,046**
Total debt securities	8,096	2.43%	34,470	3.39%	40,525	3.80%	26,256	4.06%	**109,347**

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

As of December 31, 2005, the aggregate investments in debt securities from two specific counterparties were each in excess of 10% of consolidated shareholders' equity. Aggregate investments in debt securities issued by two European governments represented approximately 23% and 12% of the December 31, 2005 balance of consolidated shareholders' equity. The Standard & Poor's ratings for these were AAA and AA.

Loan portfolio

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

in CHF m, except where indicated	2005	2004	2003	2002	2001
Balance January 1	**3,038**	4,646	7,427	9,348	10,906
Switzerland	**262**	360	958	1,263	961
Foreign	**291**	456	728	1,931	1,713
New provisions	**553**	816	1,686	3,194	2,674
Switzerland	**(366)**	(295)	(548)	(383)	(439)
Foreign	**(321)**	(442)	(523)	(307)	(563)
Releases of provisions	**(687)**	(737)	(1,071)	(690)	(1,002)
Net additions charged to income statement	**(134)**	79	615	2,504	1,672
Commercial	**(515)**	(663)	(1,418)		
Consumer	**(140)**	(197)	(315)		
Public authorities	**(3)**	(88)	0		
Lease financings	**(10)**	6	(7)		
Switzerland	**(668)**	(942)	(1,740)		
Banks	**0**	(1)	(55)		
Commercial	**(269)**	(811)	(1,511)		
Consumer	**(8)**	(13)	(22)		
Public authorities	**0**	(5)	(5)		
Lease financings	**(22)**	(9)	0		
Foreign	**(299)**	(839)	(1,593)		
Gross write-offs [1]	**(967)**	(1,781)	(3,333)	(3,692)	(3,720)
Commercial	**27**	22	28		
Consumer	**2**	2	3		
Switzerland	**29**	24	31		
Banks	**2**	2	0		
Commercial	**102**	32	17		
Consumer	**3**	0	0		
Foreign	**107**	34	17		
Recoveries [1]	**136**	58	48	61	48
Net write-offs	**(831)**	(1,723)	(3,285)	(3,631)	(3,672)
Allowances acquired/(deconsolidated)	**0**	(24)	26	4	2
Provisions for interest	**67**	92	155	187	400
	101	(32)	(292)	(985)	40

Foreign currency translation impact and other adjustments, net					
Balance December 31	**2,241**	3,038	4,646	7,427	9,348
Average loan balance	**196,593**	184,787	181,723	184,299	198,624
Ratio of net write-offs to average loans	**0.42%**	0.93%	1.81%	1.97%	1.85%

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 region and sector:

	2005		2004		2003		2002		2001	
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%	1	0.0%	2	0.0%
Commercial	**1,091**	**0.5%**	1,704	0.9%	2,339	1.3%	3,365	1.9%	4,797	2.6%
Consumer	**418**	**0.2%**	537	0.3%	694	0.4%	927	0.5%	840	0.5%
Public authorities	**4**	**0.0%**	11	0.0%	29	0.0%	24	0.0%	27	0.0%
Lease financings	**45**	**0.0%**	60	0.0%	21	0.0%	22	0.0%	24	0.0%
Switzerland	**1,558**	**0.8%**	2,312	1.2%	3,083	1.7%	4,339	2.4%	5,690	3.1%
Banks	**10**	**0.0%**	8	0.0%	9	0.0%	4	0.0%	7	0.0%
Commercial	**628**	**0.3%**	655	0.4%	1,496	0.9%	3,011	1.7%	3,527	1.9%
Consumer	**39**	**0.0%**	49	0.0%	51	0.0%	59	0.0%	116	0.1%
Public authorities	**6**	**0.0%**	5	0.0%	7	0.0%	14	0.0%	8	0.0%
Lease financings	**0**	**0.0%**	9	0.0%	0	0.0%	0	0.0%	0	0.0%
Foreign	**683**	**0.3%**	726	0.4%	1,563	0.9%	3,088	1.7%	3,658	2.0%
Total allowance for loan losses	**2,241**	**1.1%**	3,038	1.6%	4,646	2.6%	7,427	4.1%	9,348	5.1%
of which on principal	**1,917**	**0.9%**	2,526	1.4%	3,837	2.2%	6,331	3.5%	7,630	4.2%
of which on interest	**324**	**0.2%**	512	0.3%	809	0.5%	1,096	0.6%	1,718	0.9%

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

Year ended December 31, in CHF m	2005	2004	2003	2002	2001
Financial services	**80**	34	411	135	377
Real estate companies	**91**	144	321	712	738
Other services	**82**	131	106	298	523
Manufacturing	**150**	298	897	590	349
Wholesale and retail trade	**208**	492	188	320	263
Construction	**21**	58	101	173	316
Transportation	**42**	89	316	70	384

Health and social services	**9**	3	29	15	80
Hotels and restaurants	**39**	41	48	80	120
Agriculture and mining	**7**	13	51	177	31
Telecommunications	**55**	169	459	451	9
Non-profit and international organizations	**0**	2	2	2	8
Commercial	**784**	1,474	2,929	3,023	3,198
Banks	**0**	1	55	2	12
Consumer	**148**	210	337	661	510
Public authorities	**3**	93	5	0	0
Lease financings	**32**	3	7	6	0
Total gross write-offs	**967**	1,781	3,333	3,692	3,720

The following table sets forth details of the domestic (Switzerland) and foreign loan portfolio:

December 31, in CHF m, except where indicated	2005	2004	2003	2002	2001
Banks	**1,801**	1,558	1,254	1,416	1,877
Commercial	**43,972**	43,000	42,811	47,693	58,030
Consumer	**81,388**	76,010	70,932	65,029	58,664
Public authorities	**3,481**	3,894	3,419	3,107	3,898
Lease financings	**2,979**	2,696	3,481	3,230	2,915
Switzerland	**133,621**	127,158	121,897	120,475	125,384
Banks	**8,555**	7,233	7,876	8,841	11,941
Commercial	**46,110**	33,873	31,264	38,648	34,709
Consumer	**18,398**	18,248	19,741	18,330	17,465
Public authorities	**1,026**	679	797	1,586	1,769
Lease financings	**138**	130	144	165	175
Foreign	**74,227**	60,163	59,822	67,570	